

Later, in the framework of the official visit, KMG and CNPC signed an agreement on scientific-technical and innovation cooperation. This Agreement is intended to establish a mechanism for an open and mutually beneficial cooperation between the companies in the field of innovation technologies, science, upgrading qualification and education. The parties agreed to develop joint scientific and technological projects, including establishment of "Information Technology Park" research center for oil and gas industries in Almaty.

Kazakhstan and China have also agreed to provide technical and technological assistance to manufacture the modern oil and gas equipment at engineering plants in Kazakhstan, and to provide KMG research centers with appropriate equipment [8].

Another important agreement has been signed between "Samruk-Energo" and Export-Import Bank of China during that visit. The agreement covers a number of energy projects worth up to \$500 million [9].

Being the large agricultural countries, China and Kazakhstan complement each other well and have great potential for cooperation. I think that they could enhance cooperation on crop cultivation and agricultural trade. The Chinese side is ready to further increase the volume of wheat imports from Kazakhstan by setting up the green corridors for agricultural products to pass through customs. China is willing to expand cooperation with Kazakhstan in the field of high-speed rail lines, deep processing of nuclear fuel and space. It is also important to gradually implement the currency swap agreement between the two countries settling the trade in local currencies. China and Kazakhstan are currently implementing the large-scale joint projects in the field of transport such as "Western Europe - Western China" road, docking in Khorgos, China-Kazakhstan railways [10]. These projects will promote mutually beneficial cooperation of Kazakhstan and China and create favorable conditions to further develop the countries and the region as a whole.

In 2010, 17.4 billion U.S. dollars were invested into Kazakhstan economy, 11.7% less than in 2009 (19.7 billion U.S. dollars). In 2010, China was the third largest investor after the Netherlands and France (U.S. \$1.2 billion), leaving behind the Germany, Britain and the United States. From 1993 to December 31, 2010 the gross inflow of direct investment from China to Kazakhstan amounted to U.S. \$5 billion. From 2004 to December 31, 2010 the gross outflow of direct investment from Kazakhstan to China amounted to U.S. \$122 million [11]. In recent decades, China has made a giant economic leap. Kazakhstan also attracts investors by its impressive and rapid development, which is highly valued by the world community. These positive aspects have encouraged the economic cooperation between the two countries. This cooperation has also been tested during the global economic crisis. During this difficult time, Kazakhstan has received strong support from China in the form of loans, establishing joint funds. Other important projects are being implemented too. Kazakhstan and China have ambitious goal to bring the trade volume up to 40 billion dollars by 2015.

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COMMERCIAL BANKS IN THE CONTEXT OF POST-CRISIS AND FORCED INDUSTRIAL-INNOVATIVE DEVELOPMENT OF KAZAKHSTAN

Banking sector in Kazakhstan consists of 39 commercial banks and is characterized by a high concentration of assets in a small group of 5 banks: "Kazkommertsbank" JSC; "Halyk Bank of Kazakhstan" JSC; "BTA Bank" JSC; "BankCenterCredit" JSC and "ATF Bank" controlling 73% of the total market. The 5 banks also control 73% of the pension, insurance and leasing markets through their subsidiaries and affiliates. As a result of joint actions taken by the state regulator and the banking community it became possible to stabilize the situation and eliminate especially some problem areas. The total amount of state funds to support the financial sector amounted to \$4 billion, of which about \$2.3 billion was invested into banks.

As a result of these interventions the share of the state ownership in (JSC "Alliance Bank", JSC "BTA Bank" JSC and "Temir Bank") exceeded 25%. Completion of financial debt restructuring of the three largest banks had a positive impact on key indicators of the banking system in 2010, the liquidity situation has improved largely due to government support, but the quality of assets is still poor. The degree of a "problem loan portfolios" is not the same as the severity of capitalization problem, which greatly limits the growth of the financial system of Kazakhstan.

Given stable situation, the overall performance of the sector is rather different. Assets of commercial banks in 2010 increased by \$3.2 billion (or 4.1%), the amount of the loan portfolio decreased by \$3.9 billion (or 5.9%) [1].

In the structure of banks' loan portfolio the share of bad and doubtful loans is 73.7%, whereby a negative trend increasing in the share of overdue loans in total loan portfolio exceeded 30%. The foreign banks are developing swiftly and keep a leading position in terms of profitability, JSC "Sberbank", JSC Citibank and SB JSC "HSBC Bank Kazakhstan" showed an increase in assets.

The most significant amount of loans has been granted to such sectors as trade, construction and industry. However, we should admit that the loans provided under collateral of real estate, the value of which is currently well below the value recorded at the end of the 2007 loan boom, which also affects the quality of a loan portfolio.

