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RESOURCE CURSE AND DUTCH DISEASE: ECONOMIC, INSTITUTIONAL, AND SOCIAL IMPACTS IN PERSPECTIVE

Bulat MUKHAMEDIYEV [1]

[1] Al-Farabi Kazakh National University, 050040, Kazakhstan

bmukhamediyev@gmail.com
ORCID: 0000-0002-1490-302X

Azimzhan KHITAKHUNOV [2]

[2] Al-Farabi Kazakh National University, 050040, Kazakhstan

azimkhun@gmail.com
ORCID: 0000-0003-3455-563X

Zhansaya TEMERBULATOVA [3]

[3] Almaty Management University, 050060, Kazakhstan

t.zhansaya.s@gmail.com
ORCID: 0000-0002-3205-0948

ABSTRACT

This article examines the economic and institutional implications of the resource curse and Dutch disease in resource-rich countries. It investigates how dependence on oil and gas exports influences GDP growth, corruption levels, social development, and governance quality. Using comparative analysis, the study identifies three main patterns: first, countries with strong institutions and diversification strategies, such as Norway and Canada, successfully convert resource wealth into sustainable development; second, countries like Nigeria and Venezuela demonstrate that weak governance leads to low economic performance despite resource abundance; and third, states with mixed outcomes, such as Kazakhstan and Saudi Arabia, show moderate progress but remain vulnerable to external shocks. The findings highlight the importance of transparent fiscal policies, investment in human capital, and institutional reform. Natural resource wealth alone does not guarantee prosperity – effective governance is essential to mitigate risks and ensure long-term economic stability.

Keywords: Resource curse, Dutch disease, Economic growth, Oil dependence, Governance, Diversification.

INTRODUCTION

The term "Dutch disease" originated in the 1970s and describes a negative economic phenomenon in which a significant influx of income from natural resources (particularly oil and gas) leads to the weakening of other sectors of the economy. The origin of the term was linked to the situation that arose in the Netherlands after the discovery of large gas fields in Groningen in 1959. Despite a significant increase in income from gas exports, the Dutch economy faced negative consequences: the national currency strengthened, making the products of Dutch producers less competitive on world markets, and other sectors of the economy began to decline.

The effect of the "Dutch disease" manifests itself through two main mechanisms. Firstly, the growth of income from the export of natural resources leads to a strengthening of the currency, which makes domestically produced goods and services less competitive in international markets. Secondly, the redistribution of resources within the economy contributes to the concentration of capital and labour in the raw materials sector, weakening industry, agriculture and the service sector. As a result, the country becomes vulnerable to commodity price fluctuations, and the structural diversification of the economy slows down. Thus, the resource sector becomes dominant, while other sectors decline.

Therefore, this study has three main objectives. First, to identify the relationship between resource dependence and macroeconomic indicators by analysing how natural rents affect economic growth, government spending and social development based on statistical analysis.

Second, to assess the manifestation of the "resource curse" in different countries by comparing the economies of resource-dependent states and identifying factors that enhance or, conversely, mitigate the negative effects of resource dependence.

Third, to identify key adaptation strategies by analysing successful and unsuccessful examples of resource management in order to highlight effective mechanisms for reducing the risks of the "resource curse" and forming a sustainable economy.

This study contributes to the existing literature by offering a comprehensive comparative analysis of resource-dependent economies, integrating macroeconomic indicators, institutional factors, and social development metrics. Unlike previous studies that often focus on single dimensions of the resource curse or Dutch disease, our research emphasizes the complex interplay between economic performance, governance quality, and social outcomes across a broad set of countries. By categorizing countries into typologies based on economic outcomes and policy responses, we provide a nuanced framework that advances both theoretical and empirical understanding of the resource curse phenomenon.

METHODOLOGY

This study employs a comparative cross-country analysis to investigate the economic, institutional, and social implications of the resource curse and Dutch disease. The analysis is based on quantitative data drawn from several authoritative international databases:

— World Bank World Development Indicators (WDI) — for GDP per capita, oil exports, government expenditures, and macroeconomic indicators;

— IMF Data Portal — for oil price trends and macroeconomic performance;

— UNDP Human Development Reports — for Human Development Index (HDI) data;

— Transparency International — for Corruption Perceptions Index;

— Heritage Foundation — for the Index of Economic Freedom.

The time frame of the analysis covers the period from 2000 to 2023. Countries were grouped based on two primary dimensions: (1) the share of petroleum exports in total merchandise exports and (2) the level of GDP per capita, which served as proxies for resource dependence and economic performance, respectively. A three-group typology was developed to compare countries with high, moderate, and low economic resilience under conditions of resource dependence.

Descriptive statistics, visual correlation analyses (scatterplots), and longitudinal comparisons (e.g., GDP and oil prices over time) were employed to identify trends and relationships. Additionally, this study integrates institutional and social indicators to evaluate the broader impact of resource rents beyond macroeconomic variables.

The comparative method enables the identification of success factors and failure patterns across cases with varying institutional capacities and policy responses.

LITERATURE REVIEW

Research on the Dutch disease has been actively developing since the first mention of the phenomenon. In modern research, Dutch disease is seen as one of the components of the "resource curse," in which natural resource wealth slows down economic development. For example, the work of Sachs et al. (1995) has shown that resource-dependent countries have lower economic growth rates than those with more diversified economies. Gylfason (2001) investigated this phenomenon, adding that resource-rich countries often exhibit less diversified economies and tend to have lower growth rates in the long run. His work confirmed that the "Dutch disease" can limit a country's ability to innovate and develop as it becomes difficult to attract human capital and resources to other sectors.

One of the key works that laid the foundation for understanding the "resource curse" was a study by Collier et al. (2005), who showed that high natural resource revenues increase the risk of conflict, especially in countries with weak institutions. The authors emphasize that the struggle for control of resource rents often leads to political instability and violence, which undermines long-term development.

An important step in the development of the theory was the research of Mehlum et al. (2006), who proved that the "resource curse" manifests itself only in countries with weak institutions. The authors showed that under conditions of strong institutions, natural resources become a driver of economic development rather than an obstacle. Their work emphasizes that the quality of governance is a key factor in determining whether resources become a blessing or a curse.

Later, van der Ploeg (2011) offered a more optimistic view of the problem, arguing that the "resource curse" is not a verdict. He highlighted strategies that allow countries to turn natural wealth into an advantage, including the creation of stabilization funds, investment in human capital and economic diversification. Van der Ploeg emphasizes that with the right policies and strong institutions, resources can be the basis for sustainable growth.

Ross (2015) in his review article, summarized the results of many years of research, confirming that the "resource curse" is a reality that manifests itself through corruption, authoritarianism, and economic instability. However, he also highlighted exceptions, such as Norway, where smart policies have mitigated the negative effects. Ross emphasizes that lessons from these countries can be useful for other resource-dependent states.

