



NEW TRENDS IN GLOBAL CRYPTOCURRENCY ADAPTATION: CURRENT DEVELOPMENTS IN KAZAKHSTAN

The visibility of crypto assets in our daily lives is increasing day by day, so the familiarity with cryptocurrencies and decentralized financial platforms is also rising. The aforementioned visibility is also increasing thanks to the news circulating in media about the significant gains or large losses occurred due to crypto investments. It is known that relevant institutions such as central banks of countries and the ministries of economy carry out a number of studies in order to closely follow the crypto world and take advantage of many important financial conveniences provided by blockchain technology. The benefits of blockchain technology are currently most extensively used in the financial sector. In this area, the central banks of many countries create their own Central Bank Digital Currency (CBDC) studies. Globally, research on CBDC is carried out in more than 100 countries.

Although cryptocurrencies emerged as a decentralized and intermediary money transfer system due to its philosophy, it has turned into an alternative investment area and financial world in the last few years with its global adaptation process. The volume of the crypto exchange rose from \$1 billion in 2013 to \$190 billion at the end of 2019, however after reaching its peak at \$2.8 trillion in 2021 gradually declined to \$960 billion in July 2022. When we look at the adaptation process of countries to crypto assets, it is interesting that the rate of adoption and use of cryptocurrencies by developing economies is much faster than developed countries. According to the Crypto Adaptation Index 2021 list, Vietnam, India, Pakistan, Ukraine and Kenya are in the top five, respectively. Within the top 20 in this list, the United States of America is at eight place where China is positioned in 13th. Among the main reasons for this trend are investments in stable cryptocurrencies, which are fixed to the dollar in value due to the fact that their local currencies are not strong enough against devaluation, and the increase in sending over cryptocurrencies in workers' remittances.

One of the major obstacles that prevent a widespread acceptance and appeal of the crypto market to the masses is the security concern due to the fact that the market in question cannot be regulated on a global scale. In this regard, some states have certain studies to regulate and control transactions related to cryptocurrencies, especially crypto market transactions and crypto mining operations within their own borders.

In this context, Ukraine has outstripped many countries in March 2022, by enacting a law that creates a legal framework for the

cryptocurrency industry in the country. The ongoing Russian occupation of Ukraine did not prevent the country from carrying out its work in this area, on the contrary, it accelerated it. The fact that some of the financial aid sent to the Kyiv administration was carried out by crypto money transfers also created a positive environment for this step to be taken. However, studies on the crypto markets of the country show that it has spent a lot of time shaping this legal framework in recent years. It is worth remembering that since 2015, there has been ongoing research on the enactment of a law regulating crypto assets. Among these, one of the important initiatives is that the Ministry of Digital Transformation of Ukraine signed a memorandum of understanding with Binance, one of the largest crypto exchanges, on Establishing a Position in Joint Cooperation on the Potential Legal Status of Virtual Assets and Currency. The law enacted in March 2022 generally allows foreign and Ukrainian cryptocurrency exchanges to operate legally and crypto companies to open accounts in banks.

El Salvador, which took a different step in the recognition and legal infrastructure of cryptocurrencies, and followed a different approach when the President of the country, Nayib Bukele, accepted Bitcoin as the official currency and invested in Bitcoin as a country. In this direction, the El Salvador government stepped into the crypto world with both money transfer and an investment logic, which focuses more on Bitcoin rather than the benefits of blockchain technology. When we look at the developments in the crypto world in Kazakhstan, cheap electricity prices compared to many other countries are one of the important factors that attract the attention of crypto miners. Moreover some of the Chinese crypto miners who decided to go to other countries due to China's harsh attitude towards crypto miners in the country in recent years preferred to settle in Kazakhstan. Thus, Kazakhstan is among the leading countries in the world in Bitcoin production. A listing for global cryptocurrency holders in 2022 states that 304,651 people own cryptocurrencies in Kazakhstan. With this number, Kazakhstan ranks second in Central Asia after Uzbekistan (584,526 people).

When we look at the developments on the regulation side of the issue we see that a section on cryptocurrencies has been added to the Kazakhstan Law on the Amendment of Some Legislations of Kazakhstan on the Regulation of Digital Technologies, adopted on June 25, 2020. Thus, digital mining is formalized in Kazakhstan, allowing miners

to work officially. Another important development was that on January 1, 2022, with the entry into force of the digital mining tax in Kazakhstan, the tax rate was determined as 1 tenge (\$0.0023) per 1 kilowatt-hour electrical energy consumed by digital mining. However, in May 2022, an amendment to increase this tariff in different categories up to 10 tenge (\$ 0.024) was accepted in the lower chamber of the Kazakh Parliament, Majilis. In the same amendment, it is stated that if crypto miners obtain their electricity from renewable energies, the tax will remain as 1 tenge (\$0.0023).