When considering the dynamics of key indicators of the banking sector, they may give a false impression of lack of active lending growth. The figures are largely offset by loan repayment or write-offs for low-quality portfolio of the banks. If the banks continue writing off the debts, which may last from two to five years, the cumulative statistics for the sector will be volatile and highly conditional. According to experts, there is a growing demand for loans both from the corporate sector and the population.

In order to best use possibilities of the financial system ensuring sustainable economic growth, a Concept to develop Kazakhstan's financial sector in the post-crisis period was adopted. The main objectives of the Concept are:

- Improving stability of the financial sector;
- Eliminating drawbacks, instability factors detected in the current financial and economic crisis;
- State of the economy and financial system.

This area is particularly important in light of the Customs Union. The Agreement ensures free movement of capital, provides conditions for a gradual harmonization of the member states' laws before December 31, 2013. It also envisages an exchange of information between competent authorities of the Customs Union on managing and developing financial regulations, risk management

to meet the international standards;

- Encourage investment activity in the post-crisis period;
- Building confidence in the financial sector both with investors and the consumers [2].

One of the key activities regulating the financial sector is a further transition to the counter cyclical principles of regulation and supervision. The new approach will help minimize financial risks and the negative impact of external factors on the economy and financial system.

With the commencement of the global financial crisis and the closure of access to international capital the banking system of Kazakhstan has been subjected to the test. The crisis symptoms in the real economy led to a decline in business activity, lack of liquidity, slowed down the economic growth. The declining economy has pressed down the inflation. This allowed the National Bank to move from a rigid anti-inflation policy towards moderate monetary policy to be able to stabilize the system by providing liquidity through open market instruments and stabilize the national currency.

In 2009 the National Bank gradually reduced the official refinancing rate from 10.5% to the level of - 7.0%. In March 2009 the minimum reserve requirements for banks have been reduced from 2% to 1.5% in domestic liabilities and from 3% to 2.5% in other liabilities [3].

To maintain the current liquidity of banks during the debt restructuring process in November 2009, individual MRR (minimum reserve requirements) standards at a rate of 0% for all liabilities was established to these banks. The measures helped to stabilize the situation in financial markets. The demand for resources of the National Bank declined, while the volume of operations to withdraw liquidity increased. As a result, banks have accumulated a significant amount of liquidity in the instruments of the National Bank; meanwhile increase in lending to the economy did not happen. Under these conditions the National Bank made some changes to the instruments of monetary policy. The terms were increased and the rates on deposits attracted from banks as well as the short-term rates issued by the National Bank were reduced.

In order to increase the flexibility of exchange rate, fluctuation corridor KZT: 150 USD / KZT (+) 10% or 15 Tenge (-) 15% - 22.5 Tenge was extended on February 5, 2010. At the same time as a result of KZT appreciation trends, outlined in the 4th quarter of 2009, the National Bank was primarily purchasing the foreign currency on the domestic foreign exchange market. The participation of National Bank on the Kazakhstan Stock Exchange amounted to 27.6%, whereas in the previous quarter, primarily the National Bank sold foreign currency and, accordingly, the participation rate was (-) 35.3%.

The situation with liquidity in the money market also showed signs of stabilization. There was a gradual reduction of interest rates. In the money market during 2009, on average, in October-December 2009 the level of rates was closer to the lower boundary of the National Bank's corridor rates. The weighted average interest rate on interbank deposits up to 30 days in Q4 2009 made 1.09%. The weighted average interest rate on interbank RePo 7 days was 0.62%. Deposit rates during the 4Q of 2009 declined by 50 basis points per month. On December 1, 2009, they were set at 0.5% / 7-day deposits and 1.0% / 1-month deposit.

81% of the total assets of the banking sector are concentrated in seven major Kazakh banks. Of these, there are three major ones (more than half of the sector's assets), keeping the leading position for over 5 years.

The bank was founded in July 1990 and the first CIS bank completed an IPO in the form of GDRs on the London Stock Exchange in November 2006, totaling 845 million dollars. The Bank's shares are rated on the Kazakhstan Stock Exchange. In 2010 a deal with Alnair to acquire additional shares of JSC "Kazkommertsbank" was made. The largest shareholders of the bank:

- JSC Alnair Capital Holding (28.6%)
- JSC "Central Asian Investment Company" (23.7%)
- JSC "Samruk-Kazyna Fund" /SKF"(21.3%)

In 2003, the European Bank for Reconstruction and Development joint as a shareholder and it currently owns 9.8% of the shares.

The Bank continues to maintain leadership in the country in terms of assets (15.8 billion U.S. dollars) and equity (10.5 billion U.S. dollars). 2009 was very difficult for the bank, but it managed to show a small profit of 0.4 million U.S. dollars (384 million Kazakhstani Tenge) as well as to pay the second tranche of a syndicated loan of U.S. \$1 billion.

