

Nursultan A. Nazarbayev

PRESIDENT OF THE REPUBLIC OF KAZAKSTAN

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KAZAKSTAN—
THROUGH IN-DEPTH
REFORMS AND
NATIONWIDE
CONCORD**



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S P E E C H
OF PRESIDENT NURSULTAN A. NAZARBAYEV
AT THE SESSION OF THE SUPREME SOVIET
OF THE REPUBLIC OF KAZAKSTAN
ON JUNE 9, 1994

Honourable deputies to the Supreme Soviet,
Honourable Mr. Chairman,

There has passed quite a time since the day when the new professional Parliament started its work, given the impetuous tempo of the developments unfolding around. I think that this period was long enough for the formation of the parliamentary structures and the corresponding working bodies, for finalizing all preparatory operations and for starting an active work of law-making. Accordingly, today I have every reason to appeal to you with my presidential Message as has been arranged previously.

Proceeding from the rights granted me by the Constitution and sizing up the present day situation I'd like to present in the Message my vision of key avenues of strengthening Kazakstan's statehood, our domestic and foreign policy both for the nearest future and for the more remote perspective. I want to particularly stress that this is a political document which needs neither "universal approval" nor voting as the case had been on more than one occasion. Rather it is subject to proper consideration and subsequent realization in the practical work of not only the Supreme Soviet but also of all the institutes of state power and administration.

Neither in my Message nor in this speech of mine which to a certain extent is its component part I do not intend extending on all current issues or specific problems raised by various regions or branches of the economy. As a matter of fact my mission is somewhat broader — to appeal to all who represent top echelons of state power, who are entrusted with the destiny and future of the nation, as well as political parties and public movements to have a look at things as they are, to assess the situation that has taken shape without unnecessary bias, to draw correct conclusions and proceed at last with well-coordinated constructive work.

I do believe we have no differences in principle in our estimates of the situation in the Republic. It is characterized mostly by negative processes and unstable phenomena. The

crisis and its extreme manifestations in the form of a slump or a mounting inflation reduce to nil most of our efforts to stabilize the economy, their unbearable burden weighs heavily on the shoulders of the population. We all know it for an irrefutable fact.

It comes to light though that many of us confuse the cause and the consequence, means and ends of their achievement. There happen to be forces which try — in the heat of passion — to argue that causes for the crisis lie in reforms themselves, that a grave mistake has been committed when choosing the course. They suggest replacing it... along with the Government which is allegedly to blame for all the trouble, both thinkable and unthinkable. They spare neither President nor the Supreme Soviet, the former and the current ones alike.

Regrettably, few of our politicians, statesmen or scholars representing peacefully dozing economic science venture analysing the entire spectrum of causes for the crisis and the unique nature of the period we go through now. To start with, let us find correct wording for some of the questions. Where do the sources of the crisis lie? Where are its initial causes? Is it triggered by the reforms undertaken by the Government or by some other factors? And finally: is there any way out of the deadlock in which we stuck today?

As to me I see it this way only: it is not the reforms that brought us to the crisis. Just the contrary: the crisis we inherited from the disintegrated Union made us look for a way out of it, made us embark on the path of reforms. Let us recall: as of the moment we gained our sovereignty our economy has already been struck by the metastases of decay. Since 1986 there has developed rapid deterioration of economy in the USSR and all its republics in terms of all major indicators. However our conscience failed to perceive it in those days. In fact we lived in the euphoria of grand plans launched by an integral state in whose capital they know all, would do all and give all what is necessary. They did give but seized with interest for all that. And in recent years they used to include a lion's share of their "donations" as an external debt. Consequently reduction of the gross national product in Kazakstan amounted in those days to seven per cent. However it was only the beginning.

As a matter of fact the announced “perestroika” failed to begin because even those in the Kremlin did not know what direction should be taken in reconstruction, how and when it should be done. The entire nation was doomed to uncertainty which — quite naturally — entailed most negative consequences. The experiments they launched in economics and in politics only added to the collapse of the rotten through system, they brought about clear understanding of the inevitable expediency of both replacing the entire social-and-political system and reforming the economy. After the collapse of the superpower the just released spring of general crisis got loose and brought down an ever mounting avalanche of acute problems on all the former Union republics, Kazakstan included. Only now, living through the third year of our independence, we come to feel it on our back — the entire burden of our one-sided development in the capacity of a raw materials colony of the now collapsed empire.

I’d like to remind, that imagining eventual alternatives of possible developments, particularly in recent years, Kazakstani leaders repeatedly raised in Moscow the issue of setting up, say, in our iron-and-steel industry the third and the fourth process stages, that of reducing supplies of agricultural produce to the All-Union funds, of increasing our independence in some other industries and areas. However not a single request of ours was answered positively. It was only too natural though: it would have been more profitable to have us in our former capacity and no one cared about eventual consequences.

Finally the totalitarian party-and-political system collapsed, the power went to pieces altogether and the “fist” that held the whole structure unclenched... However, along with obtaining freedom we got deprived of certain sustenance in the form of quite substantial material, financial and investment inflows. Altogether cut off were live arteries feeding production of commodities so badly needed by the Union. In exchange we obtained quite a number of products essential to us.

Nevertheless let us look at the situation from another angle, from the perspective of today. After all, the former system represented an exceedingly powerful instrument of suppressing any initiative, a tool cultivating a sense of high standard parasitic smugness and our present day life is

permeated with manifestations thereof. In this context I recall the resolution of a first-of-May meeting in Ust-Kamenogorsk. It contains a demand to turn back to the ideology and practices of Socialism, to resuscitation of the USSR and what not. However, if one looks into the matter more closely, the problem would come out in some other light. All the last years the city developed at the expense of industrial giants which toiled for the needs of such monsters of Union industries as the Ministry of Medium Machine-Building and the Ministry of Non-Ferrous Metallurgy. They gave jobs and means of livelihood to the residents of the city. They are no longer in existence and there are no longer orders for the produce. As to the Republic its demand for the produce in such amount also ceased to exist. One can just as well recall the fact that beryllium production at the Ulba iron-and-steel plant was closed at the request of the population because of high environmental contamination.

However major initiators of such meetings are altogether other forces which generally prefer to keep in the dark. Most often these are former and present-day chiefs, public "leaders" who in the effort of covering their inactivity, took advantage of the critical situation: having no ideas of their own as to how reconstruct their industries they just fooled quite a number of people. True nevertheless that so far grains of such insignificant provocations fall upon the selfsame cherished parasitic smugness. Too long-standing is our habit to obtain fixed salary even without putting out any products or with producing commodities that enjoy no demand whatsoever.

There is one more question that needs answering: what Socialism is meant by these "people's advocates": the one which resembles a Stalin's concentration camp or Brezhnev's universal egalitarianism, when all and sundry borrowed their well-being from future generations or just plundered the country and the Republics? Or that of Gorbachev's type "with human face" when there is nothing left to rob but only empty promises to hand out?

But I believe everybody understands only too well that there is no way back. The more so since we had no Socialism in the true sense of this word. There can be no reversing the march of history. Even so, when such things do happen they end at first in a tragedy and then — in a farce. Neither this nor that suits us. We have chosen the

way of shaping up market economy and democratic society deliberately and nationwide. In fact it is prompted by the entire course of the development of human civilization and we should follow this path just as deliberately. It is our future.

This notwithstanding, on embarking on this way we should be fully aware of and ready for overcoming its objective regularities and inevitable privations and acting according to the standards of world development. It goes in fact about crisis manifestations with their painful attributes which no country of the world could avoid. Formidable depressions and slumps were experienced by such countries as the USA, France, Great Britain, Turkey, Germany, India and others. Different was only the intensity of the impact. Some countries passed all the "reefs" of market formation relatively safely like the so called "tigers" of South-East Asia. Others failed to avoid military coups and civil wars as was the case with Latin America but their hotbeds are festering now in many other regions of the planet.

While combatting our crisis we should be fairly flexible in adopting foreign experience for it is in fact out of the question to mechanically transfer strange practices on our soil. It stands to reason that our period of transition displays its own peculiarities associated primarily with the economy more dependent on external factors, its level of development being far less pronounced which is characteristic of all the republics of the collapsed Union. Along with this one is bound to be well-informed and competent in analysing processes unfolding in world economics.

Proceeding from some particular situation one should not only choose correct avenues of advance, identify proper stages and elaborate adequate tactics but also manage to start due mechanisms in good time. That's actually what is said about in the Message. For you to more tangibly grasp their multiform and complex nature I'd rather indicate cardinal directions of the optimum version of development. Most of the work should be focused on the implementation of credit-and-monetary and banking reform with real rather than formal consideration of the demands advanced by the sovereign state and market-oriented economy. Its key objective consists in combatting galloping inflation and in consolidation of national currency. Late last year we ventured a serious historic endeavour in our development: we

introduced national currency. Thus we acquired the right to have our own efficient levers of accomplishing reforms. I have to note that we scored fine progress in this direction within half a year. We adopted a programme of comprehensive privatization, carried out broad-scale liberalization of trade, reduced state's interference with the economy, made finance-and-credit policy more tough and definite. In a word, the way we've covered was not easy. However from the very beginning the said measures came to produce positive results.

Time has come though to make one more decisive step. It should not only be aimed at the consolidation of the tenge, stabilization of its course and curbing the inflation. It should secure virtual gaining of this end.

We must be fully determined to strengthen financial discipline both in the field of the budget and in that of the activities of banks and enterprises.

Otherwise we shall never achieve improvement in the economy, never curb the galloping inflation, never have either investment or credit resources. Our failure would mean depreciation of all values up to moral principles which considerably suffered in our hard time as it were. It would mark further deterioration of nation's living standards. Hyperinflation would ensue — the last threshold of existence of any economic system symbolizing complete collapse of our hopes.

However hard it is but time has come to tell our compatriots with all responsibility: we have but only one way to financial stabilization — to cut down all state expenditures save most vital ones. Namely — allocations for payroll payments, payments of pensions and allowances for social protection of the population.

It means cancelling any direct or concealed subsidies to enterprises. Budget resources should be refused to them while credit facilities should be granted in limited amounts against reliable and effective projects and programmes. Unprofitable enterprises should be subjected to bankruptcy the sooner the better. All benefits associated with taxes and custom duties should be annulled. The state represented by the Government should bear no responsibility whatsoever for repayment of questionable liabilities or non-payments of enterprises and banks.

Next, we should reduce expenditures related to maintenance of state bodies — those of representative, judicial and executive branches of power.

On the other hand we should step up implementation of resolutions on attracting major foreign investors to participation in reforming key industries such as telecommunications, transport, power engineering and the like. We have to hold international tenders on all these. And do it competently, professionally, aiming at producing the desired effect.

Prices of all types of commodities and services should be liberalized. When liberalizing bread prices, we must pay the difference to the needy. The said undertaking should be accomplished with due competence and skill rather than clumsily and negligently, for other people to understand and welcome this mechanism. Generally speaking I expect from the Government exercising tough control over the expenses and revenues of our budget. Regrettably, our Ministry of Finance is too wishy-washy at forming revenues and too kindhearted when it goes about expenses. Whatever the fluctuations of the situation, budget should be rigid in its execution. We should put a definite stop to any pressure or lobbying for the benefit of particular branches or spheres of economy. Budget is an instrument of state policy, enough of its stealing away bit by bit to please corporate, regional and such other interests.

No less resolutely should be altered the situation with the National Bank. So far we had quite enough time for manipulating it for various purposes save the main one. At first it was subordinated to the Supreme Soviet. What has come of it? It did not obey the session of the Parliament directly. It was headed by the Committee for economic reform with not a single expert in banking transactions. As a matter of fact, we witnessed but a mere transformation, quite logical though for the new bureaucracy: the notorious “phone right” enjoyed by the party apparatus and dethroned in the short-lived period of “glasnost” just changed hands belonging now to the apparatus of the Parliament.

As you know the Board of the National Bank includes now top leaders of the Government. Be that as it may but it is of no avail too. National Bank should be subordinated to none and neither representative nor executive bodies

should be its wordens. We have every right to expect of it due efficiency in stabilizing the tenge.

I know only too well how hard it is for us to take such decisions and to approve of just such budget. Yes, I do know that it would be exceedingly hard to all. Many enterprises would stop, there would be many unemployed, and malcontent, people who would again call for meetings and the like. Most obviously they would accuse all of us of all sins, me first and foremost. We'll have to stand it too.