Another important news that took place in May 2022 was the meetings of Chief Executive Officer of Binance, Changpeng Zhao with President of Kazakhstan, Kassym-Jomart Tokayev and Minister of Kazakhstan Digital Development, Innovation and Aerospace Industry, Bagdat Musin and other government officials in the capital city of Kazakhstan, Nur-Sultan, on May 25, 2022. The main topics of the meeting included education of blockchain technology, digital finance and the development of the crypto industry. At the end of the meeting, a memorandum of understanding was signed between the Kazakhstan Ministry of Digital Development, Innovation and Aerospace Industry and Binance. Thus, Binance will advise on the development of the legal framework and regulatory policy for crypto assets in the Republic of Kazakhstan.

Within the cooperation, the Ministry of Digital Development, Innovation and Aerospace Industry of Kazakhstan and Binance will explore the possibilities of integrating the cryptocurrency market and banking infrastructure and will help the Astana Hub to become a regional blockchain center by supporting local and foreign talents. After these developments, various crypto exchanges are already taking their places on billboards at different points in the city center of Almaty. In summary, many countries show different approaches within this trend, where the adaptation to the crypto world continues. Kazakhstan has taken important steps in order to regulate and control crypto assets, which are frequently on the agenda with crypto mining, in recent years. Comprehensive and early implementation of these breakthroughs will contribute greatly to the establishment of the necessary control mechanisms in Kazakhstan, without lagging behind the developments in this emerging alternative financial world. Thus, the use of blockchain technology will become widespread, public's awareness of crypto assets will increase, and new business opportunities will be created.

Politics, Foreign Affairs, and Security

- A reception was held in Ankara for the 30th anniversary of diplomatic relations between Azerbaijan and Türkiye. The reception was attended by Foreign Ministers of both brotherly nations Ceyhan Bayramov and Mevlut Cavusoglu. In his speech, Minister Cavusoglu mentioned that contributing to the prosperity and welfare in the Eurasian region is one of the top priorities in the foreign policy of Türkiye (Trtworld.com, 06.06.2022).
- The Council of Foreign Ministers of the countries of the Collective Security Treaty Organization held a meeting in the city of Yerevan. The participants discussed the state of the international and regional situation and its impact on the security of the CSTO member states. Following the meeting, the ministers approved the Plan of Consultations of Representatives of the CSTO Member States on Foreign Policy, Defense and Security for 2022-2024 and adopted a Statement on International Security Issues (Avesta.tj, 11.06.2022).
- The 3rd meeting of the Foreign Ministers of Central Asia and China took place in the city of Nur-Sultan. During the meeting, the parties considered ways to implement the initiatives announced during the online summit of the heads of state of Central Asia and China dedicated to the 30th anniversary of the establishment of diplomatic relations, which took place on January 25, 2022. As a result of the event, a Joint Statement was adopted entitled "Roadmap for the development of regional cooperation for 2022-2025" (Avesta.tj, 09.06.2022).
- President of Kazakhstan Kassym-Jomart Tokayev received the Minister of Foreign Affairs of China Wang Yi, who paid an official visit to the country. The parties discussed the state and prospects of development of the Kazakh-Chinese long-term comprehensive strategic partnership. Kassym-Jomart Tokayev stressed that Kazakhstan supports China's initiatives in the sphere of global security and development. Wang Yi conveyed to the President the words of greetings and congratulations of President of China Xi Jinping on the successful holding of the nationwide referendum (Kazinform, 07.06.2022).
- A delegation from the United Arab Emirates, headed by the Minister for Government Affairs Muhammad bin Abdullah Al-Gergawi, visited Uzbekistan, where they were received by President Shavkat Mirziyoyev. It was emphasized that the UAE Government fully supports the program of large-scale reforms in Uzbekistan. Since the beginning of 2022, the volume of mutual trade has doubled, 45 new joint ventures have been created in Uzbekistan. Leading companies of the Emirates are implementing 17 major projects worth \$3 billion (KUN.UZ, 11.06.2022).
- Deputy Foreign Minister of Tajikistan Sodiq Inomi met with Deputy Foreign Minister of Kyrgyzstan Dinara Kemelova in Dushanbe on the sidelines of the International Conference on the International Decade for Action "Water for Sustainable Development, 2018-2028." During the meeting, the parties discussed the current state and prospects for bilateral and multilateral cooperation between the two countries in various fields. The Deputy Ministers noted the importance of maintaining a constant constructive dialogue in addressing topical issues of bilateral relations (Avesta.tj, 08.06.2022).