Finally, Badeeb et al. (2017) critically analysed the evolution of the theory of the "resource curse", highlighting new areas of research. They showed that this phenomenon includes not only economic but also political, social and environmental aspects. The authors emphasize that the impact of the resource curse varies depending on the context and quality of governance, which makes this topic relevant for further research.

An additional aspect of analysing the "Dutch disease" is its impact on the country's institutional development. Studies show that the inflow of significant revenues from resource exports can create a tendency for the state to weaken economic reforms and reduce incentives for economic diversification. This is due to the so-called "easy money" effect, in which the authorities focus on the distribution of rent revenues rather than on the development of competitive industries. As a result, public institutions may become less efficient and bureaucracy and corruption may increase, undermining economic sustainability in the long run. For example, countries with high levels of resource dependence run the risk of 'resource populism', where authorities use export revenues to improve the welfare of the population in the short term, while ignoring the need for long-term reforms (Gel'man et al., 2010). This phenomenon reinforces the cyclical nature of economic development and makes the country vulnerable to external shocks, which manifests itself in sharp economic downturns during periods of falling natural resource prices.

ECONOMIC GROWTH IN RESOURCE-DEPENDENT COUNTRIES

One important aspect of analysing the "resource curse" is the impact of this phenomenon on the level of gross domestic product (GDP) per capita. In resource-dependent countries, a high level of income from the export of oil, gas and other natural resources can create the illusion of sustainable economic growth, expressed as an increase in GDP per capita. However, this indicator does not always reflect real improvements in the well-being of the population, as a significant portion of natural resource revenues is concentrated in the hands of the state and large corporations, and the redistribution of these funds within the country remains uneven. In countries such as Qatar or Kuwait, GDP per capita is high due to oil and gas revenues (Table 1), but real economic diversification and employment in non-resource sectors remain limited. At the same time, in countries with sound economic policies, such as Norway, resource revenues are channelled into investment programmes that not only maintain high levels of GDP per capita but also create conditions for sustainable growth. Dependence

on natural resources can lead to significant fluctuations in this indicator, making it a less reliable indicator of long-term economic development.

Table 1

GDP Per Capita for Resource-rich Countries, 2000 and 2020 (in current US$)

Country	GDP per capita (2000), USD	GDP per capita (2020), USD	GDP per capita growth for 2000-2020
Iran	1,650	2,989	1,339
UAE	29,866	37,174	7,308
Russia	1,772	10,108	8,337
Norway	38,178	68,340	30,162
Canada	24,271	43,538	19,267
Algeria	1,773	3,744	1,971
Venezuela	4,776	1,566	-3,210
Qatar	27,535	51,684	24,148
Mexico	7,524	8,841	1,317
Saudi Arabia	11,715	23,271	11,557
Nigeria	547	2,020	1,472
Angola	564	1,450	886
Kazakhstan	1,180	8,782	7,601
Azerbaijan	655	4,230	3,575
Kuwait	19,296	25,236	5,940

Source: compiled by the authors from World Development Indicators and IMF data

GDP per capita data for 2000 and 2020 show significant differences in the economic development of resource-rich countries, highlighting the impact of the so-called "resource curse" on economic growth and stability. The most resilient economies, such as Norway and Canada, show high and stable growth, which is attributed to efficient management of natural resource revenues and active economic diversification. Norway, for example, has increased GDP per capita by more than $30,000 over 20 years, made possible by a sovereign wealth fund and a careful resource management strategy.

At the same time, countries with pronounced signs of the resource curse, such as Venezuela and Nigeria, showed low or even negative GDP per capita growth. Venezuela's GDP per capita fell by more than $3,000 due to political and economic instability, dependence on oil and lack of diversification. Nigeria and Angola, despite some improvements, still show low per capita figures. Middle Eastern countries such as the UAE, Saudi Arabia and Qatar have experienced significant growth in GDP per capita, which can be attributed to active diversification and investment in infrastructure and new technologies. For example, Saudi Arabia almost doubled its GDP per capita during the period under review, despite its high share of oil revenues, thanks to strategic planning and economic modernization. Figure 1, based on GDP per capita and petroleum product exports, illustrates one of the key characteristics of the so-called "Dutch disease"

– the impact of the economy's high dependence on petroleum product exports on household incomes.

Figure 1

Exports of Petroleum Products and GDP Per Capita, 2021
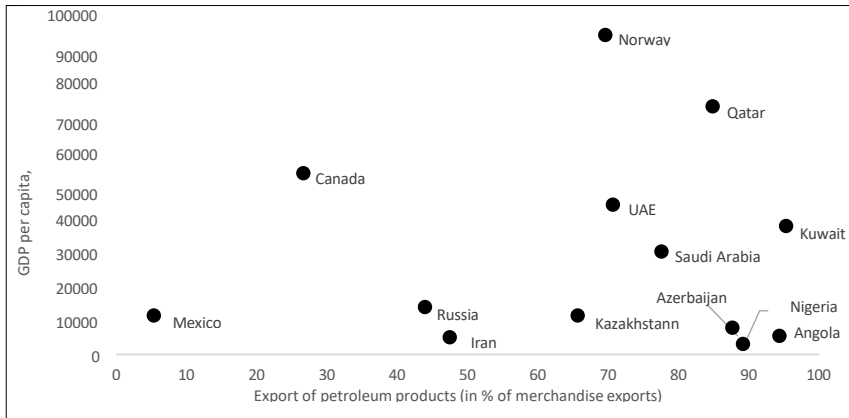
Source: compiled by the authors based on World Development Indicators data

Theoretically, a large share of oil exports can contribute to economic growth, but in some cases, this is accompanied by structural imbalances, reduced competitiveness of non-oil industries and stagnation of household incomes. This analysis allows us to identify patterns in the correlation between these two indicators and to determine how successful different countries are in transforming oil revenues into overall economic prosperity. Three main groups of states can be distinguished in the presented sample.

Countries with high dependence on resource exports and low GDP per capita. This group includes Angola (94.16%) and Nigeria (89.15%), where the share of hydrocarbon exports exceeds 85%, but GDP per capita remains relatively low. These countries are characterized by significant institutional problems, poor infrastructure and a high share of the shadow economy, which hinders the effective redistribution of oil revenues to the population. In the case of Angola and Nigeria, we can observe a classic manifestation of the "resource curse": despite huge revenues from hydrocarbon exports, these countries face poverty, high levels of corruption and poor governance.

Countries with high dependence on oil exports but moderate to high GDP. The second group includes such countries as Kuwait (94.63%), Qatar (84.40%), Saudi Arabia (77.49%) and the UAE (70.32%), which demonstrate significant economic development with a high share of oil and gas exports. Unlike the first group, these countries have managed to build a solid macroeconomic foundation based on oil and gas revenues, which has enabled them to achieve a high GDP per capita (ranging from $28,000 in Saudi Arabia to $71,751 in Qatar). This success is largely due to significant public investment aimed at economic diversification, infrastructure development and social programmes. It is worth noting that these economies are also vulnerable to falling hydrocarbon prices and face limited non-resource sector development.