If we are genuine patriots of our Motherland, if we are sincere in our bid to find a way from the recession thus ensuring well-being and prosperity to our nation, we have to face this trial and overcome it. Fifty years ago during the war with Nazi Germany, Winston Churchill, Prime-Minister of Great Britain, said addressing his nation: "It would be a hard and severe war indeed which would claim terrible sacrifice of us but we have no alternative to it". He would not conceal from his people that to win in the war they would have to go through pain and suffering. Kazakstan has gained political independence. And now we are to fight for our economic independence. That's why I shall be frank with you and say that it would require much effort from each citizen of Kazakstan, primarily from us.

Closely linked with this paramount avenue of realization of the entire economic reform are yet new objectives in the field of privatization, intensive development of the private sector and competition, generating powerful incentives for production and labour, shaping up effective mechanism of social security.

Particularly formidable is the task of accomplishing the reform of the law. It should in fact not only "prop up" the economic bloc of reform but also play the part of a peculiar locomotive driving on its dynamic implementation. Solving all these problems calls for maintaining continuity of our strategic course. At the same time each bloc of problems, each aspect of the suggested policy is filled with qualitatively new content in terms of both the objectives set and the ways to achieve them. Their achievement would be no doubt a hard task and might well be associated with certain flaws.

Hence tremendous significance of in-depth elaboration of any move we undertake, high responsibility for its realization. All our actions and their eventual results should

be thoroughly considered with close preliminary analysis of their possible consequences.

Quite significant for us is such factor as ever increasing striving of the population to take part in the reforms. We witness a slow but nevertheless qualitative change in people's psychology. By and by they adapt themselves to market relations. According to recent polling nearly 70 % of the population back up the course of market transformations. But when Kazakstan just embarked on the path of reforming the number of our supporters was a mere 20 %. Such shift in people's conscience gives us a firm basis to follow the course we've chosen purposefully and consistently.

Further on I'd like to dwell on the issue which, in my opinion, plays crucial part in settling problems we set to ourselves. What I mean is the spiritual condition of the society, the atmosphere of stability in the Republic, national and civil concord. That was the very thing I meant when, over a year ago, I advanced a concept of national consolidation of Kazakstan's society on the basis of its progress and advance to prosperity. As time has confirmed, it is backed up by the whole of the population of the Republic.

I have even more to tell you: any politician, any party or public movement, any citizen of our country should be well aware of the fire-sure truth: if we fail to preserve and strengthen the concord we've gained, particularly inter-ethnic one, we are in for a formidable plight. For in such a case we shall have to part with our sovereignty, with the reforms and with the dreams we entertain as to our future and that of our children. We have to organize the matter in such a way that those who are up to whipping up passions, to undermining civil peace and national concord should bear most severe responsibility according to full austerity of our laws.

Past history of the now collapsed USSR and our present-day experience should teach us most convincingly that such "initiatives" bring tragedies to whole nations. Those leaders who are involved in pursuing the course of reforms should always remember that world history knows no precedent when they succeeded in fulfilling their plans with the society split apart.

Hardships and privations of the transitional period, aggravation of contradictions coupled with crisis phenomena

excessively complicate social-and- economic situation fraught with social explosion. A lighted match, capable of setting fire to a powder-keg may well be any conflict among people. Particularly, if it is deeply rooted in inter-ethnic soil. Or rather the inter-ethnic relations themselves would be a mere pretext for the disaster. As a rule the said conflicts initiate from crimes. Such was the beginning of the dispute in Karabakh. In those days two Azeris were murdered in Agdam. In revenge thugs deprived 32 Armenians of their lives in Sumgait. Next, the conflict on both sides was joined by politicians who essentially did not care a mite as to the destinies and lives of dozens, hundreds and then thousands of people. Now, being through with that dirty business of theirs, they have quitted political arena while both Armenia and Azerbaijan are all ablaze with a civil war. Thus instead of rehabilitating the economy of their states and generating normal living conditions for their children and themselves people keep murdering each other.

You all remember the incident of last year in Ust-Kamenogorsk when a crowd enraged by the murder of several Kazaks rushed to smash up the settlement inhabited by Chechens. In those days we succeeded in preventing the pogrom, in controlling the situation. But what about to-day and tomorrow? Shall we go on keeping special-purpose police and troops on the alert?

Only through laborious every-day work we succeed in maintaining equilibrium, calm and stability in the country. I need not conceal from you that we have to pool all our efforts and exercise practically day-to-day control over the situation. This adds to our progress, attracts our foreign partners and, most importantly, brings calm to our domestic life.

This notwithstanding, let us be honest in answering the following question: is everything taken into account and is everything done properly to comfort and relieve the people and ourselves of the formidable anxiety and concern over their future? I for my part cannot answer this question in the affirmative. More than that: I do think that there are many imperfections and errors.

Let us dwell, say, on the issue of migration, quite painful for me and exceedingly important for the Republic. Don't you think that we view this problem in a somewhat simplified way soothing ourselves by the argument that it is a natural

phenomenon? It stands to reason that people always had a chance to exercise their right to voluntarily select their place of residence both in their own country and beyond its confines. Yet I resent any efforts to exaggerate this problem, strivings of certain elements to gloss over the truth, to conceal unpleasant features and furthermore behave as though there is nothing particular in the present-day developments. Here are some statistical data. All along the last quarter of a century Kazakstan belonged to a region in which those who left the country normally outnumbered those who came to it. Starting from the late 60's this excess amounted to nearly 20,000 people. However in the '80s the figure rose up to 80,000. One should state though that of late migrational losses in the population increased dramatically reaching 222,100 people last year only. If previously the population experienced stable growth, last year highlighted its first ever decrease. Strange as it is but none of us got uneasy over the matter, none ever troubled to find out the causes for it.

Sure enough, there might be any causes imaginable: family trouble, shifting one's job, entering an educational establishment, a wish to move to one's historic motherland and what not. Specific weight of the military among the migrants is quite tangible. There leave many of those who came to us to work within the framework of the so-called organized recruitment of manpower to the "projects of the century".

However one should not connive at the fact that many people who have never thought of leaving the country flee it because at a certain moment they came to feel no small political discomfort. Actually it makes a sum total of many factors associated mostly with overzealousness, with putting the cart before the horse when implementing exceedingly complex social-and-cultural programmes. You shouldn't though construe all I say as my yielding someone's pressure. I say this to correct the mistakes we have committed, to approach the present-day situation in a balanced and civilized way.

In the first place it refers to language policy and state language status. The programme for the development of the Kazak and other languages adopted a few years ago by the former composition of the Government under the ideological guidance of the Central Committee from the very beginning

stirred up the society because of certain exaggerations committed with respect to the order and time limits of introducing the Kazak language. Even quite a few Kazaks got embarrassed. I do believe the programme needs immediate revision. It is indeed a topmost priority to pass a new law on languages and lift any discrimination of the Russian language without further delay. To be sure, the Russian language is as indispensable for the Kazaks and other nations as it is for the Russian-speaking population itself. Just as urgent is to specify efficient measures for the development of the Kazak language and enhancement of its study by the entire population of the Republic.

It is but an open secret too that owing to overzealousness of local and metropolitan officials we have committed certain warps in our personnel policies in both directions. For instance, working in the Committee for languages are 30 Kazaks, 3 Russians, 2 Uigurs and 1 Azerbaijanian. Meanwhile it goes about a department that should be concerned over the development and linguistic problems of all the languages. But on the other hand in the top echelon in charge of administering the agro-industrial complex Kazaks are represented by only 3 chiefs out of 15. Such exaggerations are committed in provinces and in the metropoly alike. No doubt it should be adjusted.

Now just a few words about our officials. To rule out negligence, to embarrass the path to power to the incompetent, to raise the sense of responsibility in leaders of all levels I want to suggest that the law on state employees should include a special provision that they, just as the members of the Government, should swear an oath of allegiance to their Motherland and its interests. The said law should provide for adequate administrative and criminal measures and sanctions for eventual violation of the oath.

Certain unbalance has been committed by the enrollment of school-leavers to higher and specialized secondary educational establishments though some of you tried to present the matter to the best advantage. Insufficiently considered and rash work of the onomastic committee also made its destructive contribution: mass renaming of streets, settlements and even major cities was utterly one-sided, without taking heed of public opinion, ethnographic composition of the population and — not infrequently — of

age-long traditions and — most importantly — psychology of mass conscience.

I think you agree with me that in order to commemorate the name of our distinguished poet Mukagali Makatayev it was not at all necessary to strike the name of Louis Pasteur out of the history of our capital. "Experts in renaming" should have known that in the '20s a group of French physicians came to Kazakstan to combat an epidemic of cholera. The group, using the discovery and the vaccines of their famous compatriot helped us to get rid of this terrible plight. Full of gratitude residents of our city named the street which hosted that noble mission in those days in honour of Louis Pasteur.

Indeed, have we done all we could to worthily commemorate such bright personalities as artist Nikolai Khludov, ethnographer Alexander Zatayevich, composer Eugeny Brusilovsky and many others?

Somehow we don't attach particular significance to clashes on ethnic ground we come across every now and then in our every-day life. But it may well turn out to be a potential source of greatest evil. For it is the very nutrient medium in which a chance spark might set fire to a social explosion.

All this testifies to the fact that so far we pay too little attention to bringing up elementary culture of mutual relations, regular respect to a person. Worth noting is that it is by far not a specific feature of some particular nation but all of us are guilty of it without exception whatsoever. I cannot say that I am all too pleased with representatives of Russian communities which quite often display no great delicacy and consideration in raising certain questions pertaining to their activities. I said it on more than one occasion that there are no longer either "senior" nor "junior" brothers — all are equal in the face of the law and conscience.

It is my firm conviction that time has come to pay most close attention to this notorious "every-day-life-level". We should be stern and uncompromising in punishing for offences of ethnic nature. Yet the main thing is organizing educational work, starting it in kindergartens and proceeding with it up to the person's engagement in production process. Involved in solution of this task should be all the structures of the Ministry of Education, deputies and — most

particularly — regional, municipal and district administrations. As to the Government proper it should elaborate a special programme.

I take the liberty to maintain that rash, unconsidered actions on either part are far from genuine patriotism. As early as Leo Tolstoy said that under certain circumstances patriotism might altogether lose its noble features. It does happen, remarked the great humanitarian, when someone strives to establish priority of one nation over another.

Ideological attempts to protect rights of some particular nation, efforts to present it as infringed upon or hurt are more often than not saturated with a smack of nationalism. Patriotism rooted in such soil quite rapidly transforms itself first into a hurrah-patriotism and then into a national-patriotism. What's next? Fascism? No doubt, it is. All these sentiments are heated by the notorious "search for the enemy" represented mostly by those belonging to another nation. Well, here you are: they have found a worthy ground for an inter-ethnic conflict to flare up upon. And now only a trifle is needed — a pretext which will always be concocted by either criminal elements or by lumpenproletariat.

Going back to migration problems I'd like to expressly emphasize that for millions of people Kazakstan has become their Motherland in the finest sense of the word. This is the most valuable human capital. Its loss is actually the capital loss for the country. As regards economic prospects of the development of the Republic, mounting migration might affect them quite seriously: have a look at those who leave — they are mostly engineers, technical experts, teachers, physicians, qualified specialists... As a rule these are people of active able-bodied generation.

I have to admit that our work on migration problems at the state level is somewhat alienated, lacking adequate co-ordination. The very situation of today dictates the necessity of finding balanced approaches, well-considered actions, competent closely-knit functioning of the migration department, Ministry of the Interior and that of foreign affairs let alone public organizations. Allowing for social, political and economic consequences of the migration, we have to draw up an effective programme for regulating migration flows so as to prevent their spontaneous intensification. First we should carry out legislative

enhancement of migration stabilization in the aspect which is associated with the employment of the population. We should toughen responsibilities of the departments in charge of labour and employment for it is they who would assist in settling the challenges of unemployment and consequently those of re-distribution of manpower resources. To avoid excessive red tape when re-registering pensions for people who returned to reside in Kazakstan we should introduce corresponding amendments to pension legislation, coordinate these issues with the parliaments of other CIS member states.

To-day the issue of citizenship remains as topical as ever. The former Parliament was short of time to thoroughly deal with the said problem. We had to urgently address the imperfections.

