

ECONOMIC DEVELOPMENT THROUGH TAKING “100 CONCRETE STEPS”: AN OUTSIDER’S ASSESSMENT

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Abstract. In this article, the author seeks to examine the economic development in Kazakhstan through the lens of his prior research about the Middle East and East/Southeast Asia. This article has a two-fold objective. Firstly, it will reflect on the wider economic reform plans in the country and considers if those fit into some existing economic theories on growth. Secondly, it will use two specific reforms as put forward by the “100 Concrete Steps” as examples of further reflection, namely establishing the Astana International Financial Center and tackling corruption. In this research, the author will employ mainly a comparative method but also supplemented by other methods such as historical approach, induction reasoning and use of pre-existing empirical evidence. In its comparison, the article will consider the experiences of other financial centers which have transplanted common law such as the Dubai International Financial Center and the lessons of Hong Kong and Singapore in successfully tackling corruption. This article contends that together with other ongoing reforms, the path of Kazakhstan seems to now prompt along the lines of a Western model of growth in which democracy, low corruption and rule of law are the emphasis, but with an understanding that it is not necessarily the only path Kazakhstan can undertake.

Keywords: Kazakhstan, economic development, institutions, law, Astana International Financial Center, corruption.

JEL codes: K20, O10, O43, O53, P51

Аңдатпа. Мақалада автор Қазақстанның экономикалық дамуын Таяу Шығыс пен Шығыс Азияны алдыңғы зерттеуінің шеңберінде қарастырады. Бұл мақала екі мақсатты көздейді. Біріншіден, ол елдің экономикалық реформасының кең жоспарларын сипаттайды және олардың кейбір қолданыстағы экономикалық өсу теорияларымен сәйкестігін қарастырады. Екіншіден, мақалада «100 нақты қадам» бағдарламасында ұсынылған екі нақты реформа, атап айтқанда, «Астана» халықаралық қаржы орталығын құру және сыбайлас жемқорлыққа қарсы күрес мысал ретінде келтірілген. Бұл зерттеуде автор тарихи, индуктивті пайымдау және бұрын болған эмпирикалық деректерді пайдалану әдістермен толықтырылған салыстырмалы әдісті қолданады. Салыстыру барысында мақалада Дубайдың Халықаралық қаржы орталығы жалпы құқықты енгізген басқа қаржы орталықтарының тәжірибесі, сондай-ақ Гонконг пен Сингапурдың сыбайлас жемқорлыққа қарсы табысты күрестегі сабақтары қарастырылатын болады. Мақалада Қазақстан қазіргі уақытта өзге ағымдағы реформалармен қатар демократияға, сыбайлас жемқорлықтың төмен деңгейіне және заң үстемдігіне баса назар аударатын батыстық өсу үлгісінің жолын ұстанатыны, сонымен бірге бұл Қазақстанның жалғыз жолы емес екеніне баса назар аударылады.

Түйін сөздер: Қазақстан, экономикалық даму, институттар, құқық, Астана халықаралық қаржы орталығы, сыбайлас жемқорлық.

JEL codes: K20, O10, O43, O53, P51

Аннотация. В статье автор стремится рассмотреть экономическое развитие Казахстана через призму своих предыдущих исследований о Ближнем Востоке и Восточной/Юго-Восточной Азии. Эта статья преследует двойную цель. Во-первых, в ней будут отражены более широкие планы экономических реформ в стране и рассмотрено, соответствуют ли они некоторым существующим теориям экономического роста. Во-вторых, в ней будут использованы две конкретные реформы, предложенные в “100 конкретных шагах” в качестве примеров для дальнейшего размышления, а именно создание Международного финансового центра “Астана” и борьба с коррупцией. В этом исследовании автор использует сравнительный метод, дополненный другими методами, такими как исторический подход, индуктивные рассуждения и использование ранее существовавших эмпирических данных. В ходе сравнения в статье будет рассмотрен опыт других финансовых центров, внедривших общее право, таких как Международный финансовый центр Дубая, а также уроки Гонконга и Сингапура в успешной борьбе с коррупцией. В этой статье утверждается, что вместе с другими текущими реформами путь Казахстана, похоже, в настоящее время приближается к западной модели роста, в которой демократия, низкий уровень коррупции и верховенство закона являются основными, но с пониманием того, что это не обязательно единственный путь, по которому может пойти Казахстан.

Ключевые слова: Казахстан, экономическое развитие, институты, право, Международный финансовый центр «Астана», коррупция.

