Contents:

1. The Efficiency of Special Knowledge in Criminal Proceeding
   Elvira Abdikapbarovna Alimova ... 964

2. Criminal Policy against Economic Offenses in Kazakhstan
   Botagoz A. Amanzholova, Gulmira S. Bazarova, Aigul M. Kalguzhinova and Zhanna B. Ualieva ... 972

3. Covert Surveillance in the Structural Elements of the Criminally-Remedial Averment
   Bakhytzhan K. Amirkhanov ... 982

4. Authorization of the Barring Order by the Investigating Judge: Problems of Legislative Regulation
   Aidar Bakyt ... 989

5. Dialectics and Logics in Forensic Enquiry of Construction Facilities
   Andrey Yurievich Butyrin and Ekaterina Borisovna Stativa ... 995

6. Strategic Personnel Management within Innovational Development of Companies
   Elena I. Danilina, Zhanna A. Mingaleva and Yana I. Malikova ... 1004

7. From Communist Regime to Liberal Democracy: The Evolution of the Legal System in Lithuania
   Olga Ivanivna Demenko, Jolanta Bieliauskaitė, Vytautas Šlapkauskas and Mildā Vainiute ... 1014

8. Particularities of Legal Regulation and Harmonization of Proprietary Rights Legislation in the RSA, Brazil and China
   Mihail Nikolaevich Dudin, Evgeniya Evgenevna Frolova, Ksenia Michailovna Belikova and Natalia Vladimirovna Badaeva ... 1026

   Mokhamad Khoirul Huda, Ninis Nugraheni and Kamarudin Komar ... 1037

10. Foreign Relations of Kazakhstan in the Regional and Global Context: Security and Economic Aspects
    Zarina Kakenova, Houman Sadri, Galina Kakenova, Amirzhan Alpeissov and Gulnara Ibragimova ... 1042
Public Administration of Social Security in the Republic of Kazakhstan
Alipasha Agahanovich Karayev, Aizhan Mukhtarova, Yerazak Manapovich Tileubergenov, Aliya Kassymbek, and Zhanna Amangeldinovna Khazhina... 1051

Strategic Priorities and Challenges of Environmental Management in Kazakhstan
Zatira Karbetova, Sholpan Karbetova, Karlygash Otyzbayeva, Adaskhan Daribayeva, Zhanar Dulatbekova and Karlygash Tastanbekova... 1058

The Experience of Foreign Countries in the Monetary System Development
Yerkenazym D. Orynbassarova and Yerkebulan S. Karibaev... 1118

The Possible Consequences of Accession of Kazakhstan to the World Trade Organization
Assemgul Rakhimbayeva, Diana Madiyarova, Tatiana Blokchina and Beibit Korabayev... 1127

Strategic Priorities and Challenges of Environmental Management in Kazakhstan
Zatira Karbetova, Sholpan Karbetova, Karlygash Otyzbayeva, Adaskhan Daribayeva, Zhanar Dulatbekova and Karlygash Tastanbekova... 1058

Forecasting the Economic Demand for Occupational Education
Oleg A. Kosorukov... 1066

Influence of Fiscal and Monetary Policy of Kazakhstan on Modernization and Economic Growth in the Conditions of Globalization
Nurilya Kuchukova, Mereke Turarbekov and Assiya Agumbayeva... 1086

Islamic Banking and Financial System in Kazakhstan
Diana V. Kulibayeva and Zhanat B. Kazbekova... 1096

A Review of Problems in Legal Interpreting
Olga A. Lysenko and Oleg M. Barbakov... 1103

Best Practice Principles for Business Incubators: A Comparison between South Africa and the Netherlands
Natanya Meyer, Daniel Francois Meyer and Sebastian Kot... 1110

Marina Alexandrovna Rozhkova... 1136

Currency Regulation in the Republic of Kazakhstan in the Context of Integration
Anelya K. Saulembekova, Akylbek A. Ilyas, Raikhan U. Smagulova and Eric B. Bakhyt... 1142

