Address of the President of the Republic of Kazakhstan, Nursultan Nazarbayev, to the People of Kazakhstan, March 19, 2004

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The year 2003 has increased our confidence and optimism in terms of developing the national economy. The total growth of GDP over the past four years was almost 50 percent. Kazakhstan was acknowledged by economic think-tanks as one of the intensively developing countries among states with a transitional economy and, according to forecasts, it will hold leading positions this year.

Kazakhstan is continuing its purposeful development, fully complying with its long-term programme to be implemented by 2030.

At present, the issue of Kazakhstan's competitiveness in the world community is on the agenda. In this regard we need to develop a strategy to achieve European standards in the economic and social areas.

The economy remains our main development priority, and the achievement of the highest economic growth rate is our main task.

Key directions of economic development for 2005:

1. further economic liberalization and the development of competitiveness through the continuation of systematic reforms and the elimination of bureaucracy;

2. the strengthening of the openness of Kazakhstan's economy;

3. the implementation of the industrial-innovation development strategy;

4. the implementation of programmes for developing villages;

5. the development of the infrastructure.

We have plans to liberalize and restructure area of natural monopolies such as telecommunications, the power industry and railways in order to make them transparent and open for competition.

Integration within the world economy is also important to achieve the competitiveness of our national economy. Therefore, the most important task is move Kazakhstan towards joining the World Trade Organization.

I believe that the process of the formation of Kazakh businesses is coming to end. It has fully matured for competition not only within domestic markets but foreign markets as well. We have to train our farmers for the competitive struggle not only in Kazakhstan but in world markets as well.

It is important to welcome and encourage the movement of Kazakh capital abroad. The development of external markets is, firstly, an element of global competition. Secondly, it is a training and experience for our businessmen who will contact other economies - this is knowledge. All the state departments abroad must provide all possible support to national businesses.

We must move energetically towards the liberalization of currency regulation - the introduction of EU standards in the financial sector by 2007. Our economy's competitiveness will heavily depend on how quickly our enterprises meet international standards.

The government has already drafted programme on the development of the national standardization and certification system by 2006. A plan has been adopted on the swift transition of Kazakh enterprises to ISO international standards.

In order to implement the strategy for industrial-innovation development, it is important to determine priorities for development. The government must carry out a necessary analysis of the country's competitive advantages and draft specific proposals by the end of this year. We need to introduce the most genuine international experience that has maximum practical efficiency.

By the end of this year we need to determine Kazakhstan's all promising sub-regional and regional clusters - the aggregate of the competitive sectors. Development institutions should become efficient tools for implementing the set targets. In order to develop the infrastructure of innovation activities it is necessary to launch an information technology park, which we have already begun to build in Uralsk, Stepnogorsk, Aktau.

It is necessary to make wider use of national potential in developing high technology production in the space sector. The transfer of focus from temporary profits earned from leasing the Baykonur cosmodrome, to the realization of joint space programmes with Russia will promote the development of our space science, new technologies and, the main thing, it will strengthen the training of our cadres in this sector. The creation of the Angara rocket launching site will become the first project of this kind. We have already begun to work in order to launch our first space satellite by 2006 and the Development Bank has started the funding.

In addition, we need to take measures to further improve the investment climate. First, incipient innovative business should be supported. In particular, companies engaged in scientific research, development and the introduction of new production technologies should be stimulated. Second, it is time to change the approaches to granting tax preferences in order to attract investment. They should ensure the stimulation of long-term investment and be coordinated with terms of self-repayment of projects. Third, leasing procedures have recently been significantly simplified with a view to considerably improving conditions for modernizing and technically re-equipping production. Starting from 2005 fiscal policy will be reconsidered in terms of depreciation charges.

As I noted earlier, we will need to solve the task of forming a competitive system for agricultural business in the country. To this end, we will need to rigorously enforce legislative acts, in the first place the land, water and forest codes adopted last year. The effectiveness of state policy in regulating the grain market needs to be raised. Special attention should be paid to the modernization of the agricultural products' processing sector and to product quality improvement. We should not forget to develop modern agricultural science either.

To eradicate poverty in rural areas, we should phase in microcredit schemes, all the more so as they have met with approval. Another state agrarian programme has been launched this year, aimed at developing rural areas. I would like to remind you that state investment in unpromising rural areas has already been stopped. A committee for the affairs of rural areas should be set up under the Agriculture Ministry to effectively implement this programme.

