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A New Policy of Spatial Development of Kazakhstan on the Principles of Inlusiveness and Smart Specialization*

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Abstract

The aim of this study is theoretical and methodological justification of formation of a new policy of spatial development of Kazakhstan's economy, which is based on the principles of inclusiveness and smart specialization. Unlike previous research, the scientific significance of the obtained results consists in the conceptual justification of the basic theoretical concepts; spatial development, covering issues of concentration, specialization, and location of production. In this study, we used scientific methods: conceptual approach involves studying various concepts of spatial development on the principle of inclusive growth and smart specialization; economic analysis allows conducting a brief assessment of the economic status of regions for a certain period; structured approach involves to the formation of new policy of spatial development. Based on this research we conclude that most successful regions have formed based on principles of inclusiveness and smart specialization, which increases opportunities for well-functioning synergistic mechanism in the field of advanced technologies with subsequent access to global markets.

Keywords: Region, Spatial Development, Inclusiveness, Smart Specialization.

JEL Classification Codes: O31, R11, R12.

1. Introduction

The world economy becomes increasingly unsustainable, and the interest for the spatial aspects of economic development research is justified by research papers in the field of regional development of foreign and domestic scientists. Many researchers have come to understand that the spatial factor is most important in the evaluation of contemporary phenomena and trends of economic development. In addition, this requires theoretical and methodological frameworks to provide methods and tools

for assessing spatial relationships and their changes.

Meanwhile, not only in the domestic level but also in the global level of economic science research in the field of spatial development constantly deployed and modified. Until recently these developments were fragmented, and they were not solved methodologically. Indeed, if we considered in more detail the evolution of theories of spatial development of the economy, it should have been noted that the initial impetus of spatial development as an independent scientific direction has given research in economic science (Weber, 1929; Hoover, 1937; Kolosovsky, 1969; Saushkin, 1973; Krugman, 1991). These studies revealed the fact of the differentiation of economic phenomena and their interrelations.

Universal extra attention to issues of territories, regional growth and regulation of spatial development considered in the research (Myrdal, 1957; Pred, 1966). The problems of regional development, which linked with theories of urbanization, "growth poles" and "axes of development", were the greatest contribution being researched by scholars (Perroux, 1955; Christaller & Baskin, 1966; Friedman, 1966). It is important to emphasize that the special attention to the formation of spatial policy devoted in studies of Leontiev, 1997; Pchelincev, 2004; Minakir, 2011, which

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examined new directions for regional and industrial development.

Part of our research will also address the theoretical aspects of inclusive growth, based on innovation development, further improving the comprehensive performance while also improving the quality of life (Ravallion, 2001; Bourguignon, 2003; Porfir'yev, 2012; Ryumina, 2013; Gusev, 2014). In addition, we have investigated the specific characteristics of the smart specialization strategy, i.e. activation of long-term structural changes in the economy of the region by identifying unique competitive advantages and focusing on the prospects of the industry (Boschma, 2005; Anokhin & Schulze, 2009; Kozak, 2012; Dezhina, 2013).

Kazakhstan occupies a large area, which has large reserves of mineral resources. However, regions of Kazakhstan have significant territorial features; raw material base placed unevenly, which associated different natural and climatic conditions. Therefore, historically, there is different starting levels of economic development that have led to the unequal development conditions and contributed to further differentiation of the regions of Kazakhstan. To reduce economic imbalances and to ensure a positive trend in the economy, it is possible with balanced spatial development of Kazakhstan, which requires substantiation of new principles of spatial policy.

Radical changes, which have occurred in recent years, have been so multifaceted and dynamic. It is necessary scientific understanding of new conditions and probable prospects of spatial development of Kazakhstan's economy. Meanwhile, most contemporary research has considered only selected aspects of spatial development; for example, management problems, problems of territorial and sector restructuring of their economy, problems of social development, etc.

In this regard, is long overdue the need to develop theoretical and methodological bases of spatial development of Kazakhstan's economy. There is a need in the generalization of accumulated empirical material, as well as assessment of adaptive opportunities of foreign theoretical models in the field of spatial development.