Economic and Environmental Approaches to Developing a System of Integrated Water Resources Management in the Kuyalnik Estuary Basin
Mykolai G. Serbov... 1153

Administrative – Territorial Reform in Ukraine: Implementation Challenges and Control Mechanism Improvement
Roman Vladimirovich Shapoval, Elena Viktorovna Vits’ko, Olga Ivanovna Denemko, and Kristina Vladimirovna Solntseva... 1170
<table>
<thead>
<tr>
<th>Page</th>
<th>Article Title</th>
<th>Authors</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>The Procedural Model of Criminal Prosecution in the Modern Criminal Procedure Legislation of the Republic of Kazakhstan</td>
<td>Nurbolat Sultanov</td>
<td>1179</td>
</tr>
<tr>
<td>26</td>
<td>State Property Management in the Republic of Kazakhstan</td>
<td>Binur Adamovna Tailorina, Aigerim Zhaksylykovna Zharbolova, Sabyrzhan Malieievich Zhapakov, Moldir Sadibekova, Zhanar Toleubekovna Karasheva, Yermek Abilyayevich Buribayev</td>
<td>1187</td>
</tr>
<tr>
<td>29</td>
<td>Transformation to Ideas of Investments as Economic Category</td>
<td>Asiya N. Turekulova, Dametken M. Turekulova, Lyazzat K. Mukhambetova, Gulnara K. Baybaisha and Nurzhamal Zh. Kurmankulova</td>
<td>1218</td>
</tr>
<tr>
<td>30</td>
<td>The Role of Transaction Costs in Risk Management of Investment Projects</td>
<td>Natalya V. Usmanova and Nina A. Orlova</td>
<td>1226</td>
</tr>
<tr>
<td>31</td>
<td>Turkey’s Environmental Legislation: Formation and Development Characteristics</td>
<td>Mustafa Zhanbaz</td>
<td>1234</td>
</tr>
</tbody>
</table>

---

**Editor in Chief**
Madalina Constantinescu
Association for Sustainable Education Research and Science, Romania, Romania

**Co-Editors**
Russell Pittman
International Technical Assistance Economic Analysis Group AntiTrust Division, USA

Eric Langlais
EconomiX CNRS and Université Paris Ouest-Nanterre, France

---

**Editorial Advisory Board**

**Huseyin Arasli**
Eastern Mediterranean University, North Cyprus

**Jean-Paul Gaertner**
Ecole de Management de Strasbourg, France

**Shankar Gargh**
Editor in Chief of Advanced in Management, India

**Arvi Kuura**
Pärnu College, University of Tartu, Estonia

**Piotr Misztal**
Technical University of Radom, Economic Department, Poland

**Peter Sturm**
Université de Grenoble 1 Joseph Fourier, France

**Rajesh K. Pillania**
Management Development Institute, India

**Rachel Price-Kreitz**
Ecole de Management de Strasbourg, France

**Andy Stefanescu**
University of Craiova, Romania

**Laura Ungureanu**
Association for Sustainable Education Research and Science, Romania, Romania

**Hans-Jürgen Weißbach**
University of Applied Sciences - Frankfurt am Main, Germany

---

**ASERS Publishing**
http://www.asers.eu/asers-publishing
ISSN 2068-696X
Journal DOI: https://doi.org/10.14505/jarle
Journal's Issue DOI: https://doi.org/10.14505/jarle.v7.5(19).00
Journal of Advanced Research in Law and Economics is designed to provide an outlet for theoretical and empirical research on the interface between economics and law. The Journal explores the various understandings that economic approaches shed on legal institutions.

Journal of Advanced Research in Law and Economics publishes theoretical and empirical peer-reviewed research in law and economics–related subjects. Referees are chosen with one criterion in mind: simultaneously, one should be a lawyer and the other an economist. The journal is edited for readability both lawyers and economists scholars and specialized practitioners count among its readers.