In February 1994 the President signed a decree on introducing substantial amendments to the Law on Citizenship. They stipulate considerable simplification of the procedure of acquiring citizenship, reduced terms of naturalization, contain provisions related to residence registration of Kazakstani citizens. Besides, in the course of my visit to Moscow in March we signed a memorandum on citizenship between Kazakstan and Russia. Further corrections would most obviously depend on the parliaments of both countries.

In the nearest future we should set up an effective system of legal guarantees of lifting any illegal restraints in residence registering and in people's selecting a place for permanent residence. In my view we should erect effective legislative barriers in the way of numerous violations and breaches committed by local red tape, departments of the Interior and passport services as well as to consider the issue of automatic granting citizenship to those who returned to their Motherland without discriminating their national affiliation.

Expediency of this measure is dictated by the ever mounting flow of re-emigrants. People who left Kazakstan on the muddled upsurge of emotions failed to find proper jobs, sometimes met with poorly disguised animosity and dissatisfied with the way they were met on new places, started to return. Not infrequently they come back deprived of their property they had honestly gained in Kazakstan. And we must help them in their settling down. We must make haste because people's uncertainty in their future

makes them hesitate between staying or leaving. In analysing migrational processes and their causes I extended on only those problems whose solution is either up to our state or up to its concerted effort jointly with its neighbours.

Summing up the above I want to remind you once again that Kazakstan is both unique and strong owing to its multinational population. Many historical factors determined its formation. And we are to accept this fact as a reality of to-day and there is no escaping it. On this land there has taken shape a unique polycultural space with two main flows.

One of them reflects renaissance of Kazak culture and its composite elements, language first and foremost. We witness an objective process of regaining of what was lost. All nations residing in the Republic should understand and accept it. One should always remember the following: it is the Kazak people that has done its utmost for all those who came to Kazakstan (no matter how it happened — voluntarily or under compulsion) to find their homeland here. What is inherent to the Kazak people is their openness and kind-heartedness, their readiness to share their warmth and all they have with the needy. They have never experienced or displayed a feeling of enmity or superiority to anyone, never gave rise to unter-ethnic conflicts.

Another flow is obviously Russian-speaking culture which stems from long-standing traditions of the Russian people and all that they have imbibed in the course of age-long development. This culture belongs not only to the Slavs but to all nations inhabiting Kazakstan, it is their cultural potential. All those who strive to deny it run the risk of self-isolation, they are doomed to their alienation from the life-giving sources of universal world culture.

It is but an open secret that we, Kazaks, are filled with admiration when studying and getting the profound knowledge of Russian culture and literature. Reciprocally, the spirit of our boundless steppes fascinates anyone who lives in the Republic and is attached to it with all his heart. That is why we have every reason to speak of the existence of an utterly inimitable self-identification common to all citizens of our country. In fact it is our duty to act in such a way so as to retain and develop this community repulsing any forces that strive to upset peace and concord in our home common to all in our Republic.

Recognition of the two independently existing cultural flows in no way denies their mutually complementary nature which implies mutual enrichment rather than assimilation. Beyond any doubt, polycultural nature of Kazakstan is a progressive factor adding to the development of our society and we should avail of the opportunities which history granted to us so lavishly. Our Eurasian roots enable us to combine Oriental, Asian, Western and European flows thus giving birth to a unique Kazakstani version of developing polyculture.

As I see it, proceeding from the available realia our Parliament should work out an altogether new legislative basis of cultural development taking into account existence of various national cultural flows. It should stem from alterations in and amendments to the legislation whose mission would consist in prevention of any discrimination related to ethnic features, in assuring full realization of the principle of equal opportunities for all Kazakstani nationals. Without adopting a package of laws taking heed of both interests of all the ethnoses and all-national interests it is hardly possible to build and consolidate inter-ethnic concord and civil peace in the Republic. It is my deep conviction.

To safeguard peace and accord in our common home we could have taken other measures allowing for the necessity of reaching consensus among all public forces.

To my mind there are two ways of settling this challenge paramount to our country:

— either through reaching voluntary agreement among all political parties and movements through mass media which should commit themselves to consolidating confidence and friendship among nations, peace and stability in the Republic at this exceedingly complex period of transition;

— or through imposing a legislative ban and tough sanctions upon any infringement on social and political stability committed by either individual citizen, political or public organization or mass media.

I fixed upon the first.

To carry out the will of its electorate Supreme Soviet and its deputies could well become initiators of such move leading to concord. Besides it is utmostly vital for the implementation of the reforms we've planned.

Honourable Deputies! Last years have turned for us into the years of a formidable work in the foreign policy area.

In the first place I'd like to note that Kazakstan is no longer the state it was three years ago. Now we are a universally recognized equal and independent partner in the world community. As President I spared neither time nor effort for the country to gain its sovereignty, to strengthen its security, its international authority in regional and world agencies. Successfully developing is the contractual-and-legal basis of Kazakstan's interacting with the outer world and of late we obtained security guarantees from such leading nuclear powers as the USA, PRC and Russia.

Participation of Kazakstan in important treaties — on limitation and reduction of strategic offensive armaments, on elimination of middle- and lower-range missiles, on conventional armed forces in Europe as well as the ratification of the Treaty on Non-proliferation of Nuclear Weapons by the Supreme Soviet in December 1993 — all this had a wide positive response in the world, it opened new vistas in integrating the Republic into the world community.

In proceeding with this work we are to indefatigably deepen our foreign policy course. However our own vision of the problem "the way we see ourselves in the mirror of world policy today" does no longer suffice. We should be well aware of the way "we are perceived by our international partners" or, to put it more specifically "what place we are up to in the new economic framework of the world". In fact we cannot ignore these important factors.

However hard it would be it is this year that all of us should finalize our foreign policy strategy and identify our place in the international geopolitical space. We witness new global economic zones taking shape now in America, Europe, South-East and Central Asia. Owing to the peculiarities of its geographic situation, its enormous natural wealth and such other factors Kazakstan is doomed to getting involved in solving major geopolitical and economic problems which is just as paramount for us as for other states in the world.

The steps we might take in this complex situation will determine the image of the state left over to our progeny. That was the very aspect that served the pivotal point in a series of negotiations held in the course of our official visits to the USA, Germany, France, Great Britain, Japan and Russia as well as during the official visit of the government delegation of China. Enormous is the historic significance of

the treaty we reached with China on formal legalizing of borders separating our two countries.

One of the cardinal aspects related to our foreign policy concerns in-depth economic processes that gain strength in Asia. To be sure they would eventually come to the forefront of the political life of the continent but most obviously it would happen by the turn of the century only. I mean the nascent processes of economic integration unfolding on the Asian continent. Sooner or later we too shall experience the challenge of the issue of the work on co-ordination and integration within the framework of the entire continent and even that of establishing an Asian common market. We, for our part, should persistently proceed with the work aimed at convening a conference on our interaction and measures of confidence in Asia.

No less essential aspect of our foreign policy is our relations with the newly-born post-Soviet states because domestic situation in Kazakstan is to a great extent determined by geopolitical factors, most important among which is somewhat extraordinary status of our Republic among the CIS member states and our mutual relations with Russia, other fraternal states of Central Asia. I'd like to lay particular stress on the significance of the agreement concluded between Kazakstan, Uzbekistan and Kyrghyzstan on a single economic space which already yields its positive results.

Kazakstani-Russian talks held in March 1994 in Moscow can well be regarded a new weighty stage in the developing relations between our two countries. Russia has firmly embarked on the way of democracy and market transformations having altogether renounced the imperial claims once so characteristic of the collapsed Union. It is to our mutual satisfaction of course. To virtually build normal strategic relations with Russia is undoubtedly to the benefit of our people.

Patently expedient now is the urge to transform our Community into a more efficient, reliable association of states. The more so since there persist differences between certain strivings of the political elites and the nations pertaining to the CIS. Most of the population belonging to CIS member countries sympathize with the integration whereas certain political circles are bent solely on consolidating their national isolation. In a word, the

conditions that have shaped up insistently command transition from obsolete non-binding forms of integration to a qualitatively new stage in the development of the Commonwealth. That's actually the goal of my initiative on establishing a Eurasian Union (EAU). Only recently the draft on its formation was published in the press and dispatched to all the heads of states belonging to the CIS. Previously its major provisions were reported to the Co-ordination Council of our Parliament. There is no denying the fact that Kazakstan just as other states is interested in implementing this comprehensive concept. Economically, it would help in overcoming consequences of overall dislocation of economic ties. Against the background of fostering instability on the southern confines of the CIS establishment of EAU might have served a water-tight guarantor of safeguarding external security for all the states — eventual members of the proposed Union. In fact it is one of the essential prerequisites of internal political stability in each of the countries involved. It is by no means fortuitous that one of the main conditions specifying entering the EAU implies cessation of hostilities, economic blockades and other repressive actions on the part of some particular state — potential member of the Union. Joint efforts made within the framework of the defence space of the states in question would have enabled generating an effective mechanism for preventing and suppressing inter- and intrastate conflicts should they ever flare up. With this aim in view we advance an idea of shaping up interstate peace-keeping forces retaining though national armed forces of each state.

The new stage in integration would enable solution of every-day challenges besetting many people who, quite unexpectedly, happened to be separated by the borders of new states. Restoration of normal human relations, harmonizing lives of people on the once integral space — all this bears a deeply humanistic orientation in the long run. This is actually the essence of my initiative.

Eventual implementation of the EAU concept with certain amendments would quite naturally channel our nations into the avenue of the world's integrational trendlines which — in its turn — make up a civilized way of uniting countries and nations.

All sorts of allegations about our attempting to resurrect the now expired Soviet Union in the guise of the EAU are

utterly groundless. After all the USSR was deeply rooted in two backbones — a plan-based economy and a totalitarian political system. Both of them are destroyed now whereas resurrection of a monster of the state, an empire of the state on the fundamentals of market economy and democracy is altogether out of the question. Consequently, all these fears and apprehensions are quite vain.

Taking into consideration the developments unfolding in the CIS our parliamentarians should not stand aloof of the problems concerning interstate relations. All in all, our Parliament should make this task one of the key ones within the scope of its activities.

I can't help extending on one more essential topic: it goes about tremendous responsibility of power, of each of us — no matter what duties we discharge — for the destiny of our Motherland at that hard crucial period of transition. First and foremost, we should understand the obvious truth that, in conformity with the Constitution, power with us is one indivisible whole with but three branches: legislative, executive and judicial ones. It in no way means though that each should have what's due to him or as a Kazak saying goes "there is no place for pack animals at the races just as one should not make a pack animal out of a race horse". However, this ancient maxim, an essence of folk's wisdom, treasures a deep truth which does give food for thought.

Regretfully, following the hackneyed stereotype we traditionally divide power into the first, the second, the third and yet another one. Hence — shapeless responsibility, confused and vague, reciprocal claims, search for a scapegoat, in a word, all that never brought anything good. Unless we cease being slaves of this "numbered" logic we shall never get out of the deadlock we are in. Conversely, we might aggravate the situation to ever new privations. It is my deep conviction that only through pursuing a single goal, through ensuring co-ordination of actions of all power structures we would be able to cope with the tasks we've set.

I'd rather start from the President himself. As a head of state elected through nationwide elections I bear the responsibility for all the developments unfolding in the country. Being the guarantor of observing the Constitution, of civil rights and freedoms stipulated therein I make and

shall ever make my utmost to ensure effective interaction of all the power branches. I am fully determined to organize the work in such a way that each power branch be wholly accountable to the nation for the functions it performs.

My participation in the economic life of the country would manifest itself in qualitatively new forms. Primarily it would be done through legislative initiatives advanced by the President. They have been identified for the current year. Accordingly elaboration of draft laws proceeds in keeping with the fixed schedule.

I consider it expedient for the Supreme Soviet to practically implement the concept of a permanently functioning professional Parliament in conformity with the conditions of a Presidential Republic. As I see it, a two-chamber structure of the Parliament fully meets the interests of the legislative policy pursued in Kazakstan. It should enable our getting rid of the pernicious practice of passing premature bills which — more often than not — are written to please some departmental or regional lobby, if not certain top-ranking official. It stands to reason that that would be the end of populist manifestations in legislative activities. We have every reason to hope that it would give birth to a situation which would harmoniously combine state-managed and regional interests.