Countries with diversified economies and moderate dependence on hydrocarbon exports. This group includes Canada (25.87%) and Norway (68.93%). In this case, there are significant differences: for example, Norway, despite the high share of oil exports, has one of the highest levels of GDP per capita ($93,072), which is explained by a competent policy of oil revenue management and a developed economy. In contrast to Norway, Russia and Kazakhstan have more modest figures ($12,521 and $9,984, respectively), indicating less efficient use of resource revenues and institutional constraints. Canada, despite the presence of the resource sector, has low dependency and high GDP per capita ($52,497), indicating a strongly diversified economy.

The groups of countries under consideration demonstrate different models of economic development under conditions of resource dependence. However, dependence on oil prices remains as the key factor that determines the vulnerability of the economy. The dynamics of oil prices has a direct impact on the macroeconomic performance of countries with a high share of oil and gas exports, including GDP growth rates. To illustrate this dependence, let us consider the economic growth performance of Azerbaijan and Kazakhstan against the average oil price for the period 2000-2023 (Figure 2).

Figure 2
Oil Price Dynamics and Economic Growth
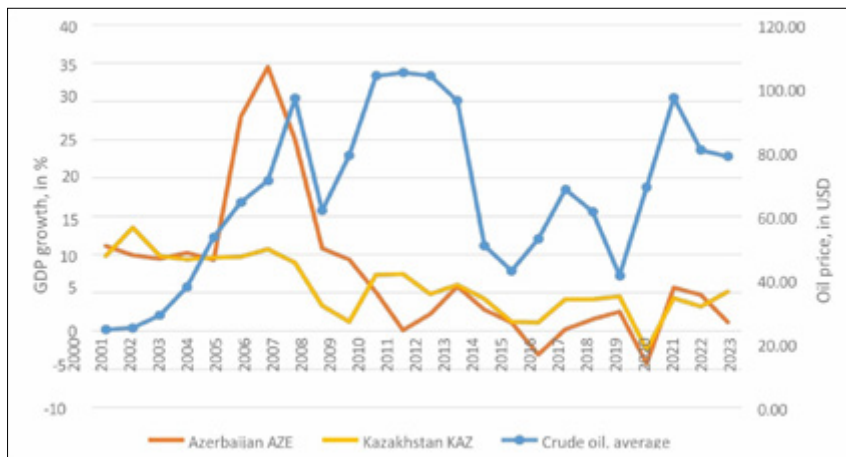
Source: compiled by the authors from World Bank World Development Indicators and World Bank Commodity Price Data

As Figure 2 shows, economic growth rates in Azerbaijan and Kazakhstan are subject to significant fluctuations depending on oil prices. In the early 2000s, when oil prices were at a relatively low level (around $24-28 per barrel), GDP growth rates in Azerbaijan varied between 9-11%, while in Kazakhstan they were between 9-13.5%. A significant increase in oil prices in 2005-2007 (up to $96.99 per barrel) contributed to the economic recovery in both countries. During this period, Azerbaijan's GDP growth peaked at 34.5% in 2006, while Kazakhstan showed stable, albeit less dramatic, growth rates of around 9-10.7%.

However, the sharp decline in oil prices in 2008 (to $61.76 per barrel) led to a slowdown in economic growth. In Azerbaijan, the GDP rate fell to 10.76% and in Kazakhstan to 3.3%. In the following years, oil prices fluctuated but were

at relatively high levels (above $100 per barrel in 2010-2014), which ensured moderate economic growth in both states. However, in 2014, oil quotations collapsed to $50.75, triggering a sharp economic downturn. GDP growth slowed to 2.75% in Azerbaijan and 4.2% in Kazakhstan.

The most dramatic decline in economic performance occurred in 2015-2016, when oil prices fell to $42.81 and $52.81, respectively. Azerbaijan's GDP in 2016 showed a negative value (-3.1%) for the first time in the period under review, indicating a deep crisis caused by the decline in oil revenues. Kazakhstan also experienced an economic shock but managed to avoid recession, maintaining positive, albeit minimal growth (1.1%).

Since 2017, a gradual increase in oil prices began, which was accompanied by a recovery in economic growth. In 2018-2019, the oil price stabilized in the range of $60-70 per barrel, which allowed Azerbaijan to reach 1.5-2.5% GDP growth, and Kazakhstan 4-4.5%. However, the COVID-19 pandemic in 2020 led to another sharp drop in prices (to $41.26), which again had a negative impact on both economies. Azerbaijan's GDP fell by 4.3% and Kazakhstan's by 2.5%.

The subsequent recovery of oil prices in 2021-2022 ($97.10 and $80.76 per barrel) again contributed to positive GDP growth rates. Azerbaijan grew by 5.6% in 2021 and 4.7% in 2022, while Kazakhstan grew by 4.3% and 3.2%, respectively. However, even with relatively high oil prices, Azerbaijan's economic growth slows to 1.1% in 2023 (around $78.73), indicating long-term structural problems and limited efficiency in the use of oil and gas revenues. In contrast, Kazakhstan experienced growth to 5.1%, suggesting that the economy is better able to adapt to external shocks. Kazakhstan, with a more diversified economy, is better able to adapt to fluctuations in oil prices, while Azerbaijan remains more vulnerable to external shocks.

RESOURCE DEPENDENCE, INSTITUTIONAL DEVELOPMENT AND HUMAN CAPITAL

Despite significant differences between groups of countries, institutional quality and a strategic approach to economic management remain key factors in the successful utilization of resource revenues. The experience of Norway and Canada shows that an effective system of income redistribution, investment in human capital and support for non-resource industries can minimize the negative effects of the "resource curse". A favourable business environment, where export revenues are channelled not only for social needs but also for the development of the private sector, technology and innovation, plays an important role.

For countries where oil dependence is accompanied by low GDP per capita, structural reforms aimed at developing competitive industries are critical. Introducing tax incentives for business, removing bureaucratic barriers, reforming public administration and fighting corruption can improve the investment climate and facilitate the reallocation of capital to non-oil sectors. Social aspects should also be taken into account: if oil revenues are not used to improve the quality of education, health care and infrastructure, long-term prospects for economic growth remain limited. The example of Kazakhstan and Russia shows that even with moderate economic diversification, insufficient institutional changes can slow down the transition to sustainable development. Thus, a strategic approach to oil revenue management should include not only macro-

economic stabilization, but also a comprehensive development policy aimed at creating a solid economic base that can function independently of commodity market fluctuations.

One of the key aspects of assessing the impact of natural resources on socio-economic development is the correlation between the share of natural resource rents and the Human Development Index (HDI). High dependence of the economy on resource revenues can both contribute to financing social programmes and improving the quality of life and lead to institutional problems, unequal distribution of benefits and slow human capital development. To analyse this dependence, let us look at data on natural resource rents as a percentage of GDP and the Human Development Index for 2020 in a number of countries with varying degrees of resource dependence

Table 2 identifies 15 countries, each showing varying levels of natural resource dependency and degree of development.

