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Social Organization of Kazakhstani Business under Conditions of Customs Union and Common Free Market Zone: Empirical Study Practice

Zh. Nurbekova, Z. Zhanazarova, and A. Beissenova

Abstract**—**This article is devoted to the analysis of results of sociological researches carried out by authors directed on studying of opinion of representatives of small, medium and big business on formation of the Customs Union, Common Free Market Zone with participation of Kazakhstan, Russia and Belarus.

It's forecasted that companies, their branches will interpenetrate with registration and moving their businesses to regions with more beneficial conditions. They say that in Kazakhstan there are more profitable geo-strategic operating environment for business and lower taxes. Russia using this opportunity will create new conditions for expansion into other countries of Central Asia and China. Opinions of participants of questionnaire and expert poll different in estimation of value of these two integration mechanisms since market segments on the one hand extend, but also on the other hand - loss of exclusive influence in certain fields of activity.

Keywords**—**Customs Union, Kazakhstan, sociological research.

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I. Introduction

CREATION of Customs Union and Common Free Market Zone have a tremendous significance. Creation of two integrating mechanisms favors forming fundamental conditions for accelerated transferring of three countries: Russia, Kazakhstan and Belarus to neoindustrial progress stage.

The purpose of holding coordinated policy is to consistently advance to equal economic opportunities and mature competition with open customs borders and free capital flows. European Union has gone through a similar way during decades. Although having a higher economical development level that is a similar customs, investment and tax policy.

Market with 170 million populations in which three countries are members may increase GDP growth in perspective for more than 15% in each member-state. Thus common participation effect for Russia makes 400 billion US dollars, for Kazakhstan and Belarus 16 billion US dollars accordingly [1].

Nurbekova Zh., Department of sociology and social work, al-Farabi Kazakh National University, Almaty, Kazakhstan, as professor, doctor of sociology (phone: 8 (727)23774774 e-mail: janaranur@yahoo.com)

Zhanazarova Z., Department of sociology and social work, al-Farabi Kazakh National University, Almaty, Kazakhstan, as professor, doctor of sociology

Beissenova A. al-Farabi Kazakh National University, Almaty, Kazakhstan, PhD student (phone: 87771347131, e-mail: beysenova_aa@rambler.ru)

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II. Subject Research

Expert survey with entrepreneurs – members of Entrepreneurs' Association of the Republic of Kazakhstan who have sound experience in business area was held during March – May 2012. 200 people were covered by this survey in selective aggregate. Representatives of small, medium-sized and large businesses were questioned. During the same period a questionnaire survey was arranged, 1500 people were questioned; representatives of small, medium-sized and large businesses of the Republic of Kazakhstan.

III. Research

Our expert survey results make case history of reforms implemented under conditions of Customs Union. When respondents were asked such question as: "Kazakhstan is a supplier of raw materials for Russia? Is that possible?" most entrepreneurs would say that Customs Union for Russia is more like a geo-political project whereas for Kazakhstan – this issue is economical. An entrepreneur – owner of a small company having a rich work experience would reply like this: "There is such likelihood that Kazakhstan may become a supplier of raw materials of Russian Federation, for example at creating European Union when every country was losing its economical, social, political identity. When representatives of countries make all decisions citizens of the country itself are left without voting right. We are going to have a similar situation, there is a common center and this Union becomes more and more like Soviet Union. As they say: "Everything new is well forgotten past. Kazakhstan needs to more carefully conduct its policy so that to keep its independence. At the same time USA and China Kazakhstan are carefully monitoring Kazakhstan's development and have their own concerns, whereas such Union with a power like Russia will enable Kazakhstan to strengthen its positions as a more powerful country that will not be influenced by either China or USA."

Open Science Index, Industrial and Systems Engineering Vol:6, No:12, 2012 publications.waset.org/10014/pdf

Questionnaire survey showed a rather different reality. Answering the question: "What do you think for whom entering Customs Union is a strategic step forward?" most respondents say that Kazakhstan has more advantages in entering Customs Union (45.2% of questioned people), Russia (38.4% of questioned people) and Belarus (15.2% of questioned people) and nobody would benefit from such Union (1.2% of questioned people).

So both questionnaire and expert surveys showed that entrepreneurs of Kazakhstan support performed reforms. Entrepreneurs highly value economical policy pursued by Kazakhstan. Entrepreneurs assessed the role that Kazakhstan will play in Customs Union. According to them there are some apprehensions that Kazakhstan would become a supplier of raw materials for Russian Federation. All these factors will worsen economical status of Kazakhstan and business activity.