It goes without saying that two-chamber structure of the Parliament would — to a certain extent — complicate the entire legislative process. However, it should be regarded as a positive factor because thorough and unbiased analysis of the current condition and the development of the society along with legislative experience gained by other countries would necessarily precede passing this or that draft law.

It is in this context that we should deal with the issues of updating the status and powers of certain governmental bodies, the procedure of their formation and the entire subordination design. Most obviously, it would require certain specification of constitutional powers of state in charge of the interaction of various branches of the state power and — in virtue of this — vested with arbitration functions. Therefore it would be advisable to repeatedly raise the issue of President's impeachment, of his right to dissolve the Parliament.

Further on, the legislation currently in force wants substantial updating. What is meant is elimination of quite

plentiful contradictions and sheer anachronisms it contains. Practical work exposed in our laws no end of provisions and standards which do not — both deliberately and de-facto — conform with the economic environment. The topic is profusely bandied about, including the Parliament's premises. Time has come to translate the problem into practical deeds. We should get rid of all juridical casuistry which reduces to nil not only the efficiency of legal moves of the state but also the authority of legislative power itself.

Finally, the entire legislative bloc of reforms should be imparted comprehensiveness and reciprocal coordination. Standards which are laid down into, say, laws on education or those on health protection, on entrepreneurship or on social protection of the population must necessarily conform with taxation or banking legislation. We should rule out facts when, say, the law on granting support to the countryside and the agro-industrial complex in general should contain so many impracticable provisions that it is virtually reduced to nil. In general our laws are confused, muddled and vague. Time and again one law either does not agree with another one or unequivocally contradicts it.

Such being the case I think that law-making activities of the Parliament should be purposeful, its orientation being subjected to general national strategy as regards executing and deepening of reforms. We have to work out an utmostly clear-cut and efficient technology of the entire law-making process, even, if it comes to this, to fix a tough regulation which should be strictly observed.

There should be some arrangement, some order under which all drafts of statutory acts should be elaborated and submitted by the Cabinet of Ministers for the consideration of the Supreme Soviet. All this by no means deprives of the right to a legislative initiative those who are entitled to it. Committees of the Supreme Soviet carry out the expertise and then submit those acts for the consideration of the session.

You might argue that it is the very principle that was in force previously. True, it was, but it lacked the main thing. Namely a draft law should be supplemented by the entire mechanism of its implementation (elaborated just as thoroughly and comprehensively), i. e. drafts of sublegal acts and other regulatory documents, proposals concerning

organizational structures, legal, economic and fiscal measures to substantiate the given law, etc.

It would no doubt require more efforts on the part of the Government, it would require attracting a broad range of experts commanding various specialities. Yet it is indispensable. For then, on adopting and putting in force some particular law, the whole state machine in charge of its implementation would start working instantly and comprehensively. Consequently the laws in force would start performing their proper functions without delay.

A few words about our judicial power. This year already we need accomplishing its integral and radical reform. We should abandon the practice of dividing our courts into ordinary and arbitration ones, we are to formally legalize principles of non-replacement of judges and at the same time — introduce standards of relieving them of the post in case of their incompetence in administering justice or in case of their committing deeds incompatible with the high status of a judge. To achieve this as well as to organizationally consolidate courts we should come to establishing a supreme judicial council under the President. More particularly, the ceremony of consecrating to the title of a judge should proceed at its recommendation.

The issue of executive power stands somewhat aloof of the entire set of problems. I think we need not dwell on the tasks facing the Government. And it is the Government which is to implement the overwhelming majority of trend-lines and measures provided for in the Message. The Government is to bear the brunt of the entire bulk of work. The bulk of everyday, rough and most thankless task for that matter. Well, after all, it is its cross, and it is doomed to bear it.

As to critical remarks addressed to the Government I think that only too lazy persons have not launched them to-day. This notwithstanding, regardless of their exceedingly broad-scale range, they stem from essentially one and the same platform: the course pursued by the executive power is false and erroneous. The situation with the proposals as to selecting the proper course is a bit worse. The proposals themselves cannot boast of due depth of thought or wealth of constructive concepts. More often than not their essence boils down to a sort of a castling: if it is bad with liberalized prices — they should be replaced by regulated ones; if the

rate of the tenge goes down — its floating rate should be replaced by a fixed one. And so on and so forth.

That is why the Government at my request has elaborated an updated program of anti-recession measures and it would be reported to you in due course. I must approve of it in the shortest time possible.

The Government intends to radically update the whole of its activities. It should be entrusted with this task and we should establish a tough and systematic control over its work. In case of necessity — to amend and correct it in passing, rendering the requisite assistance.

Cabinet of Ministers should become a closely-knit team of like-minded persons shaped up at the stage of elaboration of the said programme. The whole of this team, primarily its economic nucleus, is responsible for practical implementation of its own concept. It must obtain from the President, the Parliament and the people a sort of carte-blanche, say, for 15 months for the realization of the programme.

In the course of this time we (the Parliament and I) would have time enough to work out a mechanism and measures of responsibility of members of the Cabinet of Ministers for honouring their commitments.

I want to emphasize once more: we cannot afford waiting for an unforeseen turn of events, we should immediately set about shaping up — generally speaking — a coalition of those who support the reforms, which should encompass all power branches and constructively-minded social and political forces. That's why it is actually the only way by which we might succeed in setting up a stable basis for implementing a long-term and purposeful programme of converting Kazakstan into a civilized state of the XXIst century, a full-fledged, equal and worthy partner in the world community.

Summing up, I'd like to address to you with words once addressed to the American people by President John Kennedy: "You shouldn't ask what your country can do for you. You'd rather ask yourself what you can do for the country".

MESSAGE TO THE SUPREME
SOVIET OF THE REPUBLIC OF KAZAKSTAN

ON STEPPING UP MARKET TRANSFORMATIONS
AND ON MEASURES FOR RECOVERY
FROM ECONOMIC CRISIS

Proceeding from the Constitution of the Republic of Kazakstan (Art. 78, Para. 10) President of the Republic of Kazakstan appeals to the Supreme Soviet of the Republic of Kazakstan with the following Message.

The Message contains a political assessment of the present-day situation in the country and foreign policy status of Kazakstan, that of the progress made in implementing reformatory processes, carrying out social-and-economic transformations, the activities of supreme bodies of state power aimed at the realization of the strategic course of shaping up a democratic state with market-oriented economy.

The Message specifies key avenues of national policy in terms of making consistent transformations in all fields of economic, social and public life, strengthening of Kazakstani statehood and consolidation of social-and-political unity of nations residing on its territory. Political and economic ends are given proper definitions, certain objectives are set to the bodies of power and administration to be gained at the forthcoming new round of transformations.

The Message implies consolidation of all the branches of state power along with pooling all efforts made by the society, with mustering the strength of all political parties, movements and associations, in a word — of the entire healthy potential of the state to settle the major nationwide objective — bringing the country out of the deep and acute crisis, ensuring further in-depth development of reforms and consolidation of democracy thus strengthening sovereignty of the Republic of Kazakstan.

I. ASSESSMENT OF PROGRESS IN TRANSFORMATIONS AND THAT OF SOCIAL-AND-ECONOMIC STATUS OF THE COUNTRY

1. Some two odd years ago Kazakstan just as other CIS member states embarked on the way of accomplishing radical measures meant to transform economic relations and made a tangible progress in converting its command-and-administer economy into a market-oriented one. In fact, fundamentals of the now out-dated system have already been dismantled while reformatory trends have taken an irreversible course.

Likewise removed is the system of compulsory structure and management of production as well as that of centralized distribution of resources, material benefits and labour.

Basically, we have already accomplished the transition from directly-managed price formation to a system of liberal pricing which reflects market situation. Subject to direct state-managed regulation is but a limited scope of socially significant commodities and services. This scope would be preserved.

Accordingly, we have lifted constraints state-imposed upon the size of wages in the branches catering for material production and services.

We also lifted "the iron curtain" in our foreign trade through undertaking its radical demonopolization. Ever mounting is the influx of foreign investments in the economy of the country.

Certain progress have been achieved in fundamental reconstruction of our fiscal and banking systems having in view bringing them closer to civilized standards.

Just as intensively we step up formation of currency and loan markets, ever growing is the scope of the market handling labour and living facilities.

Ownership relations also undergo thorough transformations. At the moment we witness obvious intensification in processes of denationalization which in their turn pave the way for further privatization of state-owned enterprises.

Gaining flesh is the institute of private ownership, in fact it enjoys ever more equal rights with the state ownership in the area of economic relations and in public conscience.

No less substantial changes we observe in the legislation of the country: there establish principles of market economy and democracy.

Incidentally, economic and social transformations coincide in time with our gaining sovereignty, with the formation of our statehood and reforms in power and administration structures.

By and by we come to the realization of the new status of the country, taking shape is a new strategic mentality accompanied by identifying national interests and state-governed priorities. Virtually we have completed the process of dividing All-Union property, assessed the amount of Kazakstan's national wealth and proceeded with gradual accumulation of gold-and-currency reserves of our own.

Introducing national currency — tenge — signified a tremendous progress on our way to achieving economic independence of the country, it brought clarity in the hitherto pending issue of reforming the Republic's financial-and-credit system. From now on we have every reason to speak about independence and responsibility of the Government and the National Bank for the state of affairs in the economy.

Executive branch of power too experienced fundamental changes. For the first time in the history of the state there is set up an institute of presidency. The Government has been supplemented with new bodies of state administration indispensable for the implementation of market reforms. Alternatively there have been abolished structures that became useless if not impeding reformatory processes.

Formation of statehood and market reforms was legally formalized by the Supreme Soviet whose structure and activities have acquired an altogether new character.

No less serious are transformations taking place in the judicial system, for without reforming it one can hardly expect observance and execution of new laws passed by the state just as the construction of a law-governed state.

As a matter of fact adoption of the new Constitution of the country marked final legal consolidation of the society's will to changes, to gaining political and economic freedoms for its citizens.

The Kazakstan of today is no longer timid, little known subject of international relations. Our young state functions dynamically to find a worthy place in the world community,

answering its geopolitical status, its enormous mineral and other resources, its neighbouring great powers, its poly-ethnic composition of population demonstrating high educational standards.

Worth noting is the ongoing adjustment of the population, economic subjects and state-managed entities to living in market conditions, there develop profound alterations in conscience and psychology of people bringing about a radical reappraisal of values.

2. At the moment Kazakstan lives through exceedingly hard historical times. They are unique, as it is, for we have to face an unprecedentedly severe economic social crisis which is in itself of objective and multifactor nature.

First, the said crisis is a natural phenomenon inherent to any market economy. All developed countries of market type time and again suffer one form of the recession or another. True, one can mitigate its impact, reduce its after-effects to a minimum or otherwise step up getting out of the impasse but one thing is downright impossible: avoid a crisis. None could ever succeed in it. Be that as it may but it is from the crisis stage that we started our economic cycle.

Second, Kazakstan gained its sovereignty and headed for an independent development at a time when all signs of an acute crisis were already fairly manifest. These signs were deeply rooted in vices of long-obsolete administer-and-command methods of managing the economy.

Third, the ongoing crisis stems from the disintegration of the former economic system and from natural urge to create a qualitatively new one.

The state's suddenly departing from executing traditional functions of administrative interference with practically all processes of production, distribution and consumption of the produce obtained was quick and relentless in exposing the glaring inefficiency of the former economy, its patent incompatibility with new values and notions of efficiency. In fact it revealed dramatic disproportions in its structure.

New economy, its pro-market trends betrayed suddenly utter uselessness of great many enterprises and industries in terms of catering for national interests of Kazakstan. Entire branches and subbranches lost their once fairly stable and seemingly unshakable place in the economy: certain mining, steel-making and machine-building industries,

chemical and petrochemical industries, enterprises producing construction materials and many others.

Sharply manifest became our almost hopeless backwardness in telecommunication systems, glaring lack of development in all types of transport and communications, in commercial ways to enter foreign markets, in channels for import and export of goods, capital and manpower.

One of the main factors that triggered aggravation of crisis in the economy was, no doubt, disintegration of the USSR. By the time Kazakstan came to enjoy its independence Kazakstan's economy represented a fair "section" of the integral and solid economy of the Union which obediently performed its local mission.