Table 2
Share of Natural Resource Rents and HDI for 2020 (WDI, HDR)

Country	Share of rent from natural resources (% of GDP)	Human Development Index (HDI)
Iran	23.24	0.779
Russian Federation	7.59	0.826
Saudi Arabia	17.32	0.861
Angola	20.25	0.594
Nigeria	5.07	0.539
Norway	4.18	0.963
Mexico	1.56	0.757
United Arab Emirates	11.97	0.930
Canada	1.24	0.928
Algeria	14.03	0.730
Azerbaijan	13.00	0.722
Kuwait	29.28	0.826
Kazakhstan	12.84	0.806
Qatar	20.23	0.863
Venezuela	11.84	0.691

Source: compiled by the authors from World Development Indicators and Human Development Reports

Most notable is Kuwait's high share of natural resource rents at 29.28% of GDP, with an HDI of 0.826. This indicates that, despite the significant dependence on oil revenues, the country has been able to provide a sufficiently high standard of living and social services for its population. We observe similar dependence on natural resources in Iran and Angola, where the rent share is 23.24% and 20.25% respectively, but their HDI is lower (0.779 and 0.594). These examples empha-

size that high dependence on natural resources does not always ensure positive social outcomes and can lead to economic and social hardship.

Norway, with a natural resource rent of 4.18%, has the highest HDI of 0.963, driven by a diversified economy and sustainable resource management. Norway is known for its best practices in natural resource wealth management, which serves as an example for other countries. Countries such as Nigeria and Venezuela, despite their rich natural resources, are facing serious economic and social crises. Nigeria, with a natural resource rent of 5.07%, continues to be plagued by corruption and institutional governance deficiencies that negatively affect the living standards of the population. Venezuela, with rents of 11.84%, is experiencing economic collapse and a humanitarian crisis, illustrating how over-reliance on oil revenues can lead to economic stagnation and deterioration in the quality of life. High natural resource rents may not guarantee the well-being of the population unless accompanied by good governance and sustainable economic policies. This analysis supports the "Dutch disease" hypothesis, according to which excessive dependence on natural resources can inhibit the development of other sectors of the economy and lead to social problems.

The Corruption Perception Index and Economic Freedom Index data (Table 3) confirm that high dependence on natural resources is often accompanied by institutional problems.

Table 3

Corruption Perceptions Index and Economic Freedom Index, 2023

Country	Corruption Perception Index	Index of economic freedom
Iran	24	42.2
Russian Federation	26	53.8
Saudi Arabia	52	58.3
Angola	33	53
Nigeria	25	53.9
Norway	84	76.9
Mexico	31	63.2
United Arab Emirates	68	70.9
Canada	76	73.7
Algeria	36	43.2
Azerbaijan	23	61.4
Kuwait	46	56.7
Kazakhstan	39	62.1
Qatar	58	68.6
Venezuela	13	25.8

Source: compiled by the authors based on data from Transparency International and Heritage Foundation

In countries with a large share of oil rents, such as Iran, Russia, Nigeria and Venezuela, a low corruption perception index (from 13 to 26) and weak economic

freedom (from 25.8 to 53.9) indicate poor resource management, administrative barriers and dependence of the economy on the commodity sector. At the same time, states that have managed to diversify their economies perform better. For example, Norway and Canada have high indices of perceived corruption (84 and 76) and economic freedom (76.9 and 73.7), reflecting transparent governance and a developed private sector. The UAE and Qatar also have relatively high values for economic freedom (70.9 and 68.6) due to investment in non-resource industries and an improved business climate. These examples show that proper management of resource revenues and institutional development can minimize the negative effects of the Dutch disease and ensure sustainable economic growth.

Figure 3 presents data for 2021, illustrating the relationship between the volume of oil product exports and the values of the Economic Freedom Index for exporting countries. The obtained results allow us to visualize the hypothesis about the negative impact of resource rents on economic diversification and institutional development, which is consistent with the concept of "resource curse".

Figure 3
Exports of Petroleum Products and Index of Economic Freedom, 2021
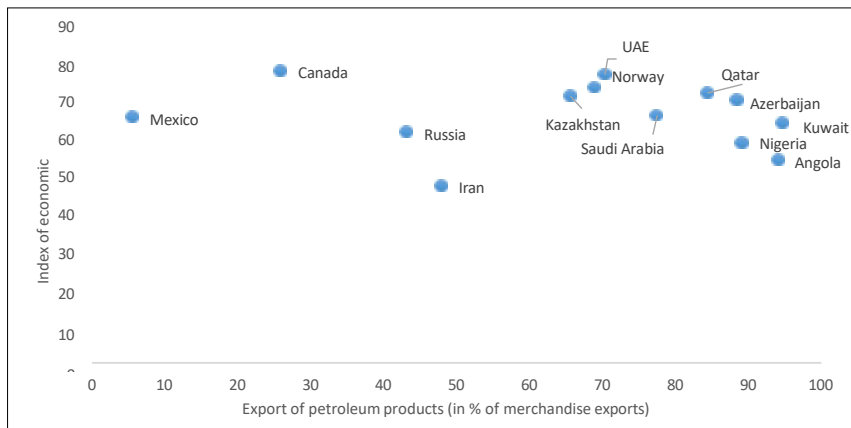
Source: compiled by the authors from World Development Indicators and Heritage Foundation data

As Figure 3 shows, high commodity dependence often correlates with tighter government regulation and low market freedoms. This is particularly evident in countries such as Iran (47.9% of exports, index 47.2) and Nigeria (89.1%, 58.7), where state control, corruption and institutional weaknesses hinder the development of a competitive environment. At the same time, countries with a comparable dependence on oil revenues but active reforms demonstrate a higher level of economic freedom. For example, the United Arab Emirates (70.3%, 76.9) and Qatar (84.4%, 72) use resources to stimulate investment, develop the non-financial sector and attract capital, creating a relatively liberal economic environment. A unique case is Norway (68.9%, 73.4), which, despite its large share of oil exports, enjoys a high level of economic freedom due to transparent resource management, institutional quality and strategic revenue allocation. These data confirm that it is not the fact of commodity dependence that determines the lev-

el of economic freedom, but the nature of institutions, the efficiency of public administration and the ability to diversify the economy.

Corruption and poor governance are serious problems for countries rich in natural resources. They are critical aspects that make it difficult to utilize natural resource revenues to achieve sustainable social and economic development. High revenues from resources such as oil and gas often result in ruling elites concentrating power and wealth in their own hands, leaving large segments of the population without access to these resources. Figure 4 shows the relationship between the share of natural resource rents in the economy and the Corruption Perceptions Index (CPI) values for 2021.