JEL codes: K20, O10, O43, O53, P51

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Introduction

My first visit to Kazakhstan began in 2017, together with a delegation of my employing Institution. Attracted by its vast territory with abundant natural resources, beautiful scenery and the most hospitable people, I have kept coming back and carrying out research about the country, first about its Astana International Financial Center (AIFC) (Yeung *et al.*, 2020), and then now attempt to broaden the scope of my investigation to the wider economic development of the country. This article is the first step of such attempt.

This article will endeavor to undertake a comparative perspective, by drawing upon my prior research about the relationship between institutions and economic growth in Asia from the lesson of three countries, China (with Hong Kong as a separate chapter/episode), Singapore and Malaysia (Yeung & Huang, 2018), as well as about two financial centers in the Middle East (Yeung & Al-Barashdi, 2022).

One caveat is, although since 2017 I have visited Kazakhstan at least once per year (but unfortunately forced to stop during the Covid pandemic) and very recently resumed my visit in May 2022, my understanding about the country may not be as thorough as those more seasoned and knowledgeable researchers who have devoted far more time in their investigation on the country, as well as an average Kazakh citizen who has lived their lives in the country. That is why the title of this article has been clearly labelled “Outsider’s Assessment” as such. However, through my previous and recent research visits, I have benefited from some useful discussions with, for example, academics, politicians, legal practitioners, and people from the AIFC. Also, despite the title of this article makes a reference to “100 Concrete Steps”, it is not strictly all about the economic reform plan introduced in 2015, but rather because it was arguably the main thrust behind the establishment of the AIFC and the AIFC has been the focus of my previous (and indeed continual) research, I just use it to express the idea that effective economic reform is accumulative and entailing one step at a time.

In this article, I will first provide a very brief overview of Kazakhstan’s historical and

economic development for those readers who may happen to not know too much about the country. Afterwards, I will discuss some of the national economic plans and initiatives introduced over the last decade, and consider how they may fit into some existing economic theories about growth. Then, I will proceed to examine two selected specific steps/actions as contained in “100 Concrete Steps”, namely the establishment of the AIFC, and the attempt to tackle corruption. Some comparisons will be made with the countries of my previous research. A final conclusion will be made at the very end.

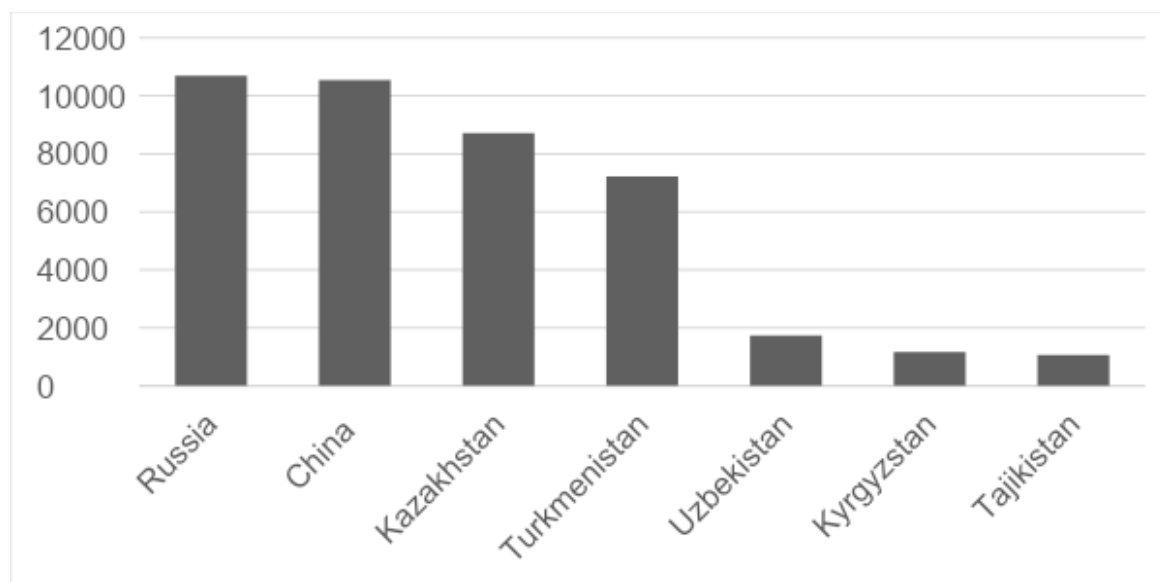
A Snapshot of the Country’s History and Economic Development