The aim of this study is theoretical and methodological justification of the new policy of spatial development of Kazakhstan's economy on the principles of inclusiveness and smart specialization.

The study is divided into the following sections. The Section 2 proposes to consider the theoretical aspects of the spatial development. Section 3 sets the methods of conceptual approach, economic analysis and structured approach of spatial development in Kazakhstan. Section 4 is conclusion.

2. Theoretical Review of Spatial Development

A study of the basic theory of spatial development should be based on the analysis of theoretical material and scientific ideas, which have played and can play a significant role in the formation of the system of representations relating to study objective. It can be noted that emerging theory of spatial development has rich scientific heritage in a sufficiently large time interval. Some scientists who estimated spatial research in economics went through three stages, which differed as to the condition of the object of study – the economy and the content of the economic science (Pchelincev, 2004; Minakir, 2011). Therefore, all the initial economic study carried out within a particular geographical space, i.e. the object of study was the economics of a particular geographical area or locality (Pred, 1966; Saushkin, 1973; Krugman, 1991).

In regional studies, the most common concept of the spatial development is the theory of localization, which have transformed the theory of standort by Weber (1929). He was able to weed out those factors of production that did not depend on the location of the entity and allocated to such of them that belong to the basic factors of industrial location: transportation cost, labor availability, and effect of agglomeration or standort factor.

Many scientists study the spatial developments of countries used notions of space, as the area occupied by administrative unit, as distance and space, as a place of socio-economic processes (Hoover, 1937; Kolosovskiy, 1969). The theories of spatial competition, which has related problems of central agglomeration and cumulative development in scientific papers: Myrdal (1957), Christaller and Baskin (1966), and Friedman (1966). The theoretical research suggests, based on the idea of polarization of economic development of the space show, how important role in the development of the country play city – it's not only the "frame" of settlement, but the main "drivers" of the broadcast pulse of innovation in the surrounding periphery (Perroux, 1955). For instance, such spatial development is functioning of mono cities, which emerged in many the CIS countries, including in Kazakhstan, based on the functioning of city-forming enterprises. The theoretical concept gradually evolved from the theory of polarized spatial development to the theory of spatial diffusion of innovations (Hagerstand, 1966).

However, it should be noted that pre-existing concepts of the regional economy is ambiguous. It could not explain what was happening in the twenty-first century of spatial changes for the following reasons:

Firstly, the concepts of regional economic have

developed by model of economic organization on a specific and localized area. While in the global context challenges the boundaries of production erased, there are various transnational corporations, and the theoretical concepts should focus on the development of the entire territory of the country and inter-country interaction.

Secondly, the need of new spatial concepts must take into account to ensure an equilibrium state of the entire spatial system of regions and not just one region.

Thirdly, if the regional economy explores the economic system of regions, the national economy and spatial economy should be investigated the processes of formation of international interactions along with the study of local and interregional relations.

So, the economic science will create new concepts based on developing a new strategy for spatial development. That is why special importance given to research involving new territorial aspects of the organization of life and territorial differentiation of society. In this case, particular attention is to form regional policy studies as an independent direction of spatial development economy (Leontiev, 1997; Maslakov, Zubkov, & Plenkin, 2000).

In the conditions of integrations of new concepts, based on their strategies of spatial development, it radically changed the concept of traditional territorial organization of the economy. Therefore, the problems of spatial development and its modernization became one of the main objects of economic policy at the global, regional, and national levels (Granberg & Zaitseya, 2002; Kireyeva & Nurlanova, 2013). In addition, in studies of contemporary authors used a new model of spatial development, such as "theory of proximity" or "traceability", which is associated with the problems of sustainable development of economy and society with local development of individual areas (Courlet & Pecqueur, 2013). According to this scheme, it developed many major cities and the capital of the European countries.