On the whole, by the end of 2005, taking into consideration the adopted agricultural programmes, the necessary conditions need to be put in place to ensure normal life support in the villages, produce competitive goods, substitute imported products and expand the export capacity of agricultural products.

**Social welfare**. Social issues were and will remain a priority for the state. The law on compulsory social insurance should take effect from 2005. Along with other measures of social support to low-income families, the number of people living below the poverty line should fall two times by the end of 2005 in comparison with early 2003. We should also stimulate the further inflow of people into our country, so the immigration quota for Kazakh repatriates in 2005 should be raised to 15,000 families. A total of 9.8 bn tenge [70.5 mln dollars] should be allocated for their relocation and purchase of houses. We will further perfect legislation on regulating labour relations, stipulate in the labour code the stimulation of legal employment and form a modern employment model. It is vital to resolve priority tasks of human development. This is why all regional development budgets should only be used to develop the education system, health care, water supply and house construction.

**Governance system**. The competitiveness of a state demonstrates itself in bolstering the role and standing of a country in the international arena, and in a state's capability to address the basic problems of its citizens and in raising the quality of the services rendered by a state. The resolution of these problems, in turn, largely depends on the number and quality of state employees, and on the effectiveness of the state government system. "Electronic government". In addition, it is high time to get down to forming an electronic government. This [future, electronic] government will be small in terms of the number of [employees] and transparent in its operations. It will make it possible to reduce contacts between the population and state officials, increase the quality of services and lower the timeframe for them to be rendered. It will lead to a new administrative reform and a reduction in the state apparatus.

**Corruption.** Corruption-related crimes need to be toughly prosecuted - the necessary legislation is in place. We always speak about, and I think about, how else we should reform our state service, especially the judicial system. First of all, we raised judges' salaries. Now we are raising those of state employees. Perhaps, if a governor receives, for example, 1,200 or 1,500 dollars, it will be enough for living, won't it? Accordingly, if a village [governor] receives 700-800 [dollars], it will be enough for living, won't it? We raise [salaries] for ministries, for all of them.

What should we do? Maybe, we need to think again seriously about how to ensure social support to this category of people, provide normal income, support and help them, and afterwards adopt such laws under which it will be a lifetime disaster for a judge or a state employee to be caught taking bribes. They will lose all their privileges and lose a chance to re-enter state service. I am pondering on something like this. The government and we all should think about it, about other solutions that we can have. The ability to use a PC and the Internet needs to become obligatory when new workers are employed in state service. It would be also desirable for them to know English; in future this requirement will also become obligatory.

**Democratization**. This year, we will continue work on the further democratization of our society as part of the five directions I highlighted in my address last year. These still remain in force. In addition to them, it is necessary to pay attention to the following: We should focus on three principal elements - the development of the institutions of civil society; decentralization; and the establishment of a stable political and party system. It is necessary to take steps to strengthen stability, democracy and the protection of citizens' rights.

First of all, it is necessary to work on the issue of introducing new electoral mechanisms; to clarify the role and the place of the individual in political processes. We will further develop our party and political system, perfecting law provisions regulating the activities of parties and public associations.

New laws on elections, media. Society is actively discussing the new laws on mass media and elections. Critical remarks towards them are being uttered. I would like to recall that when adopting the [election] law amendment, in accordance with which the minimum number of party members should be 50,000, this [number] was considered a barrier.

However, at present nine parties have been registered which overcame this barrier. And nobody now doubts that this amendment is democratic. The same will happen to the current laws on mass media and elections [applause].

The provisions of the new law on elections are aimed at increasing the professionalism of electoral commissions at all levels and the transparency of their activities. Parties, NGOs and elections We need also to think about legally defining the powers of party factions in parliament and local electoral bodies. Second, the potential of the Permanent Council on Further Democratization of Society has not been exploited fully yet. It is important that the council become not merely a round table where recommendations are made only for the authorities. Third, elections to the Majlis of parliament will be held this autumn, which will be a test of the maturity of our political parties.

It is our common duty to conduct the elections in a transparent manner and carry them out in strict compliance with the law.

The active fight against terrorism has become a hallmark of our time. The latest events in Russia and Spain staggered people and made everybody think that there is probably no state immune from the barbarous actions of terrorists.

**Foreign policy**. Nowadays Kazakhstan has stable and predictable relations with all neighbouring countries. A solid system of efficient international cooperation has been established. We support the development of mutually advantageous and bilateral ties with the countries of West and East. Kazakhstan's foreign policy should be directed towards speeding up the country's economic development and boosting its standing worldwide. Kazakhstan has showed itself a firm supporter of integration and multifaceted cooperation.