We inherited a part of once single All-Union complex of national economy or rather that of an economic GULAG (the abbreviation stands for Main Department for Confinement Camps) which graphically reflected imperial-communist ideology of regional distribution of labour within the framework of the late USSR. Within its framework the "island" of Kazakstan, while having a somewhat overburdened structure with abnormally hyperdeveloped mining and agricultural raw sector, was in fact oriented to anything but its own needs and requirements of its own population. Catering for the needs of other similar "islands" Kazakstan met most of its needs at the expense of the said "islands" following the command from above.

Consequently Kazakstan's economy lost its erstwhile nutrient medium in the form of subventions and subsidies granted from out of the Union budget (the very last year of the USSR's existence they were as large as one sixth of our Republican budget) as well as in the form of departmental sources of financial means. The latter particularly severely affected the branches and enterprises previously harnessed to the so-called Union subordination and amounting to over 90% within the overall scope of production in the Republic. Besides, all mining industries constituting virtually industrial foundation of the state were of fairly capital-consuming nature, they demanded permanent maintenance and expansion of raws basis let alone all sorts of budget and credit injections.

There has been yet another "legacy" that our young state had to shoulder: an exceedingly maladjusted trade balance, primarily with Russia. In 1990, while importing 18

bln. roubles worth produce (in terms of the then prices), Kazakstan's exports amounted to twice as little. Now such unfavourable balance came to be referred to as the national debt of the country thus expanding and ever more aggravating expenditures from out of the national budget.

Well, the financial situation got toughened and in conditions of market's openness and with prices of power-carriers approaching the world ones there shaped up in Kazakstan an overproduction of certain items of produce: meat, phosphorus, mineral fertilizers, tractors, cement and a good many other commodities. Sales market of Kazakstan's produce came to be confined by the space of the CIS member countries. As a result, consumers, both foreign and domestic, became uncommonly exacting when choosing this or that item with regard to all qualitative and quantitative parameters coupled with price and other such factors. Volumes of production of certain previously strategically important items of produce considerably excel domestic demand of the country. Beyond the confines of Kazakstan they enjoy neither stable nor profitable sales because of their inferior quality and owing to lack of adequate experience in trading on foreign markets.

In the long run in market economy only those enterprises would survive which would be quick enough to change their economic orientation and take adequate measures for reconstruction. Open pits, mines, dressing mills and factories are sure to lose their prospects and go bankrupt if their produce finds no stable and profitable sales.

Neither economy nor the population of the country would lose if quite a number of unprofitable industries are closed. Main stress should be laid on the problem of employment, job placement of people and effective utilization of their potential for them not to depend on the state budget and secure their well-being on new jobs. More than that: the eventual benefits are obvious, because enormous resources would get released, i. e. the very ones which today are wasted — in the form of easy credits and their prolongations, low tariffs and such other devices — for the purpose of artificial prolongation of life service of such deliberately unprofitable enterprises.

If we turn to our agriculture, here too cattle-breeding is ineffective, lacking due selection and sustained by too expensive fodder. Given exceedingly large amounts of grain

production excelling the demand of the country, we have now enormous sown areas with ridiculously low yields. Such economics of agriculture could exist in Kazakstan solely under conditions when in a centralized way they annually subsidized huge expenditures for fertilizers, herbicides, agricultural machinery, harvesting, transportation and processing of grain, meat and milk — all in all totalling nearly 4 bln roubles (in prices of 1985) and USD 100, 000, 000.

Having lost traditional sources of external funding Kazakstan from the start was confronted with an acute financial crisis which gravely affected social security of the people.

Along with galloping inflation, production slump, dramatic stratification of the population as to their incomes which is inevitable, when they depart from the principle of egalitarianism and establish an institute of private ownership, by and large, it brings about a sweeping decline in living standards, particularly for those with fixed incomes.

Similar situation is observed in all the CIS countries for they undergo similar crisis processes with much the same causes behind.

3. Liberalized market forces enhanced conception and subsequent ever active development of new sectors and new varieties of economic activities practically in all spheres and branches. There sprang up and started rapidly growing new subjects of economic life, they occupied once vacant "niches" and obvious vacuums. All these phenomena came to bring the economy in conformity with the requirements of new values, efficiency and demand.

At the initial stage energy of the rapidly growing entrepreneurship sector was channelled primarily into the circulation sphere as the one most sensitive to free market relations and most effective for private business. Impetuous development marked both trade and the sphere of services, once a notorious bottleneck in the economy.

Just as immediate was the response of market forces to backwardness and incompetence of state-governed financial-and-credit entities. The response was represented by a rapid though somewhat confused development of private banking, insurance and other fiscal market institutes.

In the process of dynamic penetration of market structures into the above mentioned and some other spheres

of the economy, in that of ever expanding scope of their activities, there originated an active process of redistribution of capital and manpower, a more liberal movement of commodity resources in conformity with the demands of market economy.

The decades-long tension on the Kazakstani consumer market has come to an end. Entrepreneurship sector doing away with the gaps of the former "economy of empty counters" ensured filling the domestic market with a broad range of goods and services including those which somehow dropped out of state-owned enterprises' concern as a result of the shift in their activities and the effect of crisis factors, and also those which were previously inaccessible to Kazakstani consumers owing to the covert nature of our economy.

In the course of its gradual accumulation and formation trade capital started to press the state off its positions of the exclusive customer for other branches, industries and enterprises thus directly or indirectly enhancing structural displacements in various areas of the economy.

Outdated, inefficient industries and entire spheres of activities are ousted up to the surface of the crisis, they just drop out of the process of manufacturing gross domestic product and eventually die out. Meanwhile new and profitable industries fail to shape up for so short a time, to find their proper place in the economy and to make up for losses incurred previously.

Every industry of ours can boast of enterprises capable of enduring competition but to develop and survive in the tough struggle of competition they require big investments, both domestic and foreign. However, availability of any long-term expenditures is subject to the inflation keeping at a level which should not exceed 10%. That means that the key to the problem lies in general financial rehabilitation of the economy. This only might enable making domestic investments, the population would acquire motives for accumulating money and it would be the beginning of growth and updating of production. Be that as it may but such changes demand tough financial policies on the part of the National Bank however painful it might be. Yet there is no alternative to such reforming.

4. Effectiveness of the policy we pursue and of the practical activities of the state committed to market transition

was rather low not only owing to objective deterring factors but also due to inconsistency if not erroneous-ness of measures and decisions, to numerous tactical miscalculations.

We took no heed of the fact that certain elements of the discarded system were still alive and kicking while shoots of new economy were too weak to make their way through the ruins of the old one. Meanwhile the latter rather poisoned healthy market elements than fed them.

Bodies of state power and administration did not always succeed in implementing our programmes and projects, in gaining unity and correlation of actions, in consistency and comprehensiveness when settling major assignments.

Former legislative body, owing to its being a non-permanently functioning Parliament failed to keep pace with the dynamics of the ongoing political, social and economic developments. The laws they passed (whose number amounted to nearly 300) were not always of due quality being elaborated in a hurry and subject to no proper approval.

Predominant was "gross" law-making while the deputies themselves more often than not performed the function of "voting machines". Meanwhile, submitted to the Parliament draft laws on some urgent problems of state and economic life were ignored for no reason at all. Among such draft laws one can name the programme of legal reform submitted for the consideration of the Parliament two years ago. Passing this instrument in good time might have helped us to substantially advance in this field thus avoiding today's critical situation with the Constitution updating.

Ultimately, the former Supreme Soviet failed to make a Parliament in the true sense of the word because it kept bearing the stigma of the outdated single system of the omnipotent Soviets which had to resign pressed by historic development and life itself.

Banking system too turned out to be altogether incompetent to work in new conditions. Broad-scale and practically non-regulated liberalization of banking activities, unrestrained freedom in actions made by commercial banks coupled with glaring imperfection of legislative basis and utter unpreparedness of the entire financial-and-credit system of the state to follow market principles and conditions produced an aggregate effect with obvious predominance of

negative results. Our lagging behind in reforming of the banking system hampers adaptation of the production to new market conditions, it impedes its diversification and the development of market forces in general.

Little good can be said about our antimonopoly and competition policies — they are weak, lax and ineffective. Full-blooded opportunities of private entrepreneurship remain latent and restrained. Here too, just like in the case with the National Bank we witness obvious inconsistency in shaping up appropriate state-managed institutes and in identifying their true status, we come across numerous shortcomings in legislative provision and ineffective performance of newly established entities themselves.

To be sure, the Government failed to do all it could to relieve the impact of objective conditions and such other negative external factors upon the implementation of the reform and stabilization of the economy. It failed to fully exercise powers it had been granted for gaining the above mentioned ends as well as for a more active and purposeful realization of market transformations, it failed to properly arrange concerted performance of state governing bodies, selecting enterprises, identifying prospects of development of each particular subbranch or major industry.

Training qualified personnel for the new economies proceeds in an exceedingly unsatisfactory way, without a well-considered programme and scope. Inadmissibly slow is progress in adjusting statistics and accounting to market demands.

Focusing the society's attention on the activities of legislative and executive branches of power produced an unwarranted bias thus neglecting no less significant issues of performance in the judiciary. One should always bear in mind though that it is the judiciary which is the most substantial link in the entire mechanism of protecting civil rights and freedoms. Regrettably, in Kazakstan judicial power does not yet command due respect, it has not yet gained the authority such bodies enjoy in countries with developed democracy.

Accusation bias, which for decades dominated in the consideration of criminal cases was replaced by yet another excess — an avalanche of acquittals. Unfortunately it has become a rule with courts that the latter pass ridiculously

soft verdicts for heinous crimes. We cannot regard it as a manifestation of democracy. Conversely. It is a sheer evidence of relaxation of the role and functions the state should play in securing civil rights and combatting crime at so crucial period of our history. To cap it all there is no uniformity in practising civil legal proceedings particularly with respect to arbitration cases.

I don't think that differences emerging time and again between the Supreme Court, Higher Arbitration Court and Constitutional Court add to consolidation of the authority of the judicial power. Pressure upon courts exerted on the part of certain officials pertaining to both legislative and executive branches of power interfere with objective consideration of criminal and civil cases. Just as ineffectual is the existing procedure of establishing courts and appointing judges. It results in a situation when altogether incompetent people perform the duties of the judiciary.

There is one more important point I want to dwell upon: inadmissibly low discipline in the activities of the bodies of state power and management, in all their branches has turned into a serious handicap. In fact all the levels betray absence of efficiently operating executive mechanisms as an important instrument of practical implementation of state policy thus putting into practice resolutions of the Government. Regretfully, the entire state apparatus preserved quite a number of elements peculiar to the old and sluggish bureaucratic machine. One has to admit though that certain useful methods and forms of work were ousted from its arsenal quite groundlessly on the crest of democratic passions and political emotions.

5. While admitting miscalculations and errors we have committed we should nevertheless be fully aware of the irrefutable truth that along with the rest of the society Kazakstan and its political and state leaders go through the process of cognition, assimilation of altogether new phenomena endeavouring global transformations in passing. After all, the situation in the country might have come out much worse, should there break out destabilization of social and political developments. Worthy to note that maintaining political stability is closely linked with economic well-being. Hence in-depth development of economic reforms acquires tremendous political significance.

Such being the case, unbiased analysis and assessment of the past are aimed first and foremost at the elaboration of a constructive plan for future actions. It should be done in a balanced and sober-minded way, with neither hurling mutual accusations and reproaches nor looking for the culprit and pinning political labels.

The period we live through now is magnificent in and for itself in that the former economic formation ceased to be an integral system while the sprouts of the new one have not yet gained strength. To support them and stabilize the economy we've embarked on the only reliable way — that of stepping up the rate of the transformations. By no means should we sit and wait. Or simulate making headway. Such policy would bring no relief to the situation, rather it would only aggravate and procrastinate our plight. Last year and the beginning of the current one are a glaring evidence to it. Furthermore we have yet to cover a trying and hard leg of our route. We are to learn proper lessons from the experience we've gained and introduce adequate corrections to the programme of reforms.

II. CARDINAL CORRECTIONS

By and large, we are fully aware of what should be done and what should be the general trend-line of reforms. The latter boil down to denationalization and privatization, efficient anti-inflationary policy, minimization of both budget and payment balance deficits, tough bankruptcy mechanisms, liberalization of trade and prices, shaping up a competition medium, etc.