Figure 4
Share of Natural Resource Rents and Corruption Perceptions Index, 2021
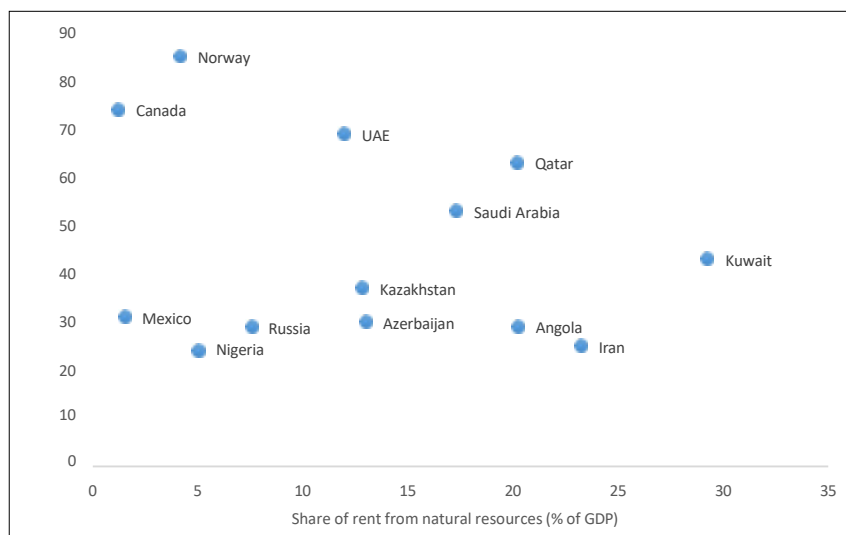
Source: compiled by the authors based on data from World Development Indicators and Transparency International

The data include 12 countries with different levels of dependence on natural resources and varying degrees of corruption. Overall, there is a clear trend: countries with a high share of natural resource rent revenues in GDP tend to have lower values of the corruption perception index. For example, Kuwait (29.28% of rent income) and Iran (23.24%) show low CPI scores (43 and 25, respectively), indicating a high prevalence of corruption. A similar situation is observed in Angola, where the corruption perception index is 25 with natural resource rents accounting for 20.25% of GDP. At the same time, countries that, despite having abundant natural resources, have managed to build effective governance institutions and reduce dependence on rent revenues demonstrate a higher level of anti-corruption transparency. The most illustrative example is Norway, where the share of natural resource rents in GDP is only 4.18% and the corruption index reaches 85, one of the highest in the world, indicating a low level of corruption. The situation is similar in Canada (1.24% of rents, CPI = 74) and the United Arab Emirates (11.97% of rents, CPI = 69), indicating the importance of good governance and institutional controls.

However, there are exceptions to this general pattern. For example, Saudi Arabia, with its significant dependence on natural resource revenues (17.32%), has a relatively high corruption index (53), which may be due to institutional reforms and anti-corruption campaigns. Kazakhstan (12.84%) and Azerbaijan (13%) occupy intermediate positions, reflecting the presence of corruption problems, but at the same time showing strong potential to address them.

Among the countries represented, Nigeria has the lowest perception index of 24 points. Studies show that due to corruption and mismanagement, much of the oil revenues are not utilized for the benefit of the people, resulting in poverty and lack of basic social services. Venezuela is another prime example of how wealth from natural resources can become a curse. The country, with the largest oil reserves in the world, is experiencing an economic and humanitarian crisis, and inflation has reached astronomical levels. Corruption and mismanagement of resources have meant that oil revenues are not being used for the country's development, but are instead fuelling the crisis.

Figure 5 shows an inverse correlation between the volume of oil product exports and the level of governance transparency: countries with a high share of commodity exports show lower values of the Corruption Perception Index, which confirms the systemic nature of institutional risks in resource-oriented countries.

Figure 5
Exports of Petroleum Products and Corruption Perception Index, 2021
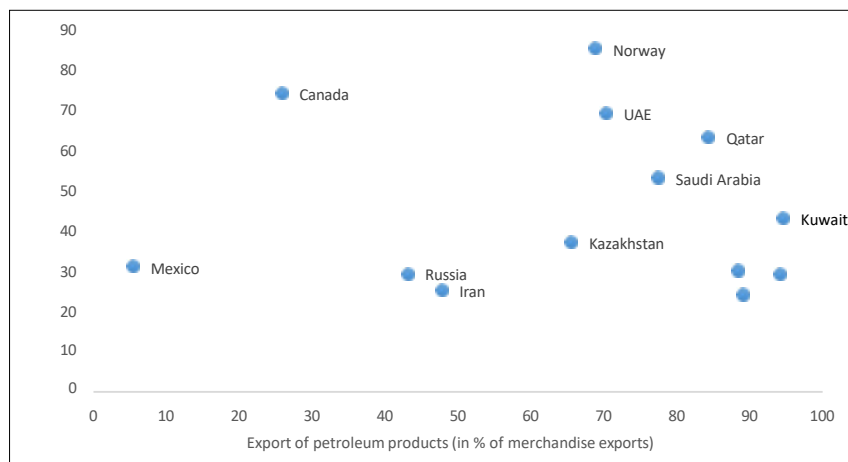
Source: compiled by the authors based on data from World Development Indicators and Transparency International

Angola (94.16%), Kuwait (94.63%) and Nigeria (89.15%) show extremely high dependence on resource exports and low anti-corruption transparency scores (29, 43 and 24, respectively). This supports the hypothesis that mono-resource economies face problems of poor revenue management that increase corruption risks. At the same time, Norway, despite its significant oil exports (68.93%), remains one of the most institutionally resilient countries with a high corruption perception index (85), indicating the existence of well-developed mechanisms for controlling resource revenues. In the Arab countries, the picture is mixed: Qatar (84.40%) and the UAE (70.32%) show relatively high anti-cor-

ruption scores (63 and 69, respectively), while Saudi Arabia (77.49%) and Kuwait (94.63%) remain in the zone of moderate corruption vulnerability (53 and 43). Kazakhstan (65.61%) and Azerbaijan (88.41%) are in the medium group, emphasizing the presence of corruption problems related to oil rents. Countries that are resource-rich, but have not implemented effective revenue management mechanisms face high levels of corruption, which negatively affects their socio-economic development (Figure 6).