We assume that the effect of "theory of proximity" is important in our study. As it becomes obvious that a unique path of spatial development will result in reduction of differentiation in the regions. In Kazakhstan, according to this scheme, it was already formed in some regions – Almaty, Astana and Karaganda. Thus, there is a need for an adjustment of the main provisions and principles of spatial development of Kazakhstan's economy taking into account when facing new global challenges and trends of innovation development, including the development of effective mechanisms aimed at reducing disparities of territories and the formation of new growth points that determine the relevance of this study.

To summarize the analysis of existing theories, we may

conclude that the basis of the modern directions of spatial economics is part of concepts relating to concentration, specialization, location of production in space, and the distribution of economic activity. Therefore, great importance must give to the new policy of spatial development as one of the leading tools for further development of Kazakhstan's economy. This leads to the need for methodological justification of the new policy of the spatial development of Kazakhstan's economy in terms of trends of innovative developments based on the principles of inclusion and smart specialization. Therefore, we proceed to the next section of this research – methodology.

3. Methodology of Research

The initial methodological basis of this project will serve as scientific developments of foreign and domestic scientists in the field of economic, regional and innovation developments, as well as some aspects of the production location and specialization. The study of regional economic systems relies on a wide range of methods or approaches that were actively used and utilized by many researchers. The complexity of the study objective of spatial economy requires many methods, together forming a set of scientific methods. The most important methods and approaches are: conceptual approach, system approach, structured approach, modeling, systematization, etc. The application of scientific methods in the project enabled the researchers to explore and systematize the existing theoretical views. In particular, this study used the following methods:

Conceptual approach – this is a technique that involves the study of different conceptual views of scientists on a specific research object. The method of conceptual analysis depends on understanding and the ability to structure conceptual views or ideas (Pimeneva, 2007). This method used to study various concepts of the spatial development on the principle of inclusive growth and smart specialization (the process of establishing common properties and characteristics of inclusion development that can allocate to any signs (abstract-general) or substantial).

Economic analysis – this method of describing reality in a simplified form, and an abstract summary with tables and graphs describes the interrelationship of the economic data. This method allows researchers to obtain a more precise measure and quantitative description of processes for a certain period.

Structured approach – this method involves determination of properties of a whole object by identifying the different relationships. Thus, a systemic approach means identifying the constituent components of a system

and the relationships between them that ensure purposeful functioning of the whole object (Ritchey, 1991). This method used for forming structure of a new policy of the spatial development by the interaction of interests of all participants, which requires the allocation stages of the process.

3.1. Conceptual Approach of Spatial Development on the Principle of Inclusive Growth

One of modern concepts, which widespread in the world economic science in recent years, is the concept of inclusive economic growth, with its multifaceted character. Despite the wide use of the term "inclusive growth" in economic, social and environmental aspects in many countries and many international organizations, there is no point of view of the main provisions of this concept in the field of spatial development among researchers.

Basic concepts included the hypothesis of the inherent link between economic growths, solving a wide range of regional issues, and equitable distribution established in the company's income given in papers (Ravallion, 2001; Bourguignon, 2003). Structured component of the concept of inclusive growth directly linked to the objectives of the transition to environmentally and socially oriented economy (Pakhomova, Richter, & Malyshkov, 2013).

Furthermore, the policy of inclusive growth is an important component of most sustainable development strategies of the green economy when focusing on the sources and on the constraints that hinder the achievement of sustainability (Gusev, 2014). Special attention in the space of inclusive development is the efficiency of the economy and transition to a balanced energy-efficient growth (Porfir'yev, 2012). In some studies, particular emphasis is on low-carbon energy and green economy, as well as sustainability of the sector organic farming (Ryumina, 2013).

It should be noted by many scholars and practitioners that the strategy of inclusive growth from the point of view of spatial development was not considered. However, the strategy of inclusive growth can explain many of the trends and phenomena in the spatial context. The need of the application concept of inclusiveness to spatial perspective reflects a continuing trend of increasingly uneven spatial development, which is particularly apparent in Kazakhstan.