To explore the various understandings that economic approaches shed on legal institutions, the Review applies to legal issues the insights developed in economic disciplines such as microeconomics and game theory, finance, econometrics, and decision theory, as well as in related disciplines such as political economy and public choice, behavioral economics and social psychology. Also, Journal of Advanced Research in Law and Economics publishes research on a broad range of topics including the economic analysis of regulation and the behavior of regulated firms, the political economy of legislation and legislative processes, law and finance, corporate finance and governance, and industrial organization.

Its approach is broad–ranging with respect both to methodology and to subject matter. It embraces interrelationships between economics and procedural or substantive law (including international and European Community law) and also legal institutions, jurisprudence, and legal and politico–legal theory.

The quarterly journal reaches an international community of scholars in law and economics.

Submissions to Journal of Advanced Research in Law and Economics are welcome. The paper must be an original unpublished work written in English (consistent British or American), not under consideration by other journals.

Journal of Advanced Research in Law and Economics is currently indexed in SCOPUS, EconLit, RePec, CEEOL, EBSCO, ProQuest, and Cabell’s Directory.

Invited manuscripts will be due till October 1st, 2016, and shall go through the usual, albeit somewhat expedited, refereeing process.

Deadline for submission of proposals: 1st October 2016
Expected Publication Date: December 2016
Web: http://www.asers.eu/journals/jarle
E–mail: jarle@asers.eu

Full author’s guidelines are available from: http://www.asers.eu/journals/jarle/instructions-for-authors
Currency Regulation in the Republic of Kazakhstan in the Context of Integration

Anelya K. SAULEMBEKOVA
University of National Bussines, Almaty, Republic of Kazakhstan
anelya.sk@mail.ru

Akylbek A. ILYAS
L.N.Gumilyov Eurasian National University, Almaty, Republic of Kazakhstan
akilbeki.ilias@mail.ru

Raikhan U. SMAGULOVA
University of National Bussines, Almaty, Republic of Kazakhstan
raikhan_1951@mail.ru

Eric B. BAKHYT
University of National Bussines, Almaty, Republic of Kazakhstan
mustek55@mail.ru

Suggested Citation:

Article’s History:
Received July, 2015; Revised July, 2016; Accepted August, 2016.
2016. ASERS Publishing. All rights reserved.

Abstract
The purpose of this study is to analyze currency regulation in the Republic of Kazakhstan in the context of its integration into the Eurasian Economic Union.

The article analyzes dynamic changes in foreign exchange rates over the last 6 years. The authors considered exchange arrangements and devaluation stages of the national currency – tenge. The study displayed dynamics of operations in the domestic foreign exchange market. The authors suggested a number of ways to deal with inconsistencies of currency regulation and control, as well as with the monetary policy of member states of the Eurasian Economic Union.

Tenge devaluation rate to the main world currencies became one of the key sensitivity indicators of the Kazakh economy to the global financial fluctuations.

New realities require competent economic policy of the Republic of Kazakhstan based on both the international experience and specific development of Kazakhstan and the entire Central Asia.

Keywords: tenge devaluation, optimum currency area, exchange rate, currency integration, Eurasian Economic Union.

JEL Classifications: F13, E31, F15.
**Introduction**

Exchange rate stability is the basis for successful economic development. Devaluation of the national Kazakh currency significantly increased in recent years; this had a negative impact on the country’s economic development, investors’ confidence in the national projects and real purchasing power. Permanent and significant changes in tenge exchange rate may lead to major adjustments in the monetary policy forecasts provided by the National Bank of the Republic of Kazakhstan (NBRK), as well as by the entire government keeping in mind the country's social and economic development (Macerinskiene and Sakhanova 2011).

Throughout its history, the Kazakhstani tenge depreciated by more than 70 times - from 4.7 KZT per US dollar in November 1993 (Frankel 2005) up to 338.7 KZT per US dollar in June 2016. This reduces credibility of the national currency and increases demand for foreign currency and relevant savings. Competent and flexible monetary policy, with due regard to all the tiny nuances and variations becomes increasingly important. In the era of world economic globalization, normalization of national currencies to the world ones significantly increased. Kazakhstan, as a member state of the Eurasian Economic Union (EAEU) needs to create favorable conditions for monetary integration of national currencies of all EAEU member states, along with a gradual decrease of dollar dependence (Matveev 2011).