Figure 6
GDP Per Capita and Corruption Perception Index, 2021
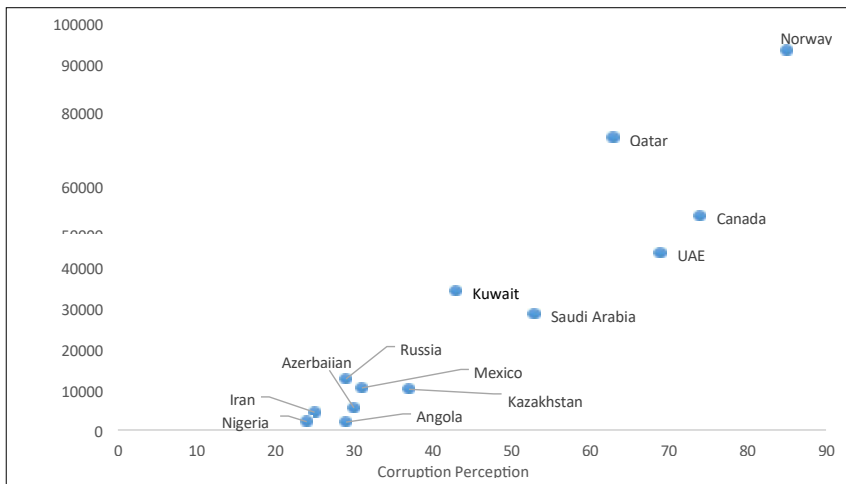
Source: compiled by the authors based on data from World Development Indicators and Transparency International

The analysis of the correlation between the corruption perception index and the level of GDP per capita demonstrates pronounced regularities that confirm the theoretical provisions of institutional economics and the concept of "resource curse". The data indicate that high levels of corruption in resource economies correlate with low levels of economic well-being. For example, in Nigeria ($2,017) and Angola ($1,925), with CPIs of 24 and 29 respectively, a large share of oil revenues either settle in narrow elite groups or are used inefficiently, hindering economic development and leading to high levels of poverty and social inequality. The situation is similar in Iran ($4,334) and Azerbaijan ($5,408), where high levels of dependence on oil revenues are accompanied by systemic corruption that limits the effectiveness of state institutions. At the same time, countries with low levels of corruption show markedly higher GDP per capita: Norway ($93,072, CPI = 85) and Canada ($52,496, CPI = 74) confirm that transparent governance, rule of law and institutional quality contribute to sustainable economic growth and efficient distribution of natural resource revenues. An interesting case is presented by Qatar ($71,751) and the UAE ($43,360), where despite a relatively high dependence on the oil and gas sector, investments in human capital, technological development and economic diversification have partially mitigated the negative effects of the Dutch Disease. However, Kuwait ($34,043) and Saudi Arabia ($28,396), with similar income levels, face more pronounced corruption risks (CPI = 43 and 53, respectively), indicating insufficient anti-corruption policies and institutional challenges. Kazakhstan ($9,983)

occupies an intermediate position, demonstrating a higher level of GDP compared to most CIS countries, but still lagging far behind developed oil-producing countries, emphasizing the need for further institutional reforms to reduce corruption and increase transparency in public administration. Overall, the presented data confirm empirical studies indicating that the institutional environment and the quality of public administration have no less significant impact on economic development than the availability of natural resources.

Analysing the share of natural resource rents in GDP and the level of public spending on health reveals important patterns in countries with abundant oil and gas reserves. While natural resource revenues provide significant potential for investment in social sectors, including health, the efficiency of their allocation varies considerably. It would be logical to assume that countries with high natural resource revenues allocate a large share of these funds to social needs, including health. However, the reality is much more complex. Figure 7 shows that oil and gas wealth alone does not guarantee a high level of health care.

Figure 7
Health expenditure and share of natural resource rents, 2020
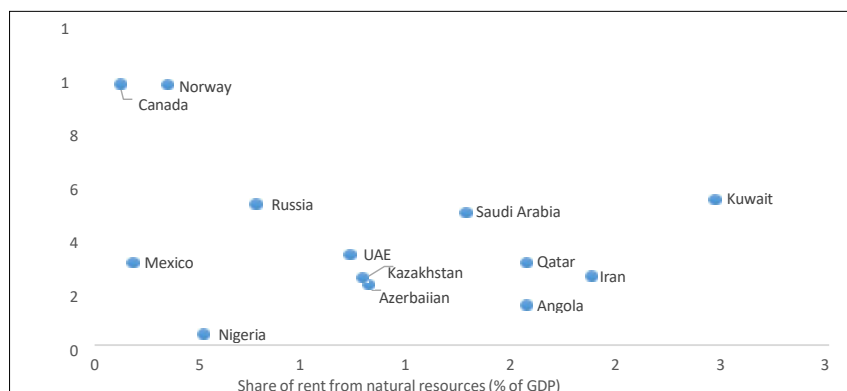
Source: compiled by the authors based on World Development data

Kuwait (29.28% of GDP rent) and Saudi Arabia (17.32%) are among the largest oil producing countries in the world, but their levels of health expenditure differ significantly, at 5.67% and 5.20% of GDP, respectively. In both cases, these rates are higher than many other resource-dependent states, but still below the level of developed countries. This suggests that energy-rich countries still have limited investment in long-term social infrastructure development, despite significant financial opportunities.

The contrast is even more marked between Africa's resource countries, Angola and Nigeria. In Angola, 20.25% of GDP comes from natural rents, but medical expenditure is only 1.70% of GDP. Nigeria, with less dependence on natural resources (5.07% of rent), spends only 0.51% of GDP on healthcare. These figures demonstrate that in countries with poor governance and high levels of corruption, natural resource revenues do not improve the quality of life, but instead often exacerbate social inequality.

If we compare resource-dependent states with developed countries, the picture becomes even clearer. Norway (4.18% rent) and Canada (1.24%) spend 9.82% and 9.61% of GDP on health care, respectively, which is much higher than the high oil rent states. This is a clear example of the fact that effective public institutions and sound economic policies play a much more significant role than the presence of natural wealth itself.

Kazakhstan (12.84% of rents, 2.47% on health care) and Azerbaijan (13% of rents, 2.33% on health care) show an intermediate situation. Their level of medical expenditure is higher than in most African countries, but markedly lower than in developed economies. This suggests that although these states are investing in the social sector, the effectiveness of these investments remains questionable.

High levels of corruption in resource-rich countries can also undermine public trust in government. In addition, it should be noted that some resource-rich countries face problems not only because of corruption but also because of the environmental consequences associated with the exploitation of natural resources. In Nigeria, pollution from oil extraction has had serious consequences for public health and the Niger Delta ecosystem. Local communities are often in a vulnerable position when it comes to the distribution of revenues from the resource economy (Nriagu et al., 2016).

Thus, resource-rich countries face the challenge of properly managing incoming revenues, as price spikes in global markets can have unpredictable effects on their economies. These countries have to react quickly to changes in global prices of their main export commodities in order to minimize macroeconomic volatility and stabilize domestic markets. However, the delay between decision-making and action, as well as price fluctuations, can lead to unproductive measures that exacerbate economic problems and even provoke political instability.

Among stabilization strategies are fiscal rules, which limit government spending and revenues within certain limits and keep the macroeconomic balance. China and Saudi Arabia have used these rules to stimulate investment and growth, while developed economies such as Norway and the US have channelled excess revenues to future generations or social needs. The introduction of fiscal rules also helped countries in Latin America and Africa to improve economic resilience after a series of crises in the 1990s and 2000s (Bova et al., 2018).