Economy, Finance, and Energy

- Asian Development Bank (ADB) Vice-President Shixin Chen, stated that the ADB plans to implement six new development projects in Tajikistan. The projects are expected to help improve the financial sector, roads, energy, urban water and sanitation, and disaster risk management. Since Tajikistan joined ADB in 1998, the bank has become the country's largest multilateral development partner, providing over \$2.3 billion in aid, including over \$1.7 billion in grants (Avesta.tj, 08.06.2022).
- Minister of Agriculture of Kazakhstan Yerbol Karashukeyev recently reported that Kazakhstan may extend the restriction on grain and flour export until September. Karashukeyev stressed that grain and flour export quotas of 1 million tons and 300 thousand tons respectively will be valid until June 15. The Ministry forecasts that in 2022 the grain harvest in Kazakhstan is expected to reach 13-13.5 million tons, increasing by 15% compared to the indicator of the last year (Qazaq TV, 07.06.2022).
- President of Uzbekistan Shavkat Mirziyoyev chaired a videoconference on measures to increase the use of renewable energy sources in the economy. According to the President, Uzbekistan consumes \$10 billion worth of electricity and gas annually. Reforms led to a significant reduction in power outages. Currently, the population of Uzbekistan has an additional demand for at least 2-3 billion kilowatt-hours of electricity. In the next five years, this demand will increase by another 10 billion kilowatt-hours (Kun.uz, 10.06.2022).
- Minister of Foreign Affairs of China Wang Yi participated in the third meeting of foreign ministers in the "Central Asia – China" format. The parties agreed to continue high-quality cooperation within the One Belt One Road project, consider the possibility of creating an appropriate financial mechanism, and further expand payments in national currencies. The sides will ensure the safe and stable operation of the China-Europe route and the integrity of production chains, and promote the simplification of customs procedures (Kabar, 08.06.2022).
- Ukraine has received more than \$6 billion in external assistance in the form of grants and loans since the start of the full-scale war. The country needs an additional \$5 billion a month to meet its current needs. Minister of Finance of Ukraine Serhiy Marchenko recently reported that the country expected to attract about \$20 billion from foreign partners by the end of the year. In May, the country attracted \$1.5 billion, while in June it plans to receive \$4.8 billion from international partners (Ukrinform, 09.06.2022).
- According to the Energy Minister of Azerbaijan Parviz Shahbazov, the country has exported 4.5 billion cubic meters of gas to Europe during the period from January-May 2022. A share of Europe in Azerbaijan's total exports amounted to 48%. Azerbaijan's exports to Türkiye equaled 3.6 billion cubic meters of gas or 38%. The remaining 14% were exported to Georgia. The minister noted that gas exports increased by 27% compared to the same period last year (AzerNews, 10.06.2022).

Society and Culture

- TURKSOY Secretary General Sultan Raev visited the Uzbek city of Kokand where he attended the conference on "The Role of the Khanate of Kokand in the Development of the State Tradition and Cultural Heritage of the Turkic People". He also met with the Governor of the Province of Fergana Hayrullo Bozarov within the framework of his visit. Sultan Raev expressed that TURKSOY is ready to support activities to be carried out to promote the cultural heritage of this region (Turksoy.org, 09.06.2022).
- The International Turkic Culture and Heritage Foundation is launching a series of events titled "Literary Bridge Connecting the Turkic World" in Vienna. The first event took place on June 7, 2022, at the Azerbaijani Cultural Center in Vienna with the presentation of the "Anthology of poetry by women in Azerbaijan" published in German by the International Turkic Culture and Heritage Foundation. The event presented literary pearls of Azerbaijani women poets as Azerbaijani culture, an integral part of the Turkic World (Azertag.az, 09.06.2022).
- The United Nations Development Programme (UNDP), the Ministry of Economic Development of Uzbekistan and the Islamic Development Bank are launching a new joint initiative aimed at strengthening the capacity of rural communities in the Aral Sea region. \$5 million were allocated for the implementation of this project. The new project will cover the areas of the Aral Sea region, including the Republic of Karakalpakstan, the Khorezm, Navoi and Bukhara regions, which are the most affected by the environmental crisis (Undp.org, 08.06.2022).
- Dushanbe hosted the 2nd International Conference dedicated to the International 10th Anniversary of Action "Water for Sustainable Development, 2018-2028". The event gathered about 2 thousand high-ranking officials from various countries. As a result of the congress, a final declaration and a collection of measures and proposals within the framework of this topic was developed (Centralasia.news, 08.06.2022).
- According to the Agency for Statistics under the President of Tajikistan, from January to April of 2022, Tajikistan received about 6,300 tons of humanitarian aid from 50 countries worth \$66 million. In terms of value, this is 3.3 times more than in the same period of 2021. Among donor countries the greatest share reportedly came from the U.S. 43.7%, followed by Japan 6%, India 4%, China 3%, Sweden 3%, Uzbekistan 2.3%, Russia 2.2%, and other countries (ASIA-Plus, 09.06.2022).
- Tashkent hosted the fifth meeting of member nations' health ministers of the Shanghai Cooperation Organization (SCO). The meeting participants reportedly discussed the current situation with the COVID-19 pandemic in the SCO member states, as well as prospects for international cooperation in these areas. The participants agreed to join efforts to improve the skills of specialists in the field of telemedicine technologies application, folk medicine, pharmaceutical and sanitary-epidemiological services (ASIA-Plus, 09.06.2022).