The second wave of economic crisis, combined with a decrease in the price of fossil hydrocarbons, dictates the need to pursue a clear monetary and fiscal policy as the main source of export revenue in Kazakhstan. The abrupt transition from fixed rates of exchange to a floating rate, abolition of the currency corridor led to a sharp devaluation of tenge in 2015 (Lutsyshyn and Spivak 2014).

It is necessary to review monetary integration vectors of Kazakhstan and to determine optimum currency area for tenge for the future. In order to solve this problem, the authors of this research provided analysis of the Kazakh financial trends (Kennedy 2002).

1. **Background research**

The first conceptual model of monetary integration focuses on the effective introduction of floating exchange rate in the modern world economy, as well as on ways to ensure effective policy aiming at flexible exchange rates (Mundell 1961). This model also considered the relationship between pricing systems, the impact of government policy and market game on the development of monetary relations, which contrasted with classic market manipulations by means of state support (Fleming, 1962).

Development of this issue in subsequent studies led to the concept of optimum currency areas as a tool for full employment of the working population in the region, more effective international trade, average price stability (Mc.Kinnon 1963, Jorion 1990, Adler and Dumas 1984) as well as the criteria for determining any economy in terms of optimum currency areas (Frankel and Rose 1998).

Fixed rate has certain advantages over the floating one in small economies with a high share of the public sector (Aizenman 2016, Patro et al. 2014, Kennedy 2002). Fixed rate provides the possibility to avoid potential inflation fluctuations, promotes international trade by reducing transaction costs and exchange rate risks, which can be attributed to international investment, prevents speculations on the sale and purchase market (Fleming 1962).

On the other hand, such monetary policy has certain risks: probable loss of monetary independence and automatic adaptation to trade shocks, default probability along with negative economic phenomena (Frankel 2005, Tu and Meredith 2015).

The introduction of flexible currency rate also has certain risks, primarily connected with disturbances to the balance of payments (Mariolis 2013, Frankel 2013). Studies related to equilibrium models of international asset pricing show that in countries with a free-floating exchange rate currency risks are expressed in the regression of the stock returns on the currency returns (Dübel and Walley 2010).

Among the main reasons for devaluation of the national currency of Kazakhstan in 2009-2016, one should note decline in demand and prices for fossil fuels, which will continue in the long term (Iskakov and Ruziyeva 2014). The country's economy is also heavily dependent on the economic development of the two neighboring states - Russia and China, which are experiencing economic crisis as well. Dependence of tenge on the Russian ruble, which currency corridor is wider leads to devaluation of the Kazakhstani currency (Ryzantsev and Korneev 2014). The exchange rate of tenge is tied to the Russian ruble as a cross-rate against the US dollar, but keeping in mind the increased demand for the Russian ruble on the domestic market of Kazakhstan, leads to possible devaluation fluctuations in terms of the Russian ruble (Gissy 2014). Economic relations with China are getting more complicated due to the market saturation in...
China as a major exporter of finished products, a decline in GDP growth of this country; one can mark an equilibrium trend in the trade between Kazakhstan and China.

The use of international practices in the Kazakh economy is possible provided understanding of the national peculiarities of the country's market (Macerinskiene and Sakhanova 2011). Oil and gas sector is the main element of the Kazakh economy, which determined increase in the Kazakh GDP by almost 6 times between 1998 and 2008, to a value of $129.8 billion, while the share of the state budget income from trading fossil hydrocarbons increased from 40% to 63% (Begentaev 2009, Simon 2009). On the other hand, agriculture, engineering, construction, light industry are characterized by decline of consumer interest in contrast to imported goods (Zabortseva 2009). Given the accumulation of money capital, the share of imported goods increased significantly for the last 5 years; this trend became more evident with the advent of the global financial crisis and recession in the oil and gas sector (Kennedy 2002).