Therefore, with regard to the economic aspect, current trends show that despite the decrease of population stratification issues in different regions, income level and degree of employment are at least two times different. These trends and the disproportion continue to be significant. Moreover, in the regions of Kazakhstan, there

are significant differences in income between urban and rural areas, and the rate of unemployment in rural areas is much higher than in the cities. It should be noted that increasing the level of real income within the borders of the economic space of the country does not always occur evenly. On the contrary, the problems of social stratification in many regions have become tense, including cities and villages.

Overall, the promotion of inclusive growth in the framework of the social dimension should not only reduce the degree of stratification of the population in different territorial entities, but also to promote equality of opportunity by broadening access to quality education and adequate health care. Different accesses to rural and urban population to health care and education have a negative impact on the possibilities of increasing productivity in the economy.

Economic growth without considering the quality of the environment affects the ecology and causes great damage to the economy, making human settlements more vulnerable and affecting the degradation of the environment. Therefore, inclusive development should include measures for the protection of the environment and access all regions and territorial entities to basic services, such as electricity, clean drinking water, and sanitation. In general, policies for inclusive growth politic of spatial development must be taken into account of environmental factors.

We have supposed that in the context of spatial development, to provide stable growth on the principle of inclusiveness, following conditions should be achieved:

- Increasing the level of living of the population and rising real per capita incomes in all regions
- Improving the equality of opportunity of social services and other public goods access among population in all territorial entities of the country
- Equalizing opportunities for people in all regions to access vital public infrastructure;
- Reducing the degree of stratification of the population in the regions of all types including large, medium and small cities and rural settlements.

3.2. Conceptual Approach of Spatial Development on the Principle of Smart Specialization

World experience claimed that there are significant differences among countries and regions according to natural resources, income levels and types of economic institutions evolving in different ways. Different countries and regions respond to different incentives and different ways to achieve success. This experience is not transferred directly, but it can be adapted to Kazakhstan considering its

existing types of regions. A major role in the development of the territories played by the concentration of economic activities, as well as mechanisms ensuring effective interaction among economic agents on a local territory (Storper, 1997).

Generally, world practice proves that innovative growth would be more effective in those regions, which will go on the principle of smart specialization. This principle used to identify and develop unique and innovative sectors in the territory. In some foreign countries, the principle of smart specialization perfected in the conceptual model of social and economic policies of spatial development (Anokhin & Schulze, 2009). The model of smart specialization aims to identify and develop the unique competitive advantages of the region, and the formation around their growth points. While the search for a unique specialization in each region must be conducted independent with rational approach (Boschma, 2005; Foray & Hall, 2009). This approach allows more flexibility to use different tools and enhances their positive effects. For example, technological platforms should be help identify smart specialization of regions (Kozak, 2012; Dezhina, 2013).

It should be noted that the European policy of smart specialization does not necessarily regard high-tech industries or priority areas, such as biotechnology or nanotechnology. European model of smart specialization may relate with low-tech industry or various services, but those, where investments in research and development will facilitate industrial development of the region, will be a driver to the development of other sectors of the economy. Obviously, European policy of smart specialization aims to expand and renew the industrial structure of regions in related industries (McCann & Ortega-Argiles, 2013).

Policy of smart specialization allows more flexibility to use different tools, which should be stimulated different networks. In turn, networking helps to ensure that the policy becomes not centralized, but becomes dispersed among a variety of small and medium enterprises (Etzkowitz, 2008). Because not rarely the source of innovation considered small enterprises who know the local situation, but even greater benefits can achieved by broad cooperation, including within the networks. Regional approach of the organization of the innovative interaction between the real and financial sectors of the economy is a symbiosis of several networks: technological, industrial, financial, research, institutional, innovative, etc. By adapting to globalization and information and communication flows, the world is moving to a new network order.

We have assumed that in the context of spatial

development to provide stable growth on the principle of smart specialization, following conditions should be achieved:

- Creation of specific conditions for the holding of approvals and selection of smart specialization in the regions;
- Identification and development of unique competitive advantages of the region, and the formation around them growth points;
- Monitoring of regional development from the point of view of selected regions based on specialization through coordination of long-term interactions;
- Identifying needs arising from the chosen specialization, and the introduction of appropriate support measures.