Kazakhstan’s history can be traced back to as early as the first century when Turkic-speaking and Mongol tribes settled in where is now Kazakhstan and Central Asia (BBC, 2019). However, due to the vast size of the country, it is indeed difficult to determine a unified prehistoric beginning (Britannica, 2022). Since then, the history of the country has been closely associated with first the Mongols and then Russians. In around the 13th-14th century, the country was part of the empire of the Mongols. With the formation of the Kazakh khanate afterwards, the Kazakhs finally emerged as a distinct ethnic group, and a more unified Kazakh state. To withstand the threat from the Mongols, some Kazakh tribes joined Russia in pursuit of protection in 1730s, starting a few centuries of Russian influence and rule in the territory. In 1920, the Soviet government established the Kirgiz Autonomous Republic, which changed its name to the Kazakh Autonomous Socialist Soviet Republic five years later. Kazakhstan declared full independence on 16 December 1991 and became part of the Commonwealth of Independent States. This is perhaps the time when modern Kazakhstan was formally born.

According to the World Bank (2022), since independence in 1991, Kazakhstan has experienced a remarkable economic performance. Rapid growth has been fueled by structural reforms, abundant hydrocarbon resources, strong domestic demand, and foreign direct investment. As of this moment, the country is an upper-middle-income economy (with GNI per capita between US\$4,096 to US\$12,695; and the figure of

Kazakhstan in 2020 was US\$8,710). At the same time, the World Bank also identified some challenges facing the country which include slow productivity growth, wealth inequality, rising living costs, limited job opportunities, and weak institutions. It alleged that these challenges have been the main reason behind the large scale protests

in the country in the beginning of 2022. It is fair to say Kazakhstan may not outshine (at least for this moment) the two larger neighbors (both in terms of geographical and economic size), but it is definitely a leader in the Central Asian region. For a comparative performance in their GNIs, see Figure 1 below.



Source: World Bank

Figure 1 - GNI per Capita, Atlas Method (Current US\$) in Selected Countries

According to the figures from Statista (2022), in the past decade from 2010 to 2020, the services sector remained the most significant economic pillar in Kazakhstan, accounting for over half of the GDP; with industry closely behind forming around one-third of the economy, and the agricultural sector fairly small which was worth just around 5 percent. It is often perceived that natural resources remained by far the most important part of the economy. It might well be true in 2008 when natural resources once accounted for 32 percent of the GDP. This figure has since dropped to 16.8 percent in 2020. Meanwhile, it is undeniable that the importance of natural resources can still be seen as the major exports from the country (73% of total exports) (*US International Trade Administration, 2020*).

Economic Reforms – the 100 Concrete Steps and others

Attempts to reform Kazakhstan's economy have been seen around the themes of economic diversification, improving the country's business climate,

enhancing competitiveness, and increasing private sector participation (*Asian Development Bank, 2018*). For example, the government issued "Strategy 2050" in 2012. The three key aims of the Strategy 2050 are: to define new markets where Kazakhstan can form productive partnerships and create new sources of economic growth; to create a favorable investment climate; and to effectively develop and modernize the public and private sectors. Then, there is a National Development Plan, for example one through 2025, to supplement Strategy 2050, and the Plan sets out ten national priorities, which include:

(1) fair social policy; (2) an accessible and effective healthcare system; (3) quality education, (4) a just and effective state to protect the interests of citizens; (5) a new model of government; (6) cultivating the values of patriotism; (7) strengthening national security; (8) building a diversified innovation-based economy; (9) development of economic and trade diplomacy; and (10) balanced territorial development.

Three years after the issuance of

Strategy 2050, President Nazarbayev put forward the “100 Concrete Steps” covering five institutional reforms: (1) creation of a modern and professional civil service; (2) ensuring the rule of law; (3) industrialization and economic growth; (4) unified nation for the future; (5) transparency and accountability of the state. Under these five broad reform goals, there are 100 more specific actions that should be taken accordingly. According to Erlan Idrissov, the former foreign minister and now Ambassador of Kazakhstan to the UK, the initiative was a “direct response to worsening regional and global conditions” (Idrissov, 2015). Since President Tokayev came to power, he has introduced a New Economic Course which comprises seven basic principles which broadly cover some if not all of the headings already mentioned above. It can be seen that there have been new reforms and their implementation plans introduced regularly, but the “100 Concrete Steps” have remained quite unique in light of its extensiveness as well as its specificity. Also, because they have been introduced for some time, it is possible for this article to get a sense of their progress.