However, the creation of a sovereign fund does not guarantee success, as the experience of Nigeria and Venezuela shows. Nigeria established the Petroleum Trust Fund in 1995 in an attempt to support education and health care with oil revenues. But most of the money was channelled back into the oil and gas sector, and the fund failed to live up to expectations, becoming an unnecessary intermediary. Venezuela's Macroeconomic Stabilization Fund, created in 1998, suffered a similar fate, as it failed to significantly improve the country's economic performance (Rzhevskaya, 2011).

CONCLUSION

In the context of global economic instability and volatile resource prices, the "resource curse" remains a pressing problem for many countries. The sustainability of the economy and the ability to resist this phenomenon are directly re-

lated to the effectiveness of public policies aimed at diversification and strategic management of revenues.

The impact of the Dutch disease on the socio-economic development of a country is manifested in a number of negative consequences for non-resource sectors and the sustainability of the economy as a whole. When a country derives significant revenues from the export of natural resources, the appreciation of the national currency leads to a decrease in the competitiveness of other sectors such as industry and agriculture. This causes a gradual decline in the productive sector, which leads to the economy's dependence on fluctuations in resource prices.

Over time, such changes affect not only the economy but also the social sphere. The economic structure of the country becomes less diversified, which increases vulnerability to external economic shocks and fluctuations in global markets. Dependence on a single sector leads to employment instability and lower incomes during periods of falling resource prices. At the same time, the redistribution of wealth in favour of the resource sector often causes social imbalances and increases inequality, especially if resource revenues are not used to improve infrastructure and public services.

Research on the "resource curse" in resource-dependent countries has confirmed that natural resource wealth can be both a driver of growth and a source of economic instability. High dependence on rent income is often accompanied by poor development of other sectors, low health expenditures and social vulnerability. The examples of Nigeria and Venezuela show that, without effective management, resource surpluses not only do not contribute to sustainable development, but also exacerbate structural problems and provoke economic crises.

The findings of this study align with and, in some cases, diverge from the existing literature. Consistent with Mehlum et al. (2006) and Ross (2015), we confirm that institutional quality significantly conditions the impact of resource wealth, with countries like Norway and Canada avoiding the negative consequences of resource dependence through strong governance and diversification strategies. Conversely, our results corroborate Sachs and Warner's (1995) view that resource-rich countries with weak institutions, such as Nigeria and Venezuela, often experience economic stagnation and heightened corruption. Interestingly, while Van der Ploeg (2011) argues for the possibility of transforming resource wealth into an advantage, our analysis suggests that such transformation remains contingent on sustained institutional reform and transparent fiscal policy, which not all resource-rich countries achieve despite apparent modernization efforts.

At the same time, successful natural resource management strategies prove that negative effects can be mitigated. The experience of Norway, Canada and the UAE shows that sound fiscal policy, transparent stabilization funds and investment in human capital can not only avoid economic dependence on resources, but also create the basis for long-term growth. In the end, the key factor is not the availability of resources, but the ability of the state to build a sustainable economic model, using natural resources as a tool for development rather than as a source of short-term income.

Ethical Commission Approval

This study did not require approval from an ethics committee as it did not involve human participants, animals, or sensitive personal data. All data used in this research were obtained from publicly available sources.

Conflict of Interest Statement

There is no conflict of interest with any institution or person within the scope of this study.

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DONALD TRUMP'S SECOND TERM: EARLY POLICY SIGNALS, ECONOMIC NATIONALISM, AND GLOBAL TRADE IMPLICATIONS FOR KAZAKHSTAN

Zhengizkhan ZHANALTAY [1]

[1] Khoja Akhmet Yassawi International Kazakh-Turkish University, 050004, Kazakhstan

z.zhanaltay@ayu.edu.kz
ORCID: 0000-0002-5781-7105

Aidarbek AMIRBEK [2]

[2] Khoja Akhmet Yassawi International Kazakh-Turkish University, 161200, Kazakhstan

aidarbek.amirbek@ayu.edu.kz
ORCID: 0000-0002-1084-6259

ABSTRACT

Donald Trump's victory in the 2024 U.S. presidential election marks his return to the White House, making him the second president in U.S. history to serve non-consecutive terms. His win, supported by a coalition with Senator J.D. Vance and a shift in key swing states, reflects a deep transformation in voter sentiment driven by economic grievances and dissatisfaction with the Biden-Harris administration. This article analyzes Trump's second-term domestic and international policy directions, focusing on economic nationalism, aggressive trade measures, deregulation, and a shift from multilateralism to transactional diplomacy. Central to his approach is confronting China through tariffs, semiconductor technology, and strategic decoupling, reshaping global economic dynamics. His skepticism towards traditional alliances and global institutions introduces uncertainty in international relations. The article also explores the implications of these policies for Kazakhstan and Central Asia, highlighting Kazakhstan's strategic position amidst U.S.-China tensions and potential U.S.-Russia rapprochement, presenting both opportunities and challenges for careful geopolitical balancing.

Keywords: Trump, Trade, Transactional Diplomacy, Geopolitics, Kazakhstan

INTRODUCTION

Donald Trump's 2024 election victory made him the second U.S. president to win a non-consecutive term. Running with Senator J.D. Vance, he secured 312 Electoral College votes against Kamala Harris's 226, with 49.9% of the popular vote. A key factor in his win was the Republican shift in several previously Democratic-leaning swing states, signaling a significant change in voter sentiment (National Archives, 2024). Although surprising to some, Trump's return to power was not entirely unforeseeable. Rising public dissatisfaction with the Biden-Harris administration's handling of issues such as inflation, increasing living costs, immigration, and healthcare reform significantly drove voters toward change. Centering his campaign on these widespread grievances, Trump effectively positioned himself as a voice for economically distressed voters and those in suburban areas. Despite ongoing legal controversies and debates surrounding him, Trump maintained and even expanded his appeal, highlighting the influence of his populist and nationalist rhetoric on the electorate.

The 2024 elections also gave the Republican Party a clear advantage in Congress, providing Trump with stronger institutional support than in his first term. Republicans gained a 53–47 Senate majority and narrowly led the House with 220 seats to the Democrats' 215. This unified control allows for smoother advancement of the party's agenda and reflects ongoing voter support for Trump's "America First" platform, particularly on trade, immigration, and national security (History, Art and Archives United States House of Representatives, 2024).

Donald Trump's second administration is poised to become one of the most controversial and impactful presidential periods in modern U.S. history, both in terms of domestic policy and international relations. His proposed policies emphasize economic nationalism, aggressive trade measures, deregulation, and a fundamental reshaping of alliances and global security arrangements. Trump's economic agenda, grounded in "America First" principles, aims to prioritize domestic production, relocate supply chains back to the United States, and employ tariffs as a principal instrument of economic pressure (Alden, 2024).

President Trump's campaign has included a lot of controversial commitments on various topics ranging from the economy to security and from energy to technology, indicating that he will do many things in his own way. Among them, his most controversial commitment was the initiation of the "largest deportation program in American history," targeting undocumented immigrants identified as threats to public safety. He allows Immigration and Customs Enforcement (ICE) operations to expand significantly to combat immigration issues resulting in a substantial increase in arrests and deportations (Sacchetti & Bogage, 2025).