3.3. Economic Analysis of Spatial Development in Kazakhstan

In recent years, Kazakhstan's economy was developing at a steady rate; GDP per capita reached USD14391. This indicated that Kazakhstan was included in the upper subgroup of developing countries with average income level, occupying approximately the same position with countries such as China and Egypt. Among Eurasian countries on this indicator, Kazakhstan holds the third place after Russia and Belarus. However, Kazakhstan is leading with a significant advantage among other countries in Central Asia region.

Macroeconomic dynamics of Kazakhstan during recent 5 years preceded the current crisis (2009-2014), in comparison with several countries of the world characterized by the growth of nominal GDP is almost 2 times (195%) statistics (Committee on statistics of the Republic of Kazakhstan). According to the International Monetary Fund, in Kazakhstan in 2016, growth will slow and will be not reach 5.1 percent as planned, but only 1.5 percent, while World Bank estimates is 1.3 percent, corresponding changes were made in the government budget of Kazakhstan. So, priorities of the spatial development in Kazakhstan is directed from the stimulating equalization of policy.

All led to the change in the total configuration of economic space, but has not had much influence to overcome its unevenness. The persistent heterogeneity and differentiation economic space allow us to testify the data on per capita gross regional product in regions of Kazakhstan (<Table 1>).

<Table 1> Distribution of the regions of Kazakhstan on the level of GDP per capita in dynamics for 15 years

Regions of Kazakhstan	GDP per capita, thousand USD			
	2000	2005	2010	2014
Akmolinisk region	0,67	1,80	5,32	7,07
Aktobe region	1,11	4,26	10,15	7,74
Alamty region	0,50	1,40	3,59	5,43
Atyrau region	3,81	12,36	36,01	37,45
West-Kazakhstan region	1,00	2,24	5,93	8,87
Zhambyl region	0,36	1,16	2,86	4,86
Karagandy region	1,28	4,66	11,54	16,48
Kostanay region	1,38	3,57	9,25	11,44
Kizylorda region	1,04	2,49	6,47	8,58
Mangystau region	0,62	2,75	8,24	9,55
South-Kazakhstan region	2,76	8,41	19,27	20,63
Pavlodar region	1,38	3,62	9,23	12,55
North-Kazakhstan	0,63	1,90	5,27	7,52
East-Kazakhstan	0,54	1,12	3,16	4,70
Astana city	2,22	8,39	18,65	27,15
Almaty city	2,01	9,17	17,57	26,09

Source: Statistical Yearbook of the Republic of Kazakhstan by the Committee on statistics

The leaders here are Atyrau and South-Kazakhstan regions, “Southern” capital (Almaty city) and “Northern” capital (Astana city), as well as West Kazakhstan region. Among the outsiders Almaty and Zhambyl regions, i.e. regions traditional agricultural specialization, there is polarization of economic space. The regions with the index of GRP per capita level of developed countries and the other regions are extremely comparable to lagging countries. The gap reaches 10 times, it is so superior to Atyrau and South Kazakhstan regions. Based on this indicator, Atyrau region is about the level of Kuwait (40 thousand dollars per capita) and only inferior to Canada, a member of the seven most developed economies of the world. “Southern” and “Northern” capitals of the GRP per capita comparable with Portugal and the Czech Republic.

Furthermore, we have proposed to examine the dynamics of the development of GDP per capita in figure 1.

3.4. Structured Approach to the Formation of a New Policy of Spatial Development in Kazakhstan

Different countries and regions face various degrees and exposed to the influence of universal processes as they use various instruments of economic and innovative developments. Between many countries and regions, there are huge manufacturing differences and territorial disparities. In General, many regions are evenly developed, for example, Western Europe, Australia and USA, but the largest contrast exists in the CIS countries, such as Asia, Latin America, Africa, including in Kazakhstan.