Do these Reforms Fit Well with the Theories of Growth?

It can be seen that the reforms outlined above, broadly speaking, seek to improve the institutional conditions of Kazakhstan. Institutional economics, which has existed for over a century, is a branch of scholarship which explores the role of institutions in economic activities and growth. “Institutions” is indeed a rather vague term in an economic sense. As put by North (1990), “Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction.” Different types of institutions have been reviewed by scholars, including but not limited to finance, law, politics, trade, culture, technology, education, colonial origin, etc. (see a summary in e.g. Yeung & Huang, 2018: 10). The economic reforms in Kazakhstan apparently do tie in closely with some if not all of these headings, which are believed to be instrumental to economic growth.

The importance of legal institutions in economic development has long been discussed by classical economists, from

Adam Smith to Karl Marx. The concern has been the role of property rights in the process. This perhaps echoes well with one of President Tokayev’s principal elements of his New Economic Course, which involves “inviolability of private property”. The notable role of law has been highlighted by influential studies like the one by La Porta and colleagues (*La Porta et al.*, 1998), as well as the World Bank’s Doing Business Report. La Porta and colleagues have examined legal rules covering the protection of corporate shareholders and creditors, the origin of these rules and the quality of their enforcement in 49 countries.

They have alleged that the legal environment, including both legal rules and their enforcement, matters for the size and extent of a country’s capital market. It is because a good legal environment protects the potential financiers against expropriation by entrepreneurs. Investors are therefore willing to surrender funds in exchange for securities and therefore expand the scope of investments, which is considered conducive to economic growth. Based on their findings, they have claimed that common law countries with better investor protection, have better capital markets to facilitate allocation of resources, again conducive to economic growth. This assertion clearly sits well the idea of establishing the AIFC, arguably modelled on the Dubai International Financial Centre (DIFC), which aims to offer foreign investors an alternative jurisdiction for operations, notably a common law-based legal system, together with other benefits/incentives.

Meanwhile, the World Bank’s Doing Business Report has underlined some important elements of business regulation such as starting a business, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and so on. This World Bank project, launched in 2002, has recently been forced to close down after almost two decades of operation, owing to data irregularities. However, it is still a good reference point to provide a cross-country comparison of the strength of business regulation in different countries. Kazakhstan ranked 25th in the last Doing Business Report (*World Bank*, 2021), below some Western markets like the US (5th) and UK (9th), but ahead of Russia (28th) and China

(31st), as well as far ahead of its Central Asian neighbors, Uzbekistan (69th), Kyrgyz Republic (80th) and Tajikistan (106th). It is worth highlighting that in the ranking, Kazakhstan has done particularly well in relation to protecting minority investors and enforcing contract, but not so well in trading across borders.

Other than law, politics has also been widely believed to be one important institution to growth. A modern and efficient government has been a recurring theme in the national economic reform. Following the civil and political unrest in January 2022, a recent response dominating the news headline has been a constitutional referendum on 5 June 2022, which is “aimed at a comprehensive transformation of the entire state model” and to demonstrate “[the country’s] strong commitment to democratic principles”, according to President Tokayev (*Astana Times*, 2022). Perhaps no one can ever object to the idea of an efficient government, as opposed one which is bureaucratic and corrupt. However, it may not be crystal clear if democracy is really an essential institution to growth. Przeworski and Limongi (1993) have presented a summary of theoretical arguments in the direction of both positive and negative effects of democracy on growth. On the one hand, it is thought that only democratic institutions can constrain the state to act in general interest. Various entities in the society like the opposition parties and media can keep those in power in check. On the other hand, there are also arguments against democracy.

Proponents of this view asserts that dictatorships are more capable of forcing savings and launching economic growth. Second, some observed that dictators tended to behave in a “developmentalist” fashion especially from the experience of the Far East and Latin America (*Przeworski & Limongi*, 1993: 55-56). Perhaps the rise of China is a good example of where democracy may not matter. Another example is Singapore. As put by the legendary Singaporean leader, Lee Kuan Yew, Asian values have been about a “paternalistic and illiberal state” in which stability and economic development are regarded more highly than other values (*Yeung & Huang*, 2018: 167). When Nobel Laureate economist Milton Friedman looked at Singapore, he remarked

that Lee Kuan Yew was a “benevolent dictator” and drew the lesson that it is possible to combine a free private market economic system with a dictatorial political system (*Yeung & Huang*, 2018: 164). Furthermore, in other parts of the world, a major new survey conducted by the BBC (2022) shows that Arabs are losing faith in democracy to deliver economic stability across the Middle East and North Africa. Respondents of this survey tended to place more emphasis on strong leaders and the effectiveness of their government's policies over the type of government (i.e. a democracy or not).