Next issue of our study concerns realization of advantages provided by Customs Union. Researches accomplished by us showed that there is a tendency among entrepreneurs to have active attitude foreseeing realization of advantages provided by new mechanisms of Customs Union. Entrepreneurs are attracted by new opportunities opening in Kazakhstan. It's also noted that entrepreneurs understand that within the framework of Customs Union this project has economical nature for Kazakhstan, whereas for Russia project of creating Customs Union shall be both strengthening economical power and building up international political leverage.

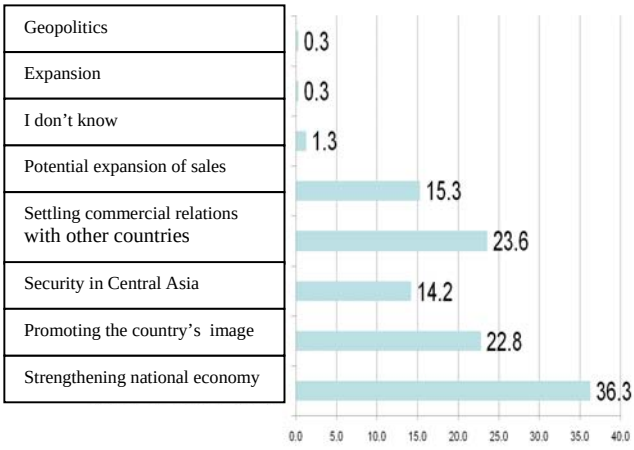
To ensure successful development of Customs Union not only expansion but also equalization of economic development levels among member-states are important. It's assumed to use economic cooperation opportunity at a high scientific and technical level producing corresponding highly competitive products and expand opportunities to access foreign markets selling manufacturable products. Coordinated economical growth of member-states is ensured owing to development of tax, customs-tariff, financial-credit and other norms of economic activity for member-states. Thereby the challenge for Customs Union is to replace model of capital earned via selling raw materials by model of finished products in the countries – members of Customs Union.

Questionnaire survey confirmed that majority of entrepreneurs of Kazakhstan support tasks and objectives set by our government within Customs Union framework and realize decisions of determining challenge to radically reform the whole structure of economy. 36.3% of respondents think that Kazakhstan's economy is strengthening within Customs Union framework, 23.6% believe that settlement of commercial relations with other countries is going on in Customs Union, 22.8% of respondents think that participation in Customs Union promotes the country's image, 15.3% of respondents identify advantages of Kazakhstani economy in potential expansion of sales areas.

In response to question regarding necessity to develop foreign markets for member-states of Customs Union experts said the following: "This is a required condition for developing Kazakhstani business, integration of Kazakhstani companies into the global economic area. It's high time for our entrepreneurs to start operations in other markets since we have great opportunities and quality of our products and Customs Union provides us with such possibility to export products manufactured locally to such a big market Russia and Belarus have".

Although it should be noticed that it's still early to judge what results and effects Kazakhstani economy would have from joining Customs Union. Not only concerns of various countries interlace with each other, but also there is a competition in different areas, industries, companies.

Answers of respondents to question: "What are the objectives of joining Customs Union for Kazakhstan in your opinion?"



In Kazakhstan concerns of large-scale businesses, exporters – leaders of oil and gas and metallurgical industries,

processing enterprises of small and medium-sized businesses have their priority.

Russian and Belarusian machine builders expect a lot from domestic market. They create industrial sites on the territory of Kazakhstan with its more favorable tax treatment. Apart from this manufacturers of household appliances, oil and gas equipment, clothing, confectionary items of Russia and Belarus hope for effective sales of their products due to canceling customs barriers between the countries. Customs dues will be distributed among budgets of the three member-states of Customs Union. Turnover of commodities between Kazakhstan and Russia already increased by 39.2% whereas with Belarus – by 64.7% [2].

Assessment of consequences of creating common customs territory within borders of member-states and introducing a common custom tariff are issues of great importance. At present time these issues depend on problem of pricing policy for goods imported into Kazakhstan. Kazakhstani entrepreneurs are very concerned of cases when they encounter with acceleration of competitive pressure on the part of Russian enterprises; another issue to be resolved – in what segments of market conditions for local companies will be better. Entrepreneurs are aware that increasing prices for import is connected not only with inflation processes but also equalization of Kazakhstani prices with Russian prices for a whole range of commodities.

Open Science Index, Industrial and Systems Engineering Vol:6, No:12, 2012 publications.waset.org/10014/pdf

Expert survey showed that domestic entrepreneurs negatively reacted on challenges arisen in price formation related to joining Customs Union. To our view we have two major attitudes to the current situation. Particular paradox is that entrepreneurs understand that they are required to carry out radical reforms of economic structure to enable Kazakhstan to enter first fifty developed world countries. At the same time the current regulated process of harmonization sometimes fails, there are no coordinated common economic and legal norms.