Certainly, those territorial inequalities are an obvious phenomenon for the world economy, for individual

continents, and regions. At the same time, each has its own specific features and peculiarities. Kazakhstan is a country with significant interregional differences which have reflected in its spatial development. In conditions of globalization, the implementation of the new policy of spatial development perceived as key role to increase economic growth and to ensure competitiveness of Kazakhstan.

In whole, world practice accumulated sufficient experience in dealing with regional disparities, which can be adapted in specific conditions of Kazakhstan. Some researchers note that the regions are the essential foundation for the process of economic development and innovation (Scott, 1988; Storper, 1997). In localized areas create a significant proportion of the value added of all countries, and regional conditions largely determine the competitiveness of manufactured goods (Scott & Storper, 2003). In developed countries, this statement reflected in the numerous programs and studies on the justification of the policy of spatial development, which aimed at reducing imbalances and different territories.

An important role in the development of the territories has concentrated in economic activities and mechanisms for the effective interaction of economic agents in the local area (Wheaton & Shishido, 1981). We noted earlier that a very important reduction of regional disparities from the perspective of the “theory of proximity” or “traceability” because they aimed to ensure economic growth based on the principles of inclusiveness and smart specialization. Such policy should significantly intensify with spatial policy and to facilitate interregional interaction.

In general, this policy can be adapted to the conditions of

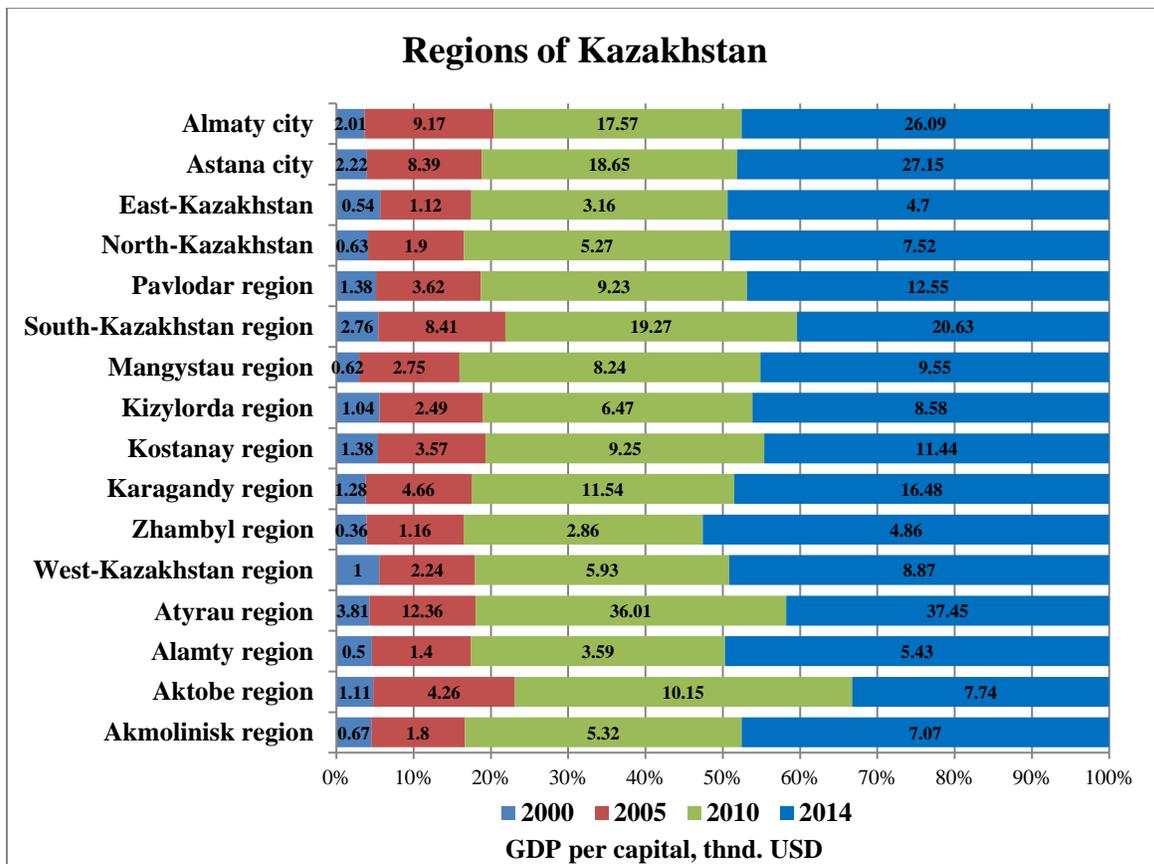
Kazakhstan. This will allow using different tools and mechanisms to encourage networks. Therefore, the policy based on networks should not be centralized but should be dispersed among a variety of small and medium enterprises. After all, as we noted earlier, source of innovation considered a small companies who know the local situation. Large companies could not gained benefits and cannot have a flexible structure cooperation, including within the respective networks. Regional approach to innovation the interaction of real and financial sectors of the economy is a symbiosis of several networks: technological, industrial, financial, research, institutional, innovative, etc. Thus, the world is moving to a new spatial policy based on networks through adapting to globalization and innovative flows.

