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DIGITAL TRANSFORMATION OF KAZAKHSTAN: TO WHAT EXTENT IS THE COUNTRY READY TO EMBRACE IT?

Abstract. Digital transformation is becoming a mainstream of world economic development providing benefits both to consumers and to businesses adapting to the technological change. Kazakhstan, among many other countries, is currently developing a digital economy strategy aimed at supporting sustainable economic growth and increasing productivity. This paper aims to add to the current debate on the priorities of digital economy in RK by benchmarking Kazakhstan ICT development with that in the EAEU countries and identifying some important preconditions for the digital transformation. Based on the analysis, the new digital economy strategy should be oriented at supporting three main priorities: reducing administrative barriers and creating economic incentives for business digitalization; developing ICT infrastructure with special attention to speed and quality of connection services; and investing in digital skills. These efforts should be complemented by a monitoring and evaluation framework including both core dimensions measured in the EAUE and sector-specific metrics of digital transformation. The digital adoption index is the highest when it comes to government agencies and organizations. The infrastructure (technical capacity) is developing, while the demand (avail-ability and need) is not. The digital transformation process is basically hampered by group interests, unclear regulation, and preservation of the state monopoly. Provisions of the State Program for the Digital Kazakhstan adopted in 2017 clearly determine directions for the development of the telecommunications infrastructure. The tasks related to the application of technologies are thus vague, and performance indicators are narrowly sectoral. At the same time, the discourse on digital transformation goes beyond the traditional partnership between the state and the branch lobby.

Key words: Digital economy, Digital Space, Eurasian Economic Union (EAEU), business transformation.

Establishing the EAEU was a major achievement for its members after they had repeatedly endured two integration "false starts" in the 1990s and 2000s (namely, the 1995 Customs Union and the 2003 Common Economic Space idea; see below), but they still have many obstacles to clear.

The Union is already a functioning entity. This statement does not raise any particular objections, unless the bar is set too high, and when compared to the European Union, the regional integration benchmark, expectations are set too high. However, if the bar is set lower, with the EAEU placed alongside other regional integration projects with varying levels of depth and success — NAFTA, MERCOSUR, ASEAN, Cooperation Council for the Arab States of the Gulf (GCC), South African Customs Union (SACU) — then a more adequate framework for analyzing the relative standing of the EAEU becomes feasible.

We maintain that the EAEU is best viewed not as an exception to the general rules, but rather as a functioning regional integration bloc with its own successes and problems. The Eurasian Union has major achievements, but it also has deeply embedded limitations. It has taken 20 years to implement the integration idea, and there were several false starts along the way. During that time, the Commonwealth of Independent States defused many serious threats of disintegration. The Transport and Electric Power Industry Councils, which managed to ensure technological cohesion and preserve power systems, have played a special role. Still, for a number of objective reasons, as an organization, the CIS has only managed to secure a "civilized divorce". The EAEU is a new reality of the post-Soviet space. Its successes and stumbling blocks should be realistically assessed. While the direct comparison to the European Union

can be misleading, it also makes more to access the EAEU on a somewhat smaller scale. In this regard, it is comparable to other general-purpose regional integration organizations, in particular customs unions or free trade areas —NAFTA, MERCOSUR, Cooperation Council for the Arab States of the Gulf, and the South African Customs Union.

On the one hand, the Eurasian Economic Union is not a perfect "success story" worthy of being quoted in textbooks. After an initial phase of rapid growth, it may have hit a short-term ceiling by 2016. Much time may be necessary to break through that ceiling. On the other hand, it has achieved much and is quite viable. Its founding treaty and its institutions are working. The same applies to the common labor market. There is some progress in the development of common technical regulations (a total of 36 such regulations have been finalized to date). Integration effects will be maximized by realizing existing plans in these areas and implementing some more specialized initiatives (pertaining to, for instance, infrastructure, industrial policy, the agricultural and industrial complex, labor market, a single pension space, and research and education cooperation).

The EAEU is best viewed as a functioning customs union with a rich additional agenda. It features its own successes and stumbling blocks. Its structural characteristics are actually not unique. The EAEU is a new reality for the investor community, too. A common market has been created in the territory of five states —a market that makes it possible to work from almost anywhere. Despite the existing imperfections in the Union's operating mechanics, it has already become a functioning common market with a relatively defined development roadmap.

The top priority is to complete the Digital Space of EAUE which will boost economic growth in regions and continue Digital Transformation of country-members.

The Eurasian trade and economic integration has gained the development after the collapse of the USSR. In 1991 the Commonwealth of Independent States (CIS) has been created: On December 8 between the Russian Federation, Republic of Belarus and the Republic of Ukraine the agreement has been signed. Further at the end of 1991 Azerbaijan, Armenia, Kazakhstan, Kyrgyzstan, Moldova and Uzbekistan joined to CIS. Georgia became a member of CIS in December, 1993. Afterwards countries signed The Treaty on the Creation of an Economic Union of CIS. The Treaty defined the key purposes of trade and economic integration, in particular – creation of a unified market of commodities and services, the capitals and labor; an agreed tax, monetary and credit, currency and financial, trade, customs and tariff policy; harmonization of legislation of participating countries, in industry and trade sector.

The **Eurasian Economic Union (EAEU)** is an economic union of states located primarily in northern Eurasia. The Treaty aiming for the establishment of the EAEU was signed on 29 May 2014 by the leaders of Belarus, Kazakhstan and Russia, and came into force on 1 January 2015. Treaties aiming for Armenia's and Kyrgyzstan's accession to the Eurasian Economic Union were signed on 9 October and 23 December 2014, respectively. Armenia's accession treaty came into force on 2 January 2015. Kyrgyzstan's accession treaty came into effect on 6 August 2015. It participated in the EAEU from the day of its establishment as an acceding state.

In 1994, the President of Kazakhstan, Nursultan Nazarbayev, first suggested the idea of creating a "Eurasian Union" during a speech at Moscow State University. Numerous treaties were subsequently signed to establish the trading bloc gradually. Many politicians, philosophers and political scientists have since called for further integration towards a monetary, political, military and cultural union. However the member states decided to seek a purely economic union, having concerns about keeping their independence and sovereignty intact.

The Eurasian Economic Union has an integrated single market of 183 million people and a gross domestic product of over 4 trillion U.S. dollars (PPP). The EAEU introduces the free movement of goods, capital, services and people and provides for common policies in macroeconomic sphere, transport, industry and agriculture, energy, foreign trade and investment, customs, technical regulation, competition and antitrust regulation. Provisions for a single currency and greater integration are envisioned in future. The union operates through supranational and intergovernmental institutions.

In March 2016, the EEC Board issued the decree On Establishment of a Working Group to Develop Proposals Regarding the Creation of EAEU Digital Space. The working group comprising more than 250 experts held fourteen sessions. It designed a draft document on common approaches to the creation of EAEU digital space until 2030; draft strategic guidelines for the creation and development of the EAEU