When asked the question: "What are price formation problems do you think for the moment?" domestic entrepreneurs noted that rise in prices at food market is obvious and its tendency to reach the level of Russian prices as a logical explanation. However changing customs dues has a great influence on the final price for commodities. Companies have to reduce cost so that to compete with Russian analogues.

Along with macro and microeconomic indicators tax environment is also strategically important. Introducing common rates for import from third countries and canceling internal customs borders Customs Union favors internal market growth. Herewith Kazakhstan, Russia and Belarus will operate under unequal tax conditions. Advantage we have is that there is lower tax burden on business in Kazakhstan. Kazakhstani business have more preferential tax load for its own enterprises. Kazakhstani commodity producers can enter Russian market easier than those of other members. Having competitive advantages in taxation area at current development levels and conditions of processing industries in the Republic, opportunities for Kazakhstani companies to access Russian market are very limited because the Republic is not in a position to compare with Russia and Belarus by scopes of production and product quality.

At the same time preferential tax environment will conduce penetration of subsidiary Russian and Belarusian companies with advanced technologies and production organization system as well as larger capital resources. For instance expansion of "AvtoVAZ" companies, large scales food companies and other industrial giants of Russia and Belarus.

What challenges are outlined by domestic businessmen in new realities of Customs Union? By results of expert and questionnaire surveys 56% of entrepreneurs think that it's imperative to fix transport expenses which tend to increase on a monthly basis whether this be cargo, rail road or air transportation, Customs Union didn't facilitate paper chase, entrepreneurs mentioned difficulties they had with execution of documents at receiving commodities; 32% of entrepreneurs of Kazakhstan think that residency principle impedes free turnover of goods among the countries of Customs Union when a company must register goods in the territory where such company was incorporated thereby provisions for customs clearance procedures are not regulated. 12% of respondents believe that it's necessary to specify lists of goods for which there are restrictions for import and export, no common standards for commodity certification.

Thereby sociological questionnaire showed that although creation of Customs Union is positively assessed on the whole as an important stage in the process of integration among the three member-states one should also take into account that specific benefits and costs with respect to particular countries being its members because of joining Customs Union will be revealed as economic, social and political factors and functioning mechanisms of Customs Union and Common Free Market Zone come into force.

Creating Customs Union and Common Free Market Zone is not caused by another effort to restore totalitarian-administrative economy, economic and political relations we used to have on the basis of Soviet Union. This Union first of all is demanded by concerns of member-states, requirements to create fair intergovernmental relations, as well as necessity to react contemporary antagonisms of globalization. Unlike opinions of certain analysts arguing that no normal economic cooperation may exist among former Soviet countries, since they are trying to come to market world using very different ways, they have different levels of economic and trade opportunities, the agenda includes issue of regulating a whole group of aspects of their practical activity and joining other countries to the member-states.

According to regulations of Customs Union every member-state is vested in with the right to equal free access to each other's markets. Under current conditions market of Kazakhstan is more available for inflow of goods manufactured in other countries of Customs Union. In this respect our market is exposed to prevailing influence of more economically developed partners. But we can't afford losing economic sovereignty. This is important in terms of the country's strength and taking into account perspectives for domestic business development subject to independent objectives and priorities.

IV. Conclusion

Entering Customs Union will require member-states to activate efforts for increasing their competitiveness otherwise domestic market will become vulnerable. It's needed to carry out scientifically grounded estimations to find out to what extent political dividends for such consolidation may be compared with interests of integrated development of Kazakhstani economy.

It's also necessary to arrange active work in forming Common Free Market Zone within which the same principles for business operation will be applied. A whole bunch of key market norms and mechanisms are at the phase of finalization and settlement.

One of important achievements of Customs Union is elimination of barriers in mutual trade among the countries. Since January, 1st 2011 Customs control at internal borders was transferred to external contour of member-states of Customs Union. The problem is in unconformity of transport tariffs for cargo-carrying operations within the framework of Customs Union. International transit railroad tariffs in Russian Federation are much higher than those in Kazakhstan. Kazakhstani commodity producers have to pay 2.5 times more

for transiting their products across the territory of Russia than they do in the domestic market. On the whole coordination of transport tariffs is an important aspect to ensure free movement of goods and services, sustainable growth and building capacities for all three countries [3].

If you take Customs Union as the first stage for integration in the form of creating common commodity market, then creation of Common Free Market Zone will landmark transition to form a production zone. All these express a new strategy of social and economical cooperation. This first of all regards to harmonization and unification of all norms and regulations, coordinated economical policy. At its basis there are objectively specified process of approximation, equalization and unification of norms and rules of business activity in member-states, ensuring free movement of goods, services and capital.

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