

Free economic zones in Kazakhstan in the years of independence

According to experts, free economic zones (FEZ) are the part of the national economic space, where special incentives scheme is used, which is not applied in other parts of the country. Consequently, FEZ is the isolated geographic area to different extents. However, there are other definitions of this term. For example, it is mentioned in “Modern history of Kazakhstan” that “free economic zone is a limited area with a special legal status in relation to the rest of territory and favorable economic conditions for domestic and foreign entrepreneurs”.

There are 10 free economic zones in the recent period in Kazakhstan: “Burabai”, “Astana – new city”, “Sea port of Aktau”, “The national petrochemical science park”, “Ontustik”, “The park of innovative technologies”, “Pavlodar”, “Saryarka”, “Chemical park “Taraz”, “Khorgos – Eastern gates”. All researchers emphasize following general benefits in FEZ attractive for investors:

- Imposition of VAT at zero rate of goods realization consumed by members of the zone to carry out the activity that meets the objectives of FEZ;
- Provision of land and construction of infrastructure at the expense of the budgetary funds;
- Exemption from payment for the use of land of members of FEZ for a period not exceeding 10 years and payment of property tax;
- Reduction of the corporate income tax for 100% on proceeds of activity types, relevant to the objectives of FEZ;

-The lack of customs duties and assistance to reduction of the administrative barriers. Let us discuss some examples of the favorable effects of FEZ in Kazakhstan.

The following successful projects were implemented on the territory of free economic zone “Astana – new city”:

- ALSTOM company (France) manufactures electric locomotives. The advantages of electric locomotives is that they allow to reduce electric power consumption for hauling operations, to reduce their negative impact on the railway track, to reduce significantly service and repair expenses.
- General Electric company (the USA) manufactures diesel locomotives. Opening ceremony of new locomotive engineering plant was held on July 3, 2009. The first locomotive of “Evolution” type was manufactured in December 2009. The launch of the first high technology plant of locomotive assembly in Kazakhstan gave evidence about real possibilities of our country and its attractiveness for investors. Manufactured locomotives of the new generation met the norms of Euro-3, as a result of which the consumption of fuel and oil was lower for 17 percent than old one and the percentage of harmful emissions into the atmosphere decreased to 40. In addition, comfortable conditions were made locomotive crew. For example, noise insulation and microclimate control were provided in the engineer’s cab.
- “Astana Solar” LLP is a subsidiary enterprise of “National atomic company “Kazatomprom”-world leader in uranium extraction, which implements the project “Development of production of photovoltaic modules on the basis of “KazPV” Kazakhstani silicon”. Activity of the company is the example of implementation of the transit concept of Kazakhstan to “Green economy”

and “Energy Efficiency – 2020” program. The factory built by company is equipped with European automated equipment of the new generation, which allows to produce bound photovoltaic modules with total capacity of 50MW per year with expansion in the long term up to 100MW.

We can conclude according to the above, that strong legislative framework was established for the proper functioning of FEZ during the years of independence in our country. Despite the early failures, which imperiled the process of existence and the eventual development of free and special economic zones, the government has not terminated the process of development of such zones in Kazakhstan. On the contrary, the government of the country could draw lessons from mistakes of 1990 years and make appropriate conclusions, which allowed achieving positive results. The legislative mechanism of the actions of FEZ was strengthened, reliable investors were enticed, and franchise application process was rearranged for entrepreneurs, who conducted business there. Subsequently, expansion process of quantitative and qualitative processes of developing such zones allowed developing infrastructures in the regions, to open new branches in production, to rearrange process of producing the new types of products, create more jobs, contributed to development of building binge, which had a favorable impact on the rise of industry and development of economy of Kazakhstan in general.