In the past decade, the National Bank of the Republic Kazakhstan pursued its traditional fixed rate policy in relation to the national currency. However, significant growth of devaluation expectations and the increase in demand for the foreign currency, that became apparent in 2015, caused the accelerated devaluation of the Kazakhstani tenge. In order to improve external resistance of the Kazakh economy, the central bank changed its strategy to a more flexible exchange rate policy, providing minimization of foreign currency interventions and increased exchange rate volatility (Patro et al. 2014).

The currency corridor was canceled in May 2015. National Bank moved to a freely floating currency, and reserved the right to participate in the domestic market through currency interventions in order to maintain stability of the Kazakh financial system.

On 16 September 2015, NBRK currency interventions amounted to $144 million, on 17 September - $270.4 million, on 18 September - $67.2 million, on 21 September - $213.1, on 30 September - $225 million. Following these events, cash infusions exceeded US $1 billion (Frankel 2013). All these data suggest that large market participants, especially banks, received significant revenues from currency transactions.

The instrument of this policy was presented by the key financing rate, gradually corrected upwards by the National Bank in order to minimize further speculative attacks (Lutsyshyn and Spivak 2014). Gradually NBRK ‘sharpens’ the skills of conducting monetary policy under the free exchange rate by checking tenge stability against the undesirable internal effects and varying the size of its interventions (Frankel 2005).

The collapse of the Soviet Union caused active integration of post-Soviet countries. In 1993-1994, these countries decided to form the interstate free trade area of 12 countries, adopted a number of documents aimed at the integration interaction among the former Soviet republics. Nevertheless, reintegration of all post-Soviet states into a single economic union contradicted to national trends of the emerging countries, which pursued independent domestic and foreign policy. In this regard, the integration format was modified in favor of an economic union of Russia, Belarus and Kazakhstan, as the countries characterized by close economic, cultural and political ties (Liebman 2009). However, there are problems related to economic cooperation among the participating countries. The share of mutual trade decreased from 16-17% at the turn of the century to 12% in 2016, which was determined mainly by a noticeable increase in energy exports from the EAEC countries in the CIS countries, as well as by a small volume of investment flows within the organization compared to the total investment volume (Likhachev 2010). Integration demands coordination of macroeconomic policies of EAEC member states (Table 1), including exchange rate mechanisms.

**Table 1.** Key macroeconomic indicators of the Republic of Kazakhstan, the Russian Federation and the Republic of Belarus in 2014

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Republic of Kazakhstan</th>
<th>Russian Federation</th>
<th>Republic of Belarus</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP, USD</td>
<td>232</td>
<td>2,094</td>
<td>71</td>
</tr>
<tr>
<td>Inflation,%</td>
<td>4,8</td>
<td>6,5</td>
<td>16,5</td>
</tr>
<tr>
<td>GDP per capita, USD</td>
<td>13,610</td>
<td>14,570</td>
<td>7,840</td>
</tr>
<tr>
<td>Population, million people</td>
<td>17,2</td>
<td>143,7</td>
<td>9,5</td>
</tr>
<tr>
<td>Foreign debt, % to GDP</td>
<td>64,1</td>
<td>34,7</td>
<td>54,</td>
</tr>
<tr>
<td>Unemployment rate, %</td>
<td>0,3</td>
<td>1,2</td>
<td>0,5</td>
</tr>
</tbody>
</table>

**Source:** Anon (2016)
Keeping in mind integration into the Eurasian Economic Union studying Kazakhstan’s currency market and its development trends, gives the possibility to predict future behavior of the national economy in the formation of a single financial space.

The analysis of changes in the exchange rates of Kazakhstani tenge to the euro, US dollar and the Russian ruble as of from 2009 to 2015, import-export dynamics of foreign currency and the volume of financial transactions is of practical value for predicting foreign exchange expectations, implementation of efficient national policies, the use of relevant materials for comparison with indicators of neighboring partner countries.