As for the international relations perspective Trump put forward an America First ideal which aims to benefit the U.S. at first and foremost regardless of any alliances and balances it would disturb. True to his word he is raising tariffs against all of his trade partners aiming to reduce its trade deficits. Like in his first term, this initiation targets mainly countries like China where the U.S. has significant trade deficits and has a significant disbalance in reciprocal tariff rates with each country put against each other. This move has shaken the global trade dynamics causing heated debates and negotiations that would change the U.S. trade relationship with its almost all trade partners (Stewart, 2025).

Moreover, Energy policy was another area where Trump acted decisively. His campaign slogan "Drill, drill, drill" translated swiftly into policy as he issued executive orders to open federal lands, notably in Alaska, for oil exploration and drilling. Additionally, Trump reversed numerous Biden-era environmental regulations, aligning with his stated goal of increasing domestic fossil fuel production to reduce energy costs and combat inflation (White House, 2025).

Finally, while Trump had ambitiously asserted, he would quickly broker peace in the Russia-Ukraine conflict, this pledge remains unfulfilled. Despite initial diplomatic efforts, no comprehensive agreement has been reached, demonstrating the complexities involved in realizing such international commitments (Banco & Slattery, 2025). These were some of his popular campaign promises and as we can see he acted on many fronts in the near future he gave signals of that he would pursue the remaining ones in his own way.

In domestic policy, Trump intends significant reductions in federal spending by targeting social programs and bureaucratic inefficiencies. Positioning himself as a champion of U.S. energy independence, Trump promises to roll back climate policies implemented by the previous administration and expand domestic fossil fuel production (Phillis & McDermott, 2025). Immigration, a central component of his agenda, frequently references stringent border controls and mass deportations. In this regard, he pressures Mexico to strengthen its own border security by threatening increased customs tariffs. Additionally, the Trump administration aims to restructure the justice system, expand presidential powers, and limit investigations and threats concerning political influence (Kruzel, 2025).

At the international level, Trump's policies indicate significant shifts in global trade, economic policies, and security alliances. The imposition of tariffs against China, pursued more aggressively compared to his first term, no longer remains confined solely to the issue of trade deficits; it now includes strategically critical fields such as artificial intelligence and semiconductor chip production. Within this plan, extensive tariffs of up to 20% are applied on all imports from China, further restricting China's access to U.S. semiconductor technology. Furthermore, this economic decoupling serves as a strategic instrument aimed at weakening China's global economic standing (Lawder et al., 2025).

In addition to China, Trump's economic policies based on transactional diplomacy have also caused tensions in relationships with key allied countries, particularly the European Union, Canada, and Mexico. The Trump administration has revived discussions about increasing steel and aluminum tariffs against the EU and Canada, while also threatening broader trade restrictions targeting European-origin automobiles. On the security front Diplomatic relations with NATO allies are similarly strained due to Trump's persistent demands for member states to increase their financial contributions and implicit threats to reduce U.S. military commitments in Europe (Graham, 2025).

This paper aims to analyze the main pillars of Trump's second-term policies and their broader geopolitical consequences, with a specific focus on Kazakhstan and the Central Asian region. By examining key developments such as U.S.–China strategic decoupling, the targeting of critical supply chains, and potential U.S.–Russia rapprochement, the study seeks to understand how Kazakhstan could be affected by these global shifts. The research further explores how Kazakhstan's rare earth element reserves and geopolitical location may offer

both strategic opportunities and vulnerabilities in an increasingly fragmented international order. In light of these aims, and considering that Trump's second term is still in its early stages, the central research question guiding this study is as follows: *How might the emerging domestic and foreign policy directions—particularly those shaped by economic nationalism, strategic decoupling, and transactional diplomacy—affect the geopolitical and economic positioning of Kazakhstan and Central Asia?*

MATERIALS AND METHODS

This study employs a qualitative, interpretive approach to examine the domestic and foreign policy directions of the initial stage of Donald Trump's second presidential term, with a particular focus on the implications for Kazakhstan and the broader Central Asian region. The research is grounded in an extensive review of both primary and secondary sources, including official government documents, policy speeches, election data, international relations literature, and analytical reports from leading think tanks and media outlets.

Source Selection and Organization

Sources were selected through a targeted and criteria-driven process, emphasizing relevance to the research questions, credibility of origin, and recency (2022–2025). Academic journal articles and policy papers were identified via major scholarly databases such as JSTOR, Scopus, and Google Scholar, using keywords including America First, Trump second term, economic nationalism, U.S.-China relations, Central Asia geopolitics, and U.S.-Kazakhstan relations. Also, web search through reputable newspapers is used for gathering recent events. Trade and tariff statistics were drawn from reputable governmental sources such as the U.S. Census Bureau, the U.S. Department of Commerce, and Kazakhstan's National Statistics Bureau. Regional perspectives and strategic insights were supplemented by policy briefs from think tanks.

Organizational Structure

The collected materials were thematically organized around three core areas of inquiry: economic nationalism and trade protectionism; shifts in U.S. multilateral commitments and global alliances; and the strategic implications for Kazakhstan and Central Asia. Within each thematic strand, sources were triangulated to strengthen analytical validity, ensure evidentiary robustness, and incorporate a range of perspectives. Quantitative data—such as trade volumes and tariff rates, were employed to complement qualitative insights and underscore material trends shaping the policy environment.

Case Focus and Analytical Framework

An in-depth case study of Kazakhstan was selected due to the country's strategic importance in the context of U.S. efforts to decouple from China, reconfigure supply chains, and potentially reengage Russia. This case is particularly instructive for understanding how Trump-era policies may reshape geopolitical alignments across Central Asia. To contextualize the analysis, the study draws on neoclassical realism as a theoretical lens, emphasizing the interaction between systemic pressures in the international arena and domestic-level political drivers in shaping foreign policy outcomes.

Research Limitation

A key limitation of this study lies in the fact that Donald Trump's second presidential term has only recently begun. As such, the analysis is necessarily based on early policy signals, initial appointments, and stated priorities rather than long-term outcomes or fully implemented strategies. While this provides a timely snapshot of emerging directions, it also limits the ability to assess the durability and full impact of these policies. Future research will be needed to evaluate how these initiatives evolve over time and their concrete implications at both domestic and global levels.

LITERATURE REVIEW

Harding (2024), forecasts a significant shift towards economic nationalism and protectionism during Trump's second administration. She emphasizes Trump's proposed extensive tariffs—ranging between 10% and 60%, particularly targeting China—to reduce U.S. trade deficits. Harding cautions these tariffs may severely disrupt global supply chains, negatively affecting U.S. allies and the broader international economic environment. Her analysis underscores Trump's prioritization of reshoring U.S. manufacturing and promoting domestic economic interests, central to the administration's trade policies.

Patrick (2025), argues Trump's second term represents a radical departure from established international economic and political norms. Patrick highlights