6. As a matter of fact political leadership of the country faces today the following alternative:

a) either continue adhering to the policy of reforms just as we did before and at the same rate, and proceeding from the available resources and opportunities that is seeking support in our own devices and stinting ourselves in everything primarily in social sphere;

b) or, sizing up the general situation choose something new, introduce adequate corrections into the policy of today having in view securing more dynamic realization and high efficiency of reforms.

Until recently we pursued the policy of augmenting taxation basis and checking expenditures. Such financial

policy added to accelerated formation of market relations but at the same time it generated a crisis in social sphere. The beginning of the current year was indicative of reduction of expenses in the said sphere approaching the extreme unacceptable to the population line beyond which there follows degradation and disintegration of some industries.

Currently practised monetary policy devoid of adequate levers of financial regulation brought about a sudden reduction in schools construction.

Indeed, it triggered an avalanche of closing educational entities sustained on the balance of state-owned enterprises, with 200 such establishments of pre-school education already closed. They stopped investing in educational facilities and corresponding equipment, cut down norms of meals for children in school dining-halls. Continuously and in real terms there decrease teachers' salaries with nearly 30% of teachers having already left their jobs. The situation with basic education is reduced to a dramatically critical point.

No better is the situation in public health protection. Its funding in real terms suffered a 40% decrease. Furthermore it is accompanied by continuous rise in expenditures for public utilities, medicines and the like. The situation with consumption materials, equipment and repair works is getting ever more desperate. As a result many establishments suffer from a veritable decay. Low wages reduce professional prestige and labour motives to nil.

In a word, destructive processes in the social sphere might take an irreversible course unless we set about its intensive funding. On the other hand ongoing reforms, obvious emergency in updating entire sectors of the economy, shaping up new commodity markets within the country,— primarily a market of dwelling facilities — as a basis for currency stabilization, laying down conditions for economic growth — all these demand huge financial resources.

According to all forecasts further adherence to an exceedingly tough, though balanced, finance-restraining policy, aimed at cutting down the inflation and stabilizing national currency might bring to opposite results contrary to positive changes we expect.

To keep the budget deficit within the above mentioned range of 4%—6% to gross domestic product, if we do mean

manageable inflation, we should sharply raise taxes collected from enterprises and just as sizably cut down social programmes. However, toughening of taxation press is sure to trigger curtailing of business activity, to prod enterprises to evading tax payments.

Lack of adequate resources would interfere with our finding a satisfactory solution to the non-payments problem. To suppress the course of inflation we should venture an exceedingly tough variant of bankruptcy. This, alternatively, would give rise to a sharply increased unemployment and slump, saturation of commodity market, poor as it is, would experience ever greater decline which — in its turn — would aggravate the tendency — common with the population — of getting rid of tenge while the latter's rate would keep falling as ever. Lack of resources would prevent from launching dwelling facilities to the market — the commodity which is considered strategic for the population and which could have “tied up” incomes of the population including perspective ones.

Unemployment, delays with payroll payments, reductions in real incomes of the population would periodically trigger social resentment under whose pressure, just as under that of branch lobbies which demand “cheap money”, the Government would have to yield to bearing considerable expenditures and undertaking an additional emission. In the long run, along with ever greater production slump, mounting unemployment and falling tenge rate we are sure to have a galloping superinflation and — as its inevitable consequence — eventual social explosion.

Strictly speaking such has been the course of events ever since the introduction of tenge. If such course persists, it would be silly to speak of whatever serious re-equipment of production, of shaping up the private sector of the economy capable of somehow alleviating aggravation of the general economic situation, of settling issues of strategic nature.

7. Updated approach boils down to relieving direct taxation burden imposed on legal and natural persons coupled with sharp toughening of responsibility for non-payment of taxes, to regulation and adjustment of the mechanism of indirect taxation. At first it would cause budget revenues go down but simultaneously it would trigger

intensification of business activity and augmenting of payments to budget in future.

Just as expedient is reforming of the expenditure articles of the state:

— all essentially governmental expenditures should be referred to the state budget and consequently — removed from the budgets of both the National Bank and commercial banks as well as from those of enterprises;

— certain social parameters of national economy should not be subjected, at the least, to further reduction and decline; particularly it refers to costs of health protection, medicines and education;

— the Government should bear expenses associated with the rehabilitation of the “sick” portion of state-owned sector and with updating and reconstruction of the “healthy” portion thereof, with maintenance of private sector, with creating a modern market infrastructure;

— the state should establish “initial capital” intended for forced formation and development of dwelling facilities market, for massive acquiring new knowledge.

Inflational nature of such approach is to be overcome by ever growing budget deficit being funded from out of non-inflational sources — at the expense of domestic and foreign loans mostly on the basis of liens. Incidentally, prospects of obtaining foreign loans are quite practicable. Such estimates are based on our enormous natural resources, trustworthy attitude of major donor-countries to Kazakstan which — for the matter of that — to a large extent stems from our social and political stability, from the fruitful results scored in the course of our official and working visits abroad, “genuine abroad”. We are not original to embark on that way: many countries in transition trod the way of attracting big loans.

In implementing the updated approach to settling our predicament the state attaches top priority to bringing down the inflation. But not exclusively at the expense of arithmetically minimizing budget deficit but in a far deeper and far more flexible way: at the expense of utilizing non-inflational sources of its funding.

It would enable preserving elements of perspective growth, laying the foundation for eventual settling of strategic problems and ensuring economic progress; such being the case, expenditures incurred by the state would no

longer be confined by scarce limits. But it entails adequate calculation of the threshold of liabilities allowing for reliability of repayment of loans. Most naturally such threshold should not be transgressed.

8. We have entered the most critical period in our history. Sizing up the present-day situation we have every reason to maintain that in the nearest 6-7 years, particularly in the first 2 or 3 years, the country would experience desperate need in resources to reform and update the economy. Regrettably, these will be the very years when it will face an uncommonly acute financial deficit. However, eventual result inspires optimism: according to the estimates at the expense of developing its natural resources and realization of the already concluded contracts Kazakstan would have a positive financial balance in 7-8 years.

According to its already prospected resources of oil and gas our country is included into the selected group of states. The Tenghiz deposit of oil and gas and the Karashaganak deposit of gas condensate enter — in terms of their reserves — the first ten largest deposits of the world. Aggregate revenues to state treasury obtained from their development would amount to over 10 bln dollars. No less enormous is the exports potential of the country with reference to other mineral resources.

Kazakstan is well capable of overcoming temporary handicaps and proceed with intensive economic growth provided it cleverly disposes of its natural mineral wealth through utilizing perspective proceeds from foreign loans for meeting today's needs.

9. One shouldn't though indulge in an illusion of setting the task of momentary transition to the second variant of economic policy, a more liberal and socially more sparing, for it would require time and laborious task.

That is why the Government is set the task of taking adequate measures of attracting domestic and foreign loans to stabilize the economy in the form and on the terms universally accepted in world practice. Within the subsequent fifteen months the government is to execute a step-by-step transition to ensuring the development of the economy along the newly updated tracks.

As I see it, this is our way from out of the state of social tension, way of departing from inflation and overcoming the crisis.

III. MEASURES OF COMBATTING THE CRISIS AND FURTHER IN-DEPTH DEVELOPMENT OF REFORMS

The main avenue of overcoming the crisis and stabilizing the economy consists in imparting proper dynamism to market transformations.

10. Top priority in social policy and in a mid-term perspective is preventing further decline of living standards specific of low-income strata of the population and persons with fixed incomes coupled with simultaneous rehabilitation of production plants.

Besides no less paramount remain such objectives as raising employment levels and ensuring measures of social adjustment of temporarily unemployed population, developing the system of social insurance as well as reforming the system of remuneration of labour which provides for a state-guaranteed subsistence level and consistent lifting of restraints imposed on the upper limit of payment. Contractual principle of managing the level of labour remuneration between the workers and employees, employers and trade-unions through entering collective contracts and tariff agreements should become a norm with us. In fact we should achieve such a status when the state guarantees its citizens such level of consumption which would be determined as a minimum social standard. Proceeding from the latter we should specify subsistence payroll which would serve a starting point for identifying parameters of the labour remuneration fund referred to cost value.

What we need is decentralization in financing social programs. At the state-managed level one should establish a fixed minimum of state's financial backing while the task at the regional level would consist in settling issues of rendering additional assistance to low-income citizens within the opportunities of local budget.

Social policy of the state with regard to unemployed section of the population should be concentrated on the creation and subsequent perfection of legal and economic conditions for involving unemployed able-bodied population in economic activities. Particularly close control should be exercised over the processes of mass dismissals of people and their job placement, primarily of those who lost their jobs as a result of liquidation or bankruptcy of unprofitable

enterprises and industries. Accordingly, system of vocational training for youth should be brought in conformity with the requirements of the economy.

Proceeding from a comprehensive analysis of currently active pensionary provision the Government should carry out certain work with the view of regulating pensionary benefits, introducing systems of compulsory and voluntary pensionary insurance. As a matter of fact we should have in view creation of a three-tier system of pensionary provision. State-guaranteed minimum pensions constitute the first tier while the second one consists of pensions granted under compulsory pensionary insurance. The third tier is represented by pensions granted at the expense of non-state pension funds.

At the stage of stabilization during the crisis the efforts of the Government in social sphere should be directed at maintaining and preserving the available network of establishments of social, cultural and consumer purpose primarily those of medical services and basic education. In future insurance medicine is expected to become one of the main forms of providing population with medical services. Consequently immediate objectives in this direction are preparing corresponding legislative basis and elaborating a state-managed programme of developing the system of medical insurance.

As regards implementation of dwelling facilities policy the Government should find financial means to obtain an opportunity of granting soft credits for a 30-years term for the purpose of individual dwelling construction. Supreme Soviet should consider and pass corresponding draft laws elaborated by the Government.

11. Within the current year already executive and legislative bodies should take effective measures to bring down inflation and make it manageable. It is common knowledge that inflation is the most destructive attribute of any crisis. Like rust it erodes fundamental supports of the economy, it depreciates accumulations of the enterprises and the population, thus making it impossible to update the economy. On top of everything else it undermines national currency. Non-stop rise in prices causes psychological exhaustion of people, they lose confidence in their future for it becomes wholly unpredictable.

Jointly with the National Bank the Government should proceed with the realization of tough anti-inflational finance-and-credit policy, yet allowing for gradual transition to the course of alleviating the tax burden weighing on the enterprises and to that of non-inflational increase of state expenditures intended for accomplishing market transformations.

12. To this day most of the enterprises failed to adapt themselves to the work conditioned by market economy and rigid finance-and-credit limitations. Many a director make fine technologists and engineers but poor organizers and managers. As before they are hopelessly dominated by "gross" mentality in terms of tons and kilometres. To this day the problem of realization of the manufactured product is looked upon as something insignificant and secondary while in market conditions it should be both immediate and purposeful. When assessed objectively the situation with non-payments and production slump is in many respects rooted in sluggishness of our economic managers, in their lacking market approaches and actions.

The Government should toughen responsibilities of those who head state-owned enterprises with regard to their financial balance. On the other hand enterprises should not be kept permanently bound with all sorts of commitments related to the production turnout, preserving employment of people, maintainance of social sphere facilities.

Without further delay we should find mechanisms or rather incentives to stimulate managers of state-owned enterprises which could encourage them to raise profitability of production. To-day only those should gain access to leadership who can offer a programme of making enterprises perform effectively, who know marketing and are capable of finding financial resources to update some particular industry.

13. Time has come to undertake reforming of monetary and banking systems taking into consideration Kazakstan's sovereignty and actual demands of market economy.

The National Bank should become independent of both executive and legislative powers, it should free itself from lobbying, so as to independently and with full responsibility engage in implementing measures of strengthening national currency and carrying out effective anti-inflational policy. As regards financing the budget and accomplishing monetary

emissions it too should perform the function of a backing up system. Accordingly, it would require certain amendments to the Constitution.

We should undertake clear-cut division of assets and commitments of the Government and those of the National Bank and commercial banks and enterprises. It is no easy task indeed for its solution is muddled up with no end of reciprocal non-payments and complicated by credits against payroll exposed in the course of the recent mutual offsetting of enterprises' debts.

From out of the banking system should be removed and transferred to budget all liabilities for centralized credit resources issued at the request of the Government along with all financial commitments associated with the prolongation of the said credits made by the National Bank under the pressure of the Government.