Setting the far from clear impact of democracy on growth aside, the Economist Intelligence Unit's (2022) Democracy Index provides a snapshot of the state of democracy worldwide for 165 independent states and two territories. According to the Index, less than half (45.7%) of the world's population live in a democracy of some sort, and even fewer (6.4%) reside in a “full democracy”. More than one-third of the world's population live under authoritarian rule, with a large share being in China. In the same index, Singapore is considered a “flawed democracy”. Kazakhstan, Russia and all other Central Asian countries are considered having an authoritarian regime.

As said before, there may be a spectrum of factors which may influence economic growth. For example, the Schumpeterian model of growth has placed a great deal of focus on innovations and new technologies (*Schumpeter*, 1942). Another possible factor is the functioning of financial markets. The market is often viewed as the most efficient allocation of capital. There is a view that banks generally finance only well-established, safe borrowers, while stock markets can encourage more risky, productive and innovative projects (*Caporale et al.*, 2004). The national economic reforms in Kazakhstan apparently entail these considerations by increasing spending on education, fostering innovation, encouraging the development of the technological sector, and establishing a new financial center in Nur-Sultan.

Yet, whilst the government can introduce numerous initiatives to enhance its economy, there may be a limit of what it can actually change. Geography can be a cause of cross-country differences in economic

performance (*Acemoglu et al., 2005*). First, climate may be an important determinant of work effort, incentives, or even productivity. This is especially true in the context of agricultural productivity. If it is true, the extreme cold weather during winter months in certain parts of Kazakhstan may not be helping economic growth. Furthermore, a superior geographical location is an obvious advantage in trade. Kazakhstan, as a landlocked country, means that it is not in a position to develop blue-water trade, when China and Singapore have the busiest container ports in the world and they stand to benefit from the volume of trade handled by their ports.

In sum, the general direction of national economic reform in Kazakhstan is theoretically sound. In the following sections, this work will proceed to assess two of the specific steps taken, namely in relation to the AIFC, as well as the country's attempt to fight corruption.

Strengthening the Rule of Law, Industrialization and Economic Growth through the AIFC

Amongst the "100 Concrete Steps", the AIFC has been mentioned a number of times but most notably in Steps 24 and 70, falling under the two general goals of (1) ensuring the rule of law and (2) industrialization and economic growth.

24. Establishing an AIFC international arbitration Centre in Astana, modelled on the experience in Dubai.

70. Establishing the Astana International Financial Centre (AIFC), and giving it a special status consolidating legally within the constitution. Establishment of the center as a financial hub for the CIS countries, as well as the region. An independent commercial law system, which will function on English law principles and with a judicial corps consisting of foreign experts will be established. The goal is for Kazakhstan's financial hub to join the top 20 financial centers of the world.

In December 2015, President Nazarbayev signed the Constitution of the AIFC which provides a legal framework for its establishment and operation. The Constitution of Kazakhstan was amended to allow a "special legal order in financial field" be established within the territory of Nur-Sultan (Article 2 of the Constitution of the

Republic of Kazakhstan). According to this legal framework, the governing law of the AIFC is based on the Constitution of the Republic of Kazakhstan and will have a special legal regime, consisting of its own laws and its own independent judicial system and jurisdiction which will be based on English common law, and standards of leading international financial centers (Article 4(1) of the Constitution of the AIFC). The current laws of Kazakhstan apply to the extent that they do not conflict with the laws adopted by the AIFC. The core administrative and regulatory structures of the AIFC include the Management Council, the AIFC Authority, Astana Financial Services Authority, the AIFC Court, and the Astana International Arbitration Center. The AIFC began operation in January 2018, but an official international launch took place later on 5 July in the same year.