2. Methods

In order to solve the set tasks, the authors of this study analyzed NBRK data for the period 2009-2015. Construction of charts for the analysis was carried out by using the software package ‘Microsoft Excel 2013’.

In the table ‘Analysis of exchange rates of USD, EUR and RUB as of from 2009 to 2015’, the authors used average weighted exchange rate for the period, fixed on the KASE, and calculated according to the arithmetic average formula (Anon 2016):

\[ K_{av} = \frac{K_1Q_1 + K_2Q_2 + \cdots + K_nQ_n}{Q_1 + Q_2 + \cdots + Q_n} \]

(1)

where \( K_1 \ldots K_n \) – n-swap rate; \( \bar{Q}_{av} \) - average weighted exchange rate \( Q_1 \ldots Q_n \) - n-transaction volume.

The average official exchange rate for the mentioned period was calculated with regard to official exchange rates determined periodically by NBRK, using the formula (2):

\[ K_{op} = \frac{K_1N_1 + K_2N_2 + \cdots + K_nN_n}{m} \]

(2)

where \( K_1 \ldots K_n \) – exchange rate valid through a certain period; \( \bar{Q}_{op} \) – average; \( N_1 \ldots N_n \) - number of working days, during which the rate was valid; \( m \) – general number of working days in the accounting period.

The annual average exchange rates were calculated according to the arithmetic mean formula (3):

\[ K_{op,ann} = \frac{K_1 + K_2 + \cdots + K_n}{m} \]

(3)

where \( K_1 \ldots K_n \) - average weighted exchange rate for one month, \( m \) – number of months in a year.

3. Data, Analysis and Results

During 2009-2013, the exchange rates of tenge to the major currencies changed insufficiently, within 2% in USD, 6% - in EUR, and 4% in RUB (Table 2).

<table>
<thead>
<tr>
<th>Table 2. Analysis of exchange rates of USD, EUR and RUB for the period 2009-2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>2009</td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>2011</td>
</tr>
</tbody>
</table>
In 2014, Kazakhstan faced up to a significant devaluation of tenge against the US dollar – over 18%, the change in value of the tenge against the euro remained at the level of 6%; the Russian ruble lost 30% in price against the national currency of Kazakhstan. In 2015, devaluation significantly increased - more than 86% in USD, 66% - in EUR and 42% - in RUB (Figure 1).
Figure 1. Changes in exchange rates of USD, EUR and RUB as of from 2013 to 2015, %

USD exchange rate as of from 1998 to 2014 is presented in Figure 2.

Source: Anon (2016).

Figure 2. The tenge-dollar rate

As shown by Figure 2, a sharp plummeting and fluctuations of the exchange rate was recorded in March 1999, February 2009, February 2014 and between August 20, 2015 and January 2016 - from 187 to 394 tenge per US dollar.

Table 3 presents data on the import and export of foreign currency by regulated banks of the Republic of Kazakhstan.
Table 3. Information on the import and export of foreign currency by regulated banks of the Republic of Kazakhstan, million currency units

<table>
<thead>
<tr>
<th>Years</th>
<th>USD</th>
<th>EUR</th>
<th>RUB</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Import</td>
<td>Export</td>
<td>Import</td>
</tr>
<tr>
<td>2009</td>
<td>3,345</td>
<td>45</td>
<td>3</td>
</tr>
<tr>
<td>2010</td>
<td>5,374</td>
<td>88</td>
<td>5,286</td>
</tr>
<tr>
<td>2011</td>
<td>6,325</td>
<td>18</td>
<td>6,308</td>
</tr>
<tr>
<td>2012</td>
<td>6,764</td>
<td>21</td>
<td>6,743</td>
</tr>
<tr>
<td>2013</td>
<td>6,199</td>
<td>15</td>
<td>185</td>
</tr>
<tr>
<td>2014</td>
<td>6,758</td>
<td>85</td>
<td>6,673</td>
</tr>
<tr>
<td>2015</td>
<td>4,031</td>
<td>23</td>
<td>4,008</td>
</tr>
</tbody>
</table>


Table 3 shows positive dynamics of foreign currency import by regulated banks as of from 2009 to 2014: USD - from 3,344,951 to 6,757,910, EUR – from 630,723 to 739,731, RUB – from 838,307 to 30,896,946. In 2015 year USD-EUR import-export sharply decreased, however, RUB import-export rapidly increased.