Based on the conducted research, we can conclude that the most successful regions have formed based on the principles of inclusiveness and smart specialization. In addition, they can improved opportunities for well-functioning synergistic mechanism in the field of advanced technologies. It should be noted that spatial policy on the

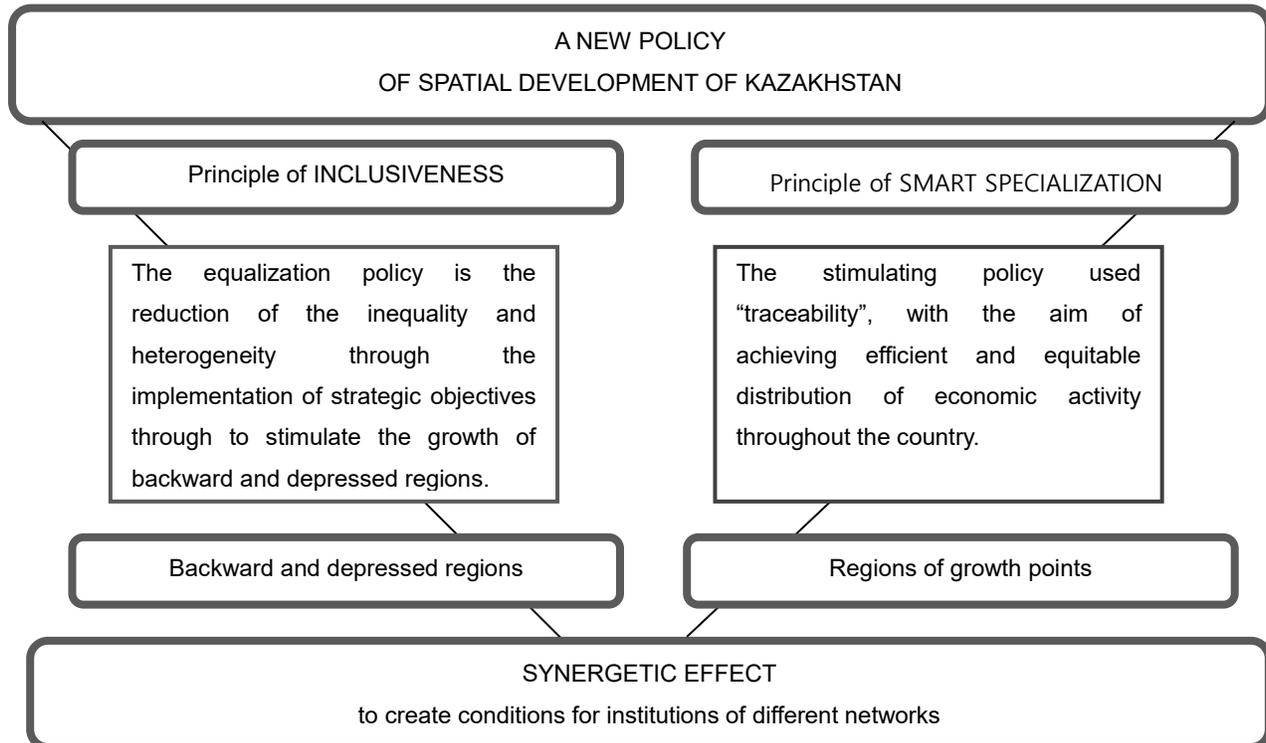
principles of smart inclusiveness and smart specialization does not necessarily regard high-tech industries or priority areas, such as biotechnology or nanotechnology. It can be low-tech industry or various services. The investments in research and development will facilitate industrial development of the region and will be a driver to the development of other sectors of the economy