As clearly indicated in Step 24, the idea of having a common law zone with a civil law system arguably is not ground-breaking itself, but may have modelled on the Dubai experience. The DIFC is a geographic and legal jurisdiction within the emirate of Dubai (part of the federation of the UAE). In 2004 the UAE constitution was amended to allow an emirate to establish a "financial free zone", a separate legal, geographic and judicial jurisdiction. Like the AIFC, all activity within the DIFC is governed by the laws of the DIFC, with the exception that federal criminal law applies within the zone. The apparent initial success of the DIFC has led to a nearby follower. The Qatar Financial Center (QFC) was established in 2005 to assist in diversifying Qatar's economy to become less reliant on oil and gas. Needless to say, it is a separate jurisdiction based on an English system like the AIFC and DIFC. A newer follower (earlier than the AIFC) was the Abu Dhabi Global Market (ADGM), which opened for business in late October 2015.

To draw a quick comparison between these special financial zones, in addition to a dedicated legal framework based on English common law as a headline feature, there are also some incentives (both financial and non-financial) to attract businesses and participants to the zones, especially in relation to taxation and immigration policy. Normally, these can be in the form of a preferential tax regime and/or a simplified visa regime. In the DIFC, a 50-year

guarantee of zero taxes on corporate profits their employees' income is provided (Article 14 of Dubai Law No. 9 of 2004). However, it is only attractive to certain companies when compared to the rest of Dubai and the UAE where presently corporate income tax is only chargeable for oil companies and foreign banks, and there is no personal income tax. The same analysis can also be applied for the ADGM which operates a zero taxation regime for 50 years in relation to profits and income tax (Article 18 of Abu Dhabi Law No. 4 of 2013). As a side note, it is worth highlighting that in general the UAE is regarded as a tax haven, for example, by the European Union. Similarly, in the AIFC, there is a 50 year waiver for corporate tax, individual income tax, property tax and land tax, till the end of year 2066 (Article 6 of the Constitution of the AIFC). As a comparison, the normal corporate tax and personal income tax rates in Kazakhstan are 20 percent and 10 percent respectively. Amongst the four zones, the QFC is perhaps the only one which levies taxes on corporate profits. The same standard rate of corporation tax of 10 percent is applied nationally, both within and outside of the QFC, for a corporate entity that is wholly or partially foreign owned (Article 9 of the QFC Tax Regulations). In Qatar, no corporate income tax is levied on a corporate entity that is wholly owned by Qatari nationals and GCC nationals. Also, there is no personal income tax in Qatar. But like the UAE, a rate of 35 percent is to levy on oil and gas companies. The taxation policy within the AIFC is clearly consistent with Step 71 of the "100 Concrete Steps", which calls for "a liberal tax regime for the [AIFC]".

As for non-financial incentives, for the AIFC, citizens of countries of the OECD, Malaysia, the UAE, Singapore and Monaco, as well as a few other countries enjoy visa-free entry to Kazakhstan for a period of 30 days (Article 7 of the Constitution of the AIFC). The QFC is certainly the only zone which goes far enough to have dedicated Immigration Regulations. In the rest of Qatar, foreign companies registered with the Ministry of Economy and Commerce must obtain special approval from the Ministry of Labor to hire foreign workers. In contrast, companies registered with the QFC are exempt from this requirement. The QFC regime will benefit from having a dedicated

Immigration Office at the QFC site, along with simplified procedures for visa applications. As for the DIFC and ADGM, the national visa and immigration policies and procedures are applicable. So, there is no obvious advantage in this regard.

Furthermore, one headline feature for those Middle Eastern special financial zones is to allow wholly foreign ownership of companies, when quite commonly local shareholders are expected to be the majority owner or co-owner of a company in these countries owing to restrictions under their respective foreign investment law. By comparison, this does not seem to be a problem in Kazakhstan. The Kazakhstani Constitution affords foreign companies and individuals the same rights and obligations as Kazakhstani nationals (*Deloitte, 2016*). Foreigners may invest in almost all sectors of the economy, bar restrictions in place for some specific industries. Ownership restrictions include telecommunications lines operators (up to 49 percent), media companies (up to 20 percent), and airlines (up to 49 percent).

Around a decade ago, it has been predicted that the top regional financial center for managing Middle Eastern investments is essentially a two-horse race between Dubai and Qatar (*Hancock, 2012*). As of September 2021, the DIFC was the home to 3,297 companies, including world leading banks, law firms, insurance companies and asset managers, with over 27,000 people working in the special zone. The size of the QFC was smaller. As of the end of 2021, there were 1,284 companies, with over 12,000 people working in the zone. Comparatively, the size of the AIFC is modest but performing reasonably well considering its young age. As of the end of 2020, there were 658 companies registered. The market capitalization of the Astana International Exchange reached US\$35.8 billion, which was only slightly smaller than its more established national counterpart, the Kazakhstan Stock Exchange in Almaty (with a market capitalization of US\$38.1 billion).