Import-export balance for the said period is presented in Figure 3. As the figure shows, in 2015 the largest export-import balance of foreign currency accounts for the Russian ruble – 92,294 million units.

Figure 3. Import-export balance of foreign currency in the Republic of Kazakhstan, million units

The analysis of transactions in the domestic foreign exchange market showed contiguous data (Table 4).
Table 4. Transactions in the domestic foreign exchange market

<table>
<thead>
<tr>
<th>Years</th>
<th>USD, million currency units</th>
<th>EUR million currency units</th>
<th>RUB million currency units</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>KASE traded value</td>
<td>KASE traded value</td>
<td>KASE traded value</td>
</tr>
<tr>
<td></td>
<td>Transaction volume of resident banks</td>
<td>Transaction volume of resident banks</td>
<td>Transaction volume of resident banks</td>
</tr>
<tr>
<td></td>
<td>Net transactions</td>
<td>Net transactions</td>
<td>Net transactions</td>
</tr>
<tr>
<td>2009</td>
<td>46,596</td>
<td>35,212</td>
<td>8,423</td>
</tr>
<tr>
<td>2010</td>
<td>60,619</td>
<td>41,465</td>
<td>10,288</td>
</tr>
<tr>
<td>2011</td>
<td>70,498</td>
<td>22,003</td>
<td>12,414</td>
</tr>
<tr>
<td>2012</td>
<td>55,296</td>
<td>18,324</td>
<td>12,895</td>
</tr>
<tr>
<td>2013</td>
<td>57,513</td>
<td>12,435</td>
<td>12,219</td>
</tr>
<tr>
<td>2014</td>
<td>89,006</td>
<td>8,120</td>
<td>14,239</td>
</tr>
<tr>
<td>2015</td>
<td>55,826</td>
<td>4,121</td>
<td>7,690</td>
</tr>
</tbody>
</table>

Source: Anon (2016).

As the table shows, the volume of transactions in the domestic market grew rapidly, especially transactions in the Russian rubles. Deposits in foreign currency in 2015 amounted to 2,937,093 million tenge. Significant volatility of the domestic currency implies relevant methods and ways of tackling this problem.

Exchange rate dynamics of the Kazakhstani tenge, Belarusian and Russian rubles to the US dollar as regards the previous month is shown in Figure 4.

Figure 4. Exchange rate dynamics of the Kazakhstani tenge, Belarusian and Russian rubles to the US dollar as regards the previous month

Source: Gissy (2014).

This figure shows dramatic changes that occurred first in Kazakhstan – 18.6%, then – in Belarus – 7.2%.
4. Discussion

Throughout its history, tenge devaluated by more than 80 times starting from 15 November 1993 to 02.01.2016 (1 US dollar was equal to 4.8 tenge in 1993, and in 2016 - already 390 tenge).

The interval between the first and second devaluations was about 7 years, between the second and third 'wave' - 5 years, between the third and the fourth - 1 year, and then - less than one year. The first 'wave' caused KZT devaluation by more than 60%, the second - by 25%, and the third, the fourth and the fifth - by 20%. Based on this trend, it follows that subsequent devaluations will be performed by NBRK more and more deeply; actually, from August 2015 to January 2016 – tenge was devalued by more than 116% (Fleming 1962). Development of the optimal exchange rate regime under convergence of the Eurasian Economic Union came to the fore as the main tool of economic policy.

The need for monetary reform has been growing for a long time. The crisis in emerging markets and the fall in market prices for export commodities of Kazakhstan forced NBRK to change the exchange rate regime from fixed to the floating one.