"BTA Bank" was established as a result of merger of two state banks in 1997. Since 2004, BTA Bank started attracting foreign loans and as a result of 2007 liquidity crisis was affected stronger than the other banks. On January 30, 2009 Kazakhstan Stock Exchange put on hold the share trade in connection with the collapse of their value to 39.99%. Three days later the bank was nationalized and the board of directors and management was replaced. At the beginning of 2010, the state bought 100% shares of the bank through JSC "Samruk Kazyna Fund (SKF)". BTA's loan portfolio is estimated at U.S. \$17 billion, with assets of 23.2 billion U.S. dollars. In 2009, the Bank recorded a loss of \$-14.2 billion U.S. dollars.

JSC "Halyk Bank of Kazakhstan" was established as a result of the privatization of the Savings Bank of the Republic of Kazakhstan in 2001. At the beginning of 2009 JSC "SKF" bought 28% stake in the bank and 41% - another bank's largest shareholder - JSC "ALMEX" Holding Party. In 2009 Halyk Bank ranked second in terms of assets (13, 4 billion U.S. dollars) and showed the best performances - U.S. \$17.5 million profit. Conservative policy of the bank during the economic boom of 2004-2007 allowed keeping the quality of loan portfolio (\$8.3 billion USA) with a share of provisions of 19%.

In 2007, UniCredit Group has acquired 99.7% stake in ATF Bank (founded 1995). "Bank CenterCredit" (founded in 2004) has attracted South Korean strategic investor Kookmin bank (30,6% of shares) in 2008. Bank Center Credit and ATF are ranked 5th places in Kazakhstan in terms of assets (7.8 and 7.2 billion U.S. dollars, respectively).

JSC "Alliance Bank", formed in 1993 - the second nationalized bank. By March 2010 as a result of the restructuring "FNB" the JSC "SKF" got 67% shares, while the remaining 33% are owned by lenders. Alliance Bank - one of the three Kazakh banks with negative equity (-3 billion U.S. dollars).

The 2010-2014 forced industrial-innovative development program envisages a substantial involvement of banks in various projects. In particular, the state budget and the National Fund are expected to subsidize interest rates on loans granted by banks to enterprises engaged in processing of agricultural products and manufacturing"[4].

As a supporting measure, "the state guarantees to the international financial organizations to request the international institutions to future fund the small and medium-sized business projects through commercial banks. It also requests the domestic institutions to provide corporate guarantees (warranties) to commercial banks to finance the agro-industrial projects "[5].

According to FIIDP, the commercial banks should focus on providing short-term lending to the economy.

As a result, the commercial banks started revitalizing by providing loans to enterprises engaged in industrial production and agriculture, whereby the total amount of loans in January 2012 increased by 16,1% and amounted to 8793.2 billion Tenge [6].

We believe that in connection with the problems related to FIIDP, the banks should consider and adopt new ways of development taking into account the changed market conditions. One of the options for a new strategy, among others, may be a transition from extensive to intensive path of development (improving the quality of development), by making the banking products and services more attractive to the small and medium businesses.

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CROSS-BORDER COOPERATION BETWEEN KAZAKHSTAN AND RUSSIA IN OIL AND GAS SECTOR

Bilateral relations between Kazakhstan and Russia in the economic sphere are developed based on the Program for Economic Cooperation for 2012-2020, signed in November 2011 in Astana. One of the main directions of Kazakh-Russian cross-border cooperation is the implementation of development projects and transportation of hydrocarbons. Russia is a long strategic partner for Kazakhstan in the oil and gas sector. There are no sharp, problematic issues between the countries whereby a strong interaction between the state and industrial levels has been developed. Of course, the Customs Union of Belarus, Kazakhstan and Russia will further enhance the integration between them, as well as strengthen the bilateral cooperation in oil and gas industry. Now the Russian gas business and investments are presented in a number of oil projects in Kazakhstan. In particular, we should note the participation of "LUKOIL" in the development of the Karachaganak field; Northern Buzachi, Aksay, Kumkol and other oil-producing projects. Exploration at Kazakhstan's Caspian Sea (block Zhambyl, etc.). Cooperation with JSC "Gazprom" in the supply of Kazakh gas to the Orenburg gas processing plant is also a good example. A joint venture agreement at the Orenburg gas processing plant to process gas from the Karachaganak field has been signed during a meeting in city of Uralsk. Projected supply is 15 billion cubic meters of gas per year. This project is just one of a number of major ones for the both states in oil and gas sector: it is the expansion of the Caspian Pipeline Consortium, the development of Kurmangazy field and others [1].

Transit of the main volume of oil exported by Kazakhstan goes through the Russian territory. However, the Russian investment in the field is comparatively less than the Western and Chinese companies. It is quite possible for this trend to change in the future.