Similarly the budget of the Government should assume responsibility for Government-guaranteed credits realized to particular addressees through a system of commercial banks. To be sure it would bring down Government's impulses to allot soft credits to the countryside and to state-owned enterprises thus making it start their reforming.

The Government must, on accomplishing all the necessary preparations, assume all the expenses of maintaining social facilities of state-owned enterprises. After this it would be entitled to either privatizing these facilities or lease them under a contract.

After relieving the balances of the National Bank, of commercial banks and state-owned enterprises from governmental "load" one should considerably toughen the demands to recover the debts putting a stop to practices of payments for credits of the National Bank and introducing a rigid mechanism of bankruptcy thus barring the bankrupt from turning into a solvent person.

Having in view formation of full-bloodied capital market the National Bank has to fix determination of loan interest rate through representative credit auctions. The rest of the centralized resources should find their realization only by the resolution of the Government itself. More than that: financing plans including quarterly ones should be drawn up with priority participation of the Government. Furthermore we should legislatively ban crediting of unprofitable and low-efficiency industries.

In a broader perspective, we actually need a new legislation regulating issues of bankruptcy, pledge and leasing and associate procedures, further specification of the laws on the National Bank and on commercial banks. Also badly needed is a clear-cut determination of all the relations maintained between the state and state-owned enterprises: no matter whether it goes about dividends, control, financial results, management, appointment or dismissal of a manager or some other issues. This should be done through simultaneously passing the law on a state enterprise.

14. Combatting non-payment crisis is in fact impossible without involving a mechanism of dividing all the enterprises into "sick" and "healthy" ones. From among the weakened enterprises those ones that are amenable to economically recouped reanimation and rehabilitation would be subjected to a sanation procedure, to whatever improvement while the rest would have to "perish" as bankrupts. No one can afford assuming their burden — neither the Government nor the servicing banks.

Getting rid of bad debtors would bring down taking risks on the part of the banks and generate prerequisites for the banks to lower the discount rate.

To perform the function of sanation and bankruptcy of unprofitable enterprises one should consider the issue of establishing a special structure represented by some rehabilitation bank or agency which in proper cases would engage in financial rehabilitation of unprofitable enterprises according to an individual plan.

Algorhythm of this process is as follows: sinking enterprises, big ones first and foremost, voluntarily or by the resolution of certain authorized bodies come under the trusteeship of the above mentioned bank or agency which is — from that moment onwards — temporarily entrusted (transferred) with the rights of disposal of property and which forms a new supervisory council of such enterprise.

If the bank (resp. agency) comes to the conclusion that the enterprise is sufficiently viable, it undertakes its sanation and privatization through restructuring of the enterprise's debts, it replaces the composition of managers by a new one, it accomplishes breaking it up into smaller units, sales of property assets and such other measures required in case of rehabilitation. With reference to small-and medium-scale enterprises the treatment should basically take the form of

consultations offered on the part of the bank (resp. agency), assistance in drawing up plans of reconstruction, in cases of emergency it might be a financial support.

15. Denationalization (destatization) with subsequent privatization would retain its paramount role in reforming enterprises.

We must do away with our lagging behind in carrying out small-scale privatization having mostly in view finishing this process in the current year. In a word, mass-scale privatization is summoned to solve two cardinal tasks:

a) shape up a stratum of potential proprietors. We should work out a more effective mechanism of cheque privatization because the currently functioning one revealed quite a number of grave drawbacks and contradictions and ceased to be taken seriously by the majority of the population. The new mechanism should provide for conditions for each citizen to select an individually acceptable form of utilizing the share of the part of national wealth he is entitled to as well as to ensure protection of his interests. We should secure actual privatization of state-owned enterprises and facilities put up for auction tenders, having in view that all the responsibility for their further development is henceforth assumed by the new owners while the state reserves the right to indirect control and regulation of their activities within the framework of general legislative norms and rules. The Government should find an adequate way out of the situation that has taken shape in connection with dwelling facilities coupons as a result of unreasonable changes in the "rules of the game";

b) prepare all the necessary prerequisites for the emergence of the securities market along with its infrastructure minding natural correlation with corresponding currently valid terms and conditions thereof. Only then the securities market, having turned into an effective self-regulated entity, would enable attracting investments including foreign ones to the enterprises under reform, would make it possible to structure and rationalize their performance.

Currently active statutory acts on issues of privatization, management of holding companies, laws on enterprises, joint stock companies and economic partnerships require thorough inventarization having in view removal of numerous contradictions and multi-step nature of management,

abolishing outdated provisions and ensuring unequivocal interpretation of present-day norms.

The Government should update the national programme allowing for practices already gained and for the dynamism of the ongoing economic processes. Taking into account that privatization is but a comprehensive and multi-level problem, directly involved in its solution should be not only State Committee for Property but also Ministry of Economics, Ministry of Finance and other bodies of state government. Accordingly we should specify competence of each ministry and department in issues of updating relations of property and in those of property management in post-privatization processes.

Measures should be taken to actually demonopolize and break into smaller units the available companies and such other structures. For the purpose we should undertake their expertise and re-registering conducted by the anti-monopoly committee. Labour remuneration of the heads of such foundations should be changed thus being dependent on the gained profits whereas their rights and responsibilities should be clear-cut and strictly specific. Just as specific and tough should be functions and responsibilities of supervision councils with their compositions more competent and efficient.

16. Starting from the current year we should openly raise and settle the problem of comprehensive state-managed support of the private sector of the economy and that of active formation of the class of domestic entrepreneurs.

For only such class is capable of updating the country in avenues strategically expedient for both the country and the society because it takes to heart burning problems of the economy, ecology and security. Being patriots of their country it is entrepreneurs that are capable of ensuring spiritual regeneration of the nation, of other nationalities residing in the country, they are capable of putting non-productive industry on a new technological basis.

The Government should display prescience and not stand on ceremony in extending this efficient sector of economy a direct and open-hearted protectionist support. Regrettably, domestic private capital is yet too weak and it should obtain support and priority access in privatization, it should be well protected both in banking and in production. When implementing its domestic or foreign economic policy the Government must take into consideration and uphold the

interests of domestic entrepreneurs, it should help in creating a true and effective competitor to the state-managed sector of the economy. However it requires clear-cut definition of avenues of lending priority support to production entrepreneurship which should be followed without fail in future.

Efficient protection of private property rights offered on the part of the Government should make one of the cardinal elements of state policy. Now though, just as "in old good times" force structures persist in protecting "socialist" property remaining not only indifferent to upholding the interests of private property but also not infrequently encroaching upon them themselves. Courts too are one-sided in their attitude to property ignoring new type of owners. Indeed it is a psychology and mentality left over by the now discarded regime. We must get rid of them without delay substantiating our determination by corresponding alterations in legislation and when reforming the judiciary.

Cardinal measures meant to intensively create the entrepreneurship stratum are stipulated by the state-elaborated programme to support and develop entrepreneurship which has been approved by the President of Kazakstan.

17. In-depth development of market relations is integral to further perfection of policy aimed at liberalization of prices and commodity markets, it implies — among other things — elaboration of mechanism for their indirect state-managed regulation. Furthermore, for the whole of the transition period we should retain opportunities and effective means of managing the prices for items of produce vitally critical for the population.

Time has come now to set about final revocation of the system of state-administered and regional orders and purchases for national purposes replacing it by government procurement when the state comes out on the market in the capacity of an equal non-urging subject.

It is the Government which should submit for the consideration of the Supreme Soviet the corresponding draft law with simultaneous elaboration of a set of measures and mechanisms to fulfil this task.

We should closely investigate the matter of prices for agricultural produce, for grain first and foremost. All sorts of soft credits and tariffs to power-carriers, permanent

postponing of indebtedness under bank loans, higher social benefits, special system of cost taxes and other such things distort expenditures intended for grain production beyond all recognition. On the other hand forced state orders, imposed purchasing prices, monopoly of processing represented by former Kazkhleboproduct, a host of intermediate links have definitely undermined objective fundamentals for generating profits of producers and their mediators themselves.

The Government should carefully but without delay accomplish the transition to the generally recognized practices of grain trade. What we mean is turning to selling major portion of perspective grain yields through commodity exchanges. The scheme is a generally recognized world practice, it not only corresponds to seasonal nature of forming production but also withdraws painful issues of prepayment, the very ones which are settled today at the expense of credits extended against exorbitant interests.

Just as distorted are prices of other agricultural products. It is a sheer manifestation of the fact that the agro-industrial complex constituting nearly 40 % of the entire economic potential of the country is in fact the least reformed section of national economy to-day and consequently requires special concern on the part of legislative and executive bodies.

Particularly dangerous though are monopolistic structures that have taken shape between countryside and the consumer. We can no longer tolerate the situation when average Republican prices for meat, milk and eggs at which these products are bought by the population are 5—7 times as high as purchasing prices. That's where we should generate a tough competitive medium involving elements of private sector and exchange network.

Before the new agricultural year comes, the Government should remove all the barriers and obstructions barring this way and, before winter falls, all the requisite legislative and normative basis should be on the ready.

Another strategic market of the country, that of oil and petroproducts, is also subject to pronounced distortions. It remains strongly affected by non-payments both within and without the country, by trading with other countries, discriminational with regard to Kazakstan, there being no alternatives in trade owing to the lack of well-developed and comfortable transport communications. Just as negative is the

impact of the system of taxes and excise duties imposed on oil and petroproducts, of the difference separating "domestic" oil prices from those of the "foreign" oil.

Just as pernicious is the effect of scatteredness and parallelism observed in the field of prospecting, extraction and export of this major item of national wealth. As I see it, it is expedient to set up a special ministry within this industry abolishing all currently available structures here including those supervising exploration of petroproducts. The problem of petroproducts taxation too requires radical revision.

As a matter of fact the President intends to submit — as a legislative initiative — for the consideration of the Parliament a draft of the law on oil and oil-related transactions. Corresponding section should be provided for in the perspective taxation code.

Substantial revision towards freedom in price formation and competition on the foreign market is needed in the currently operating regime of foreign trade.

What we need is to draw up a rational system of allocating and licensing the produce to be exported which meets the requirements of normally developing economy. Furthermore one should specifically and unequivocally identify subjects to whom this right is delegated by the state.

We should revoke regional rights to issuance of licenses just as the hothouse conditions specially created for local monopolies, separate state-owned foreign trade companies from the Ministry of Foreign Economic Relations depriving them of any rights to monopoly in trade.

Within the current year we must accomplish a stage-by-stage transition to selling all the licenses and quotas at the auctions. It would enable channelling to national treasury a sizable portion of the rent, making access to licenses and quotas open and competitive for enterprises practising any form of ownership. We have already made first steps in this direction and have to proceed further on. We should thoroughly analyse the system of export taxation having in view improving and enhancing the development of export-oriented branches and industries.

All these moves should be substantiated with specifications and amendments to currently active legislation.

Time has come to undertake a conceptual revision of the anti-monopoly price regulation. Instead of current practices

of price correlation exercised by monopolistic enterprises we should make a transition to introducing effective mechanisms of follow-up and control over the utilization of monopoly-excessive prices to obtain superprofits. Besides the very notion of regional markets should be withdrawn with the Anti-Monopoly Committee concentrating its activities on the republican level. In fact the Committee should raise efficiency standards of its performance, pay more attention to destroying existing monopolies, lay more stress on issues of cancelling administratively granted anti-monopoly rights and on those of protecting consumers' rights.

Badly needed is the new version of the anti-monopoly law aimed at setting up instruments promoting fair competition and eliminating all sorts of preferential treatments, at confining and ultimate suppression of monopolism, in a word — at protecting consumers' rights.

18. Note should be made of yet another serious factor deterring the advance and effectiveness of transformations: that of shortage of personnel with market-oriented mentality capable of grasping present-day economic processes unfolding both in Kazakstan and in the world community.

Be that as it may, not only the ultimate outcome of the economic reform but also the very future of our country depends on our young people, on their educational scientific and cultural standards. That is why we contemplate holding annual competitions and selections (up to 3000 graduates of higher educational establishments) of gifted students for them to obtain further training abroad within the framework of presidential scholarships. Furthermore there should be elaborated a system of guarantees on the part of the said students to the effect of their applying their newly acquired skills for the benefit of Kazakstan only. We do need a special national policy whose mission is to generate an elite capable of assuming in future all the responsibilities for economic, spiritual and intellectual well-being of the society, worthy of standing at the helm of power.