Fixed rate as a monetary policy instrument completely lost its relevance, since it contradicts natural market tendencies, distorting them and thus limiting the possibility of implementing counter cyclical policies. A fixed rate is advantageous when Kazakhstan's export price is growing along with excessive profit obtained from the sale of resources that exceed the outflow of relevant resources. In this case fixed exchange rate mechanism can artificially maintain economic well-being. The era of expensive resources is ending. It is necessary to adjust to a new stage of economic development, which in the end will provide low oil prices. This will entail a critical decline in reserves allocated for fixing rates. NBRK has been planning smooth transition to a floating exchange rate. Gradual withholding tenge liquidity led to some deflationary phenomena, such as tenge overvaluation, trade balance shift toward imports, low business activity, the lack of funds for commercial transactions, GDP reduction. This caused low inflation (3-4%) in August 2015. NBRK feels the impact of several negative factors: devaluation of currencies in the two neighboring trading partner countries - Russia and China, along with 'cooling' of the Chinese economy; therefore NBRK did not provide a gradual smooth transition to a floating exchange rate. NBRK considered the fact that economic agents possess a large proportion of cash that could be used by them for speculation, as well as access to cheap sources. In order to eliminate internal factors affecting fluctuation of the national currency, the controller stabilizes the exchange rate by means of forced interventions, simultaneously restricting access to the liquidity of commercial banks (Ghosh et al. 2016).

Comparative analysis of economic policies of the Customs Union (CU) member states is shown in Table 5.

<table>
<thead>
<tr>
<th>Inconsistency</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>In exchange control mechanisms (list of documents, procedure)</td>
<td>Creating a common documentary, methodical and methodological approaches in conducting exchange control</td>
</tr>
<tr>
<td>In currency regulation mechanisms:</td>
<td>Harmonization of regulatory and legislative framework in terms of currency regulation order</td>
</tr>
<tr>
<td>- Compulsory sale of foreign exchange earnings in the Republic of Belarus, canceled in Kazakhstan and Russia</td>
<td></td>
</tr>
<tr>
<td>- Restrictions of currency transactions, account opening</td>
<td></td>
</tr>
<tr>
<td>In the monetary policy mechanism</td>
<td>Standardizing foreign exchange restrictions on transactions related to the balance of payments and capital movement</td>
</tr>
</tbody>
</table>


Devaluation was inevitable primarily due to the strong dependence of Kazakhstan on oil prices. There is a general slowdown in the global economic growth and it depends primarily on political conflicts and sanctions. Despite the floating exchange rate of tenge, the state continues maintaining its rapid decline. Kazakhstan needs to develop its industrial sector as well as small and medium enterprises in order to be less dependent on imported goods, thus moving away from raw-material orientation.
Conclusion
Devaluation of the Kazakhstani tenge is well ahead of inflation and poses a threat to economic growth fostering deep economic crisis. In the future, exchange rate dynamics is determined mainly by external factors, such as oil prices, the US Federal Reserve rate and the state of the neighboring economies.

Keeping in mind the export-oriented economy of Kazakhstan, introduction of both inflation ‘bullying’ and floating exchange rate is a very hasty measure, which can be extremely inefficient without relevant structural reforms. In order to level external shocks affecting the tenge exchange rate, NBRK increased interventions aimed at correcting the volatility rate dynamics. In this regard, it is more expedient to provide targeting of the real GDP growth and the growth of money supply in the economy, which in turn will encourage implementation of structural reforms aimed at increasing the real capital. Also in the long term, one should find the optimal percentage of liquidity absorption and interest rate outpacing liquidity expansion, which will ensure continued GDP growth.

EAEC member states need to provide favorable conditions for using national currencies in mutual trade and financial transactions and a gradual withdrawal from the dollar dependence. To this end, one should provide consolidated financial markets, single payment system, etc; monetary policy development and innovations; development of new methods for calculating current exchange rate quotations and normative legal acts aimed at the convergence of currency transaction rules etc.

References