Creating a Robust Government through Tackling Corruption.

The term "corruption" has appeared twice in "100 Concrete Steps":

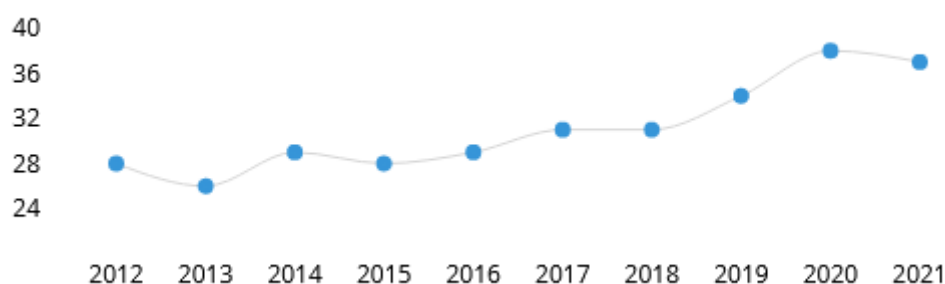
3. Creation of a centralized selection process for new entrants to prevent

corruption and strengthen the role of the civil service agency. Implementation of a three staged selection process.

13. Strengthening the fight against corruption, including development of new legislation. Establishment of a special unit in the Agency for Civil Service Affairs and Fighting Corruption dealing with systemic prevention and measures against corruption.

In general, the concern in corruption lies in the related costs in economic, political and social development (*OECD, 2016*). The harmful effect of corruption can be seen in terms of wasting social resources which otherwise can be used for more productive use. The perceived level of corruption across countries is revealed by Transparency

International's (2021) Corruption Perceptions Index. At the top of the ranking are those highly developed countries, such as the Nordic countries, New Zealand and Singapore. Kazakhstan is ranked 102th out of 180 countries. Arguably, the country has improved over the last decade in the ranking as seen by their steady rise in score (a higher score indicates a “cleaner” public sector) (see Chart 1 below). Amongst its neighbors, China (at 66th) is the only one above Kazakhstan with the rest all sitting towards the bottom of the ranking (Russia at 136th; Uzbekistan at 140th; Kyrgyzstan at 144th; Tajikistan at 150th; and Turkmenistan at 169th).



Source: Transparency International

Chart 1 – Improvement of Kazakhstan’s Scores in the Corruption Perceptions Index

Tackling corruption is an important theme in the country’s reforms, as exemplified by the number of academic studies about it. For example, according to Bokayev and others (2022), based on a survey of 12,010 Kazakhstanis, they investigate people’s assessment of corruption in Kazakhstan and their attitudes toward government anticorruption policy. They identified two problems in the country; firstly, people may not readily understand what amounts to corruption, and secondly existing red tape in the government. According to Kotchegura (2018), Kazakhstan was among the first countries in the post-soviet region to launch anti-corruption risk laws and to develop the relevant expertise. As early as 1998, the Kazakhstani Law No. 267 “On Countering Corruption” was adopted.

The current version is the Kazakhstani Law No. 410-IV of 2015. In 2020, President Tokayev further introduced amendments to

the Anti-Corruption Law, as well as the relevant parts of the Criminal Code and Civil Code which regulate the matter. Through these amendments, there is now a blanket prohibition of acceptance of any gifts or benefits regardless of their value or nature, when previously minor gifts of up to the value of 10 times the monthly calculation index (around US\$70) are acceptable (Article 509 of the Civil Code). Furthermore, the amendments extend the definition of “public officials” such that more officials are now covered by the anti-corruption law and also their family members are covered (when previously they were not). The penalties have also been increased from a fine of up to 20 times the value of the bribe to now up to 30 times, and a prison term of up to three years to now five years (Article 367 of the Criminal Code). Last but not least, public officials are now prohibited from opening and maintaining bank accounts with foreign banks operating outside of Kazakhstan. All

these clearly demonstrate the government efforts and commitments to control corruption.

However, good laws alone are not adequate if there is no credible threat of enforcement. In Kazakhstan, the anti-corruption laws are predominantly enforced by the Anti-corruption Agency. According to the annual reports of the Agency, on average there are well over 1,000 cases of corruption per year. Amongst 722 persons convicted in the last reporting year of 2020, there were 144 high ranking officials. In that year, the Agency recovered KZT 50.7 billion worth of loss. All these may demonstrate the enforcement capacity of the Agency.

The need to have a competent enforcer should not be under-estimated. Hong Kong's Independent Commission Against Corruption (ICAC) and Singapore's Corrupt Practices Investigation Bureau (CPIB) are two of the most acclaimed anti-corruption commissions in Asia, often seen and studied as role models in combating corruption. Incidentally, the two economies are the most affluent in the region, to a large extent, illustrating the importance of fighting corruption.

In Hong Kong, the ICAC was set up in 1974 to tackle corruption, marking a milestone in Hong Kong's anti-corruption history. Before its establishment, corruption was rampant in the public sector. The Prevention of Bribery Ordinance is the primary anti-corruption legislation in Hong Kong, regulating offences in both public and private sectors. In Singapore, the CPIB, which was established in 1952 by the British colonial government, is one of the oldest anti-corruption agencies in the world. The Prevention of Corruption Act, enacted on 17 June 1960, is the primary anti-corruption law in Singapore, which empowers the CPIB, and governs and defines corruption and their punishments. Despite having different models of enforcement (*Heilbrunn, 2004*), both cities have managed to control corruption successfully. This success of both city-states can be reflected by the fact that both cities did well in the recent Corruption Perception Index 2021. Singapore was ranked fourth and Hong Kong at the 12th, making them the best performers in Asia. One notable feature common to the enforcers in Singapore, Hong Kong and Kazakhstan is, they are all directly under

some of the most senior officials so as to minimize interference.

Despite the general idea that corruption is morally unacceptable and the presence of empirical evidence showing the economic cost of corruption, the OECD (2013) highlighted a major puzzle, known as the "Asian Paradox", in the discussion of the corruption-growth nexus which is the combination of rapid growth and high levels of perceived corruption in many Asian economies, notably China. But this can be contrasted with the historical experience of Singapore and Hong Kong. Both of them introduced stringent anticorruption policies at low levels of development, and then their subsequent economic growth and development has been spectacular.

Conclusion

As we can see above, reform efforts, plans and initiatives have been consistently made over the past decade. One notable example is perhaps the "100 Concrete Steps" which directly led to the establishment of the AIFC. "100 Concrete Steps" are expansive and constitute exactly 100 specific actions. Owing to the limitation of time and space, this article has been unable to examine every single one of the 100 Steps. Also, some of these are about agriculture (Steps 35 & 36), transportation (Steps 66 & 67), health care (Steps 80, 81 & 82) and so on, which fall too far beyond the expertise of the author of this article. However, this article still managed to form more focused analyses on the development of the AIFC and efforts to control corruption. It has been demonstrated in this article that some actual actions have been taken to achieve the two steps/goals. The actions taken have been comparable to the experience of other Asian countries which are believed to be successful in their respective area of reform.

There are different models of economic growth: the Western model with emphasis on a democratic government, low level of corruption and rule of law; the Russian and Chinese model of an authoritarian government, perceivably higher level of corruption and less robust legal system, but with their own distinctive strengths, such as abundant natural resources and labor intensive production; a mix of both like Singapore and Hong Kong, a flawed democracy but with low level of corruption

and a trusted legal system based on common law. With the imminent constitutional referendum potentially giving all Kazakhstani citizens more say in politics and public governance, as well as the two specific areas examined in the article, it is fair to say Kazakhstan is moving towards the Singaporean and Hong Kong model, if not the Western model. No matter what model Kazakhstan ends up choosing, I personally and honestly believe the growth potential of the country is enormous, with its strategic and enviable location between two continents, sandwiched by two fastest

growing and most influential countries in the world. Around a decade ago people talked about BRICS (Brazil, Russia, India, China, and South Africa). Sooner or later, perhaps one day, people may need to add back the missing letter “K” so as to complete the whole English word BRICKS (Brazil, Russia, India, China, Kazakhstan, and South Africa).

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«100 НАҚТЫ ҚАДАМ» АРҚЫЛЫ ЭКОНОМИКАЛЫҚ ДАМУ: АУТСАЙДЕРДІ БАҒАЛАУ

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ЭКОНОМИЧЕСКОЕ РАЗВИТИЕ ЧЕРЕЗ «100 КОНКРЕТНЫХ ШАГОВ»: ОЦЕНКА АУТСАЙДЕРА

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