We selected the initial conditions that determine the possibility of spatial development of Kazakhstan on the principles of inclusiveness and smart specialization:

- 1) Scope of activities: The presence in the territory of a large number of medium and small enterprises, who know the local area can be innovative. This will help to develop innovative activities in several related industries, through the formation of a systemic effect of “traceability”
- 2) Environment: The formation on specific territory of environment generation and sharing of knowledge, experience and information;



<Figure 1> Comparisons of trends in GDP per capita in regions of Kazakhstan in 15 years



<Figure 2> Structure of the new policy of spatial development of Kazakhstan

- 3) Infrastructure training of qualified personnel and overall policy of working with human capital in the region
- 4) Flexible networks: Scientific, technological, innovative, financial, industrial, institutional, etc.

In turn, using a structured approach to propose in visual form of a new policy of spatial development of Kazakhstan (<Figure 2>).

We may conclude that the most successful regions have formed based on principles of inclusiveness and smart specialization, and have improved opportunities for well-functioning synergistic mechanism in the field of advanced technologies with subsequent access to global markets. It is necessary that the new policy of spatial development in Kazakhstan has focused on the reduction of territorial imbalances. Only in this case, agglomeration development will contribute to the sound management of migration flows of the population, formation of new growth points and sustainable economic development throughout the country.

4. Conclusions

The main scientific results of the study can be used by the ministries of national economy, regional and national

public authorities, both in CIS and in Central Asia. The research summaries provide scientific support measurements and mechanisms for the implementation of strategically important state tasks, as well as to develop a regional strategic and operational plans, development, and improvement policy of spatial development of the economy. Based on the conducted research, we made the following conclusions:

Firstly, summarizing the analysis of existing theories, we may conclude that the subject of modern trends in spatial economics includes a number of concepts relating to concentration, specialization and location of production in space and the distribution of economic activity. The effect of “theory of proximity” or “traceability” is very important in our study, as it becomes obvious that this path of spatial development will result in a reduced level of differentiation and equalization opportunities in all regions.

Secondly, provision of inclusive growth should be considered as the need to achieve the following conditions: increasing the level of living of the population and rising real per capita incomes in all regions; expansion and increasing of equality of opportunity of access of the population of all territorial entities of the country to social services and other public goods; equalization opportunities people in all regions of vital public infrastructure; reducing the degree of

stratification of the population in the regions of all types including large, medium and small cities and rural settlements.

Thirdly, provision of smart specialization should be considered as the need to achieve the following conditions: creation of specific conditions for the holding of approvals and selection of smart specialization in the regions; identification and development of unique competitive advantages of the region, and the formation around their growth points; monitoring of regional development from the point of view of selected regions of specialization through coordination of long-term interactions; identification needs arising from the chosen specialization, and the introduction of appropriate support measures.

Fourthly, the most successful regions have formed based on principles of inclusiveness and smart specialization, and they can improve opportunities for well-functioning synergistic mechanism in the field of advanced technologies with subsequent access to global markets. It is necessary that the new policy of spatial development in Kazakhstan has focused on the reduction of territorial imbalances. Only in this case, agglomeration development will contribute to the sound management of migration flows of the population, formation of new growth points, and sustainable economic development throughout the country.

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