It is the duty of the Government to arrange for a well-thought and effective technological line of training and selection of most gifted and capable youth for the purpose — to lay down the intellectual foundation of the country in the upcoming century. This work should be thoroughly structured and co-ordinated involving all forces

of the society at large, of non-state sector and domestic entrepreneurs.

19. The task of combatting corruption and crime remains one of the cardinal objectives of the state.

These vices, when acquiring large scale, make it impossible to exercise management of either the state or the economy, in fact they make a fairly tangible source of festering social and inter-ethnic conflicts. In such conditions it is but an illusion to speak of implementing some economic policy. Corruption and crime mounting at the time of economic and social crisis, when the positions of the state get temporarily weakened, strongly and negatively affect market performance, they undermine freedom of trade and entrepreneurship, distort prices and interfere with adequate decision-making.

War against these pernicious manifestations of evil forces is waged in keeping with the programme documents, approved by the President of the Republic of Kazakstan: decree "On measures for intensification of struggle with organized forms of crime and corruption" of March 17, 1992, statutory act "On increasing responsibility of the officials of state administration bodies" of December 4, 1992 and a specially elaborated programme to combat crime. The above mentioned measures helped in eliminating the most hideous manifestations of corruption, in drawing a clear-cut line between state service and entrepreneurship, in toughening the offensive against organized criminal formations thus attaining general stabilization of the crime-generating situation. No wonder such measures find support and understanding with the population.

One cannot say though that what has been done brought about a radical breakthrough in combatting crime and eliminating corruption; so far it failed to bring ultimate calm and peace either to the society or to power structures or to President himself.

As is evidenced by the experience already gained one should primarily suppress causes rather than consequences. Objective roots of corruption, its economic fundamentals stem from the medium which encourages distributive and authorizing procedures for undertaking certain actions. In this context any liberalization in one sphere of activities or another in and of itself implies reduction of corruption level, elimination of its economic foundation. To further intensify

struggle with organized crime, along with raising efficiency of law-enforcement bodies we need in-depth reforming of the judiciary towards ever greater efficiency of courts, as well as improvement of legislative basis, bringing it in conformity with the demand of the present-day situation.

20. The essence of all above-mentioned measures in their entirety constitutes actually the new budget policy.

In its revenue section it envisages simplification of taxation, raising its enhancing role rather than its fiscal increase. Aggregate share of taxes and fees levied from legal persons should be reduced to the level not excelling 40%-45% of the enterprises' proceeds. Furthermore there should be rationalized and subsequently minimized and eliminated all deductions from produce cost substantiated by the revision and regulation of indirect taxes. Particularly important here is profit tax, rental payments and indirect taxation. The entire inventory and admissible limits of local taxes and fees should be fixed legislatively and for quite a long time for that matter.

The above measures would enable the majority of private sector enterprises "leave the shadow", they would enhance their business activity and accelerate the development of enterprises exercising all forms of ownership, would trigger — after a certain period of suspense — mounting deductions into the state treasury. To step up business activity one should envisage reducing taxation scale for natural persons limiting it by the 40 % level having in view the perspective of the "freed" money being bound by the reinvestments, by the market of securities and dwelling facilities.

To gain comprehensiveness in collecting taxes we should most naturally toughen responsibility for tax non-payments charging local administrations with main obligations of tax collecting. In order to raise material incentives of the above authorities we should establish long-term standards of deductions to local budgets from general republican taxes.

All these amendments should be introduced into the draft of the new taxation code whose submission to the Parliament is scheduled for the current year.

Implementation of the updated course of the economic policy is sure to require substantial rise in budget expenditures.

Apart from the already enumerated supplementary expenses sizable resources would be needed to financially support the private sector and to generate a market-oriented infrastructure of civilized grade. One cannot rule out expenditures for covering the deficit of the pension fund.

Sure enough, the Government should search for loans indispensable for non-inflationary funding of budget deficit through wide-scale use of liens. To accomplish it though, the Government should be granted the right of suspending financing of some particular additional programme in case the requisite funds are impossible to raise, as well as the right to revoke financial facilities already appropriated in case of their inefficient utilization.

Embarking on the path of reforms we have covered a long and laborious way already. However much remains to be done to build an effective economy. Many hardships and privations are yet to overcome. We have nowhere to retreat because the transformations we have undertaken acquired an irreversible nature. Beating about the bush, irresoluteness claim too high a political and social price. There is but one way out — to head onwards, speed up reforms, add dynamism and comprehensiveness to their realization. It is only too clear to-day that reforming of the economy, its rehabilitation and stabilization are not a task with a number of different vectors. The only way to ultimate rehabilitation of the economy lies through reforms only, through their in-depth development.

Surely, we are in for a radical improvement of the situation but it would not come of itself. We are to undergo painful operations and procedures on the way to our convalescence and they can be neither put off nor ignored. Present-day status of the economy demands immediate action correlated with the ever changing and ever complicating situation.

Be that as it may, we do need strong political will, concerted actions and closely-knit performance of all branches of state power. Supreme Soviet, as a permanently active Parliament now, should perform its clear-cut tasks and functions aimed at a qualitative updating of the entire legislative basis of the ongoing institutional, economic and social transformations, that of reforming the judicial system as well as regulation and substantial improvement of the very law-making process. What we need here is removing

out of the currently functioning legislation certain discrepancies, unwarrantedly superfluous declarativeness of some standards and unnecessarily "instructive-and-methodological" minuteness of the others. We have to arrange for timely, civilized and constructive discussions of all draft laws, subjecting the latter to thorough and comprehensive juridical, economic, criminological and such other types of expertise.

As an official representative of the nation Parliament is bound to work out an effective mechanism of reflecting and protecting its interests through legislative procedures or rather through a well-considered and flexible system of control over the execution of laws. The order and procedures which govern consideration of applications and appeals addressed by citizens to various state bodies require legislative regulation. Regrettably, to-day the said bodies are mostly involved in writing formal replies taking advantage of the available flaws in the legislation of today. It refers primarily to local authorities. In this context the emergency is ripe enough to adopt a special law on the order of judicial and non-judicial examination of appeals, claims and applications submitted by the population.

Lifting social tension and ensuring public stability is in fact a tremendous indicator of the efficiency of the Parliament because safeguarding quiet and peace is the greatest concern of the nation.

Following generally accepted standards of world practice and having in view raising the efficiency of justice, competence and specialization of judges we have to undertake a comprehensive reform of the judiciary. As a matter of fact we must strengthen courts organizationally and — guided by the interests of shaping up strong and effective judicial power — give up their division into ordinary and arbitration ones. Time has come to officially legalize principles of non-replaceability of judges as well as those of promotion to judges by the head of state on the recommendation provided by the supreme judicial council as a water-proof guarantee of their genuine sovereignty when administering justice. We should shape up clear-cut legislative fundamentals (and a mechanism for that matter) of dismissing officials who failed to properly administer justice or committed actions incompatible with the high status of a judge. Reforming the judiciary should find its reflection not only

in constitutional provisions but also in the current legislation. It goes actually about passing new laws on the judicial system, on the status of both court and judges.

No less cardinal are changes to be introduced into the status of procurator's office bodies. The Constitution now in force failed to settle the issue of legal nature and status of the procurator's office. As a result the latter seems to be suspended between the two branches of state power tending to turn into a "fourth power" which is incompatible with either principles of the division of power in conditions of a presidential republic or those of a law-governed state. Contemplated changes in the status of the procurator's office are prompted by ever growing influence on the procurator's office exerted on the part of the head of state. Consequently the reform is meant to consolidate the rule of law in the country. Seen from this angle it is deemed logical vesting the President with powers to settle major cadre and structure issues within the system of procurator's office which turns into a body accountable to the head of state.

The time for decisive moves in economics we are experiencing now calls for stepping up the efficiency in the performance of all the bodies of state power. First and foremost it refers to the Government which among other things should do this through co-opting new competent members known for an independent and modern mentality, who are capable of not only generating ideas but also of executing draft work in a systemic and scrupulous way.

It is with this aim in view that we are to form a government that would adhere to a new course. Radically changing situation calls for a new way of raising the issue of principles and mechanisms of its formation and its subsequent interaction with the President.

At the initial stage of reforms when we had to solve exceedingly complex and altogether new problems, in passing to master new functions of state administration, to overcome decades-long psychology of obedient re-translation of commands given from Moscow so as to adapt to new circumstances and become independent the Government at first used President's authority as a cover working with him in one structure, sharing his ups and downs, for the most part — downs.

However further cooperation in such a tandem came to increasingly falling out of step. More than that: President

got increasingly involved in direct execution and specific management of the economy. Such being the case he had to unvoluntarily bear responsibility for many a move indertaken by the Government thus being unable to assess its performance in a sufficiently objective and unbiased way. The danger of losing guarantees of social protection for the population became ever more tangible.

It is high time now to put an end to such practices. Both the situation itself and all bodies of power are ripe enough for them to work each on its own section independently all of them moving jointly to a single goal.

The very first step in this avenue has already been made. President, for his part, assumes execution of functions of the guarantor of the Constitution in their full scope, those of the head of state and — in this capacity — those of the consumer who — on behalf of the society — orders elaboration of a programme of tactical measures and moves to combat the crisis, stabilize the economy and steadfastly implement the reforms. Cardinal parameters of the new programme, a sort of a political order, are presented in the Presidential Message to the Parliament.

From this moment on the Government should shape up in an altogether new, command way: formation of its economic bloc would be entrusted to the person who submits a programme meant to attain the above mentioned ends, who proves its practicability and feasibility, its compliance with the envisaged objectives and ultimate efficiency.

To-day the Government and heads of regional administrations (regardless of the fact that proposals on their appointment were advanced by the Prime-Minister) do not represent a close-knit team. In fact Cabinet of Ministers acts of itself just as the regions act of themselves while the opportunities of their being influenced by the Government are constitutionally limited. The Government itself has broken into several blocs owing to its organizational nature and to personal rather than command principle of selecting members of the Cabinet. Quite obvious are differences among the macroeconomic, foreign economic, social and branch blocs. There is no unity even within an economic bloc itself. Furthermore permanent conflicts related to problems raised every now and then are by far not the worst manifestations of the discord. In a number of subdivisions the said differences have developed into a patently hostile personal

attitude, into a confrontation between the members of a seemingly single team. Mechanism of the command principle of forming the Government consists in that the Prime-Minister, preferably at the elaboration stage, selects a team of like-minded persons and offers the programme of contemplated actions to the President. In case of approval the team becomes a Cabinet of Ministers in charge of the realization of its own idea.

On the instructions of the President the Government, along with any interested circles of scientific, public, political forces and business circles specifies the programme of measures of development of reforms and of finding a way out of the economic impasse. This programme is in fact a logical development, expansion and supplement to the anticrisis programme adopted last March and soon the Government will submit its proposals for the consideration of the deputies.

If the Parliament approves the course advanced by the President, the latter is ready to approve the programme answering the said course. Consequently Cabinet of Ministers must confirm, both collectively and individually, its willingness to implement the programme. Its members must take a sort of oath of allegiance to President and Prime-Minister to the effect of their commitment to the course of reforms, they must commit themselves to unconditionally support the programme, to pool their efforts in the realization thereof.

Similar would be the procedure with regard to heads of the administrations. Incidentally, the Government should be granted broader rights to participating in their appointment or dismissal.

Having in view raising the responsibility of the Government to the nation, the President and to the Parliament, toughening of the eventual control over the performance of executive power there has been accomplished separation of the staff to President from that to the Cabinet of Ministers. In other words the Head of State departs both from the Government and from consideration of present-day issues. Focusing all attention on performing the functions of the guarantor of the Constitution I shall channel my efforts to the consolidation of the whole of the society in its endeavours to preserve political stability in Kazakhstan.

More particularly and subject to the purpose, the range of legislative presidential initiatives has become substantially broader. Within the current year I contemplate submitting for the consideration of the Supreme Soviet some 20 draft laws including six new codes and quite a number of cardinal laws on issues of constitutional and judicial-and-legal reforms.

*NURSULTAN A. NAZARBAYEV,
President of the Republic of Kazakstan*

Almaty, June 9, 1994.

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THROUGH IN-DEPTH REFORMS
AND NATIONWIDE CONCORD**

**President Nursultan A. Nazarbayev's Speech
at the Session of the Supreme Soviet on
June 9, 1994**

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