Given that, we should continue to work within the framework of a single economic space, EAEC [Eurasian Economic Community; members are Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan], the Shanghai Cooperation Organization [SCO; members are China, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Russia] and the Central Asian Cooperation Organization [formerly the Central Asian Economic Community - Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan].

Relations with Russia, USA, China Russia is a very important country for Kazakhstan. We are in the same geopolitical conditions and we are facing common problems. We share similar views on many processes in the world, which need to be realized. The high level of economic integration and trust that we have achieved should be continued.

Kazakhstan highly values the attained level of relations with the USA. We clearly understand the importance of active cooperation with the USA to ensure favourable external conditions. The investments made by American companies in Kazakhstan are an important factor in our cooperation. Out of 25 bn dollars of direct foreign investments, about 7.5 bn dollars is attributable to the USA. We are further counting on more extensive cooperation with the consideration of the both sides' interests.

It is vital for us to have stable and friendly relations with our neighbour - China. It is our reliable partner with whom we are conducting a constant dialogue on all issues of mutual interest. We should work to increase the volume of bilateral trade. The high level of mutual understanding that we have achieved will promote this.

Relations with Central Asian countries, EU, Muslim world. Another important priority is the Central Asian countries. We have to work more actively with our neighbours for the rapprochement of our economies, and respectively, our countries and peoples. We also understand that it is important to provide stability on the southern borders of Kazakhstan. The EU is our major economic partner and we need to carry out active work here to promote and ensure Kazakhstan's interests.

Our close relations with Turkey and with countries of the Muslim world should remain under constant attention. The realization of our plans certainly demands full consideration of Kazakhstan's security issues. It is necessary to concentrate on the practical implementation of an initiative to consolidate the CIS countries' efforts in the fight against new challenges and threats. It is very important to continue the hard work to further implement the goals of the Conference for Interaction and Confidence - Building Measures in Asia [CIBMA; it includes 16 countries - Afghanistan, Azerbaijan, Egypt, India, Israel, Iran, Kazakhstan, China, Kyrgyzstan, Mongolia, Palestine, Pakistan, Russia, Tajikistan, Uzbekistan, Turkey]. We have to adapt the CSTO's [Collective Security Treaty Organization; members are Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan and Russia] activities to the forming realities. Military reform. We must continue to reform the armed forces. The priority task facing the responsible state bodies is to form a professional army and improve its material and technical base. We should pay more attention to improving the system of army recruitment, servicemen's career planning and the setting up of the reserves. The training of officers at military institutions and military departments of the country's universities should become a priority direction of our activities. In order to improve the army's material and technical base, measures should be taken to optimize the quantity of arms and military hardware.

To implement the tasks set in the address, the government and governors need to envisage the necessary funding in the budget for 2005, and also put forward relevant proposals on adjusting this year's budget.

We have set before ourselves complicated goals which, at first sight, are difficult to accomplish and are intended for the future. However, I would like to recall that 15 years ago no- one believed that Kazakhstan would turn from a backward Soviet republic into an independent state with serious financial and intellectual resources.

Ten years ago few believed that Kazakhstan would extract over 50m tonnes of oil, an increase of 100 per cent, and would transfer its capital from Almaty to Astana and succeed in launching its own space satellite.

Five years ago no-one even wanted to consider the need to create the National Fund and the Development Bank. Even fervent proponents of the market economy objected to this. Today everyone agrees that this was right. Our own experience shows that life proves bolder than our plans.

The French philosopher Luc de Vovenarg noted: "He who is incapable of great achievements despises great plans."

We have already proved that Kazakhstan is ready for great achievements and the Kazakh people can carry them out. Let us demonstrate it once again.

Let us demonstrate that we can walk faster than we even think we can. Time demands this.

Once we were lagging behind the world. We do not want to be among the outsiders. We do not want to swallow the dust of the departing train of world civilization. To this end, we all need to strain all our abilities, and get all the thoughts, energy and intellectual abilities of our people and specialists pulling together. I am confident that scientists will be born in Kazakhstan who will attain new scientific achievements. Normal businessmen will emerge who will work to the benefit of their country and people. We will develop medium-sized businesses; our country will become richer; new jobs will be created and we will advance to implement our strategy of the country's development up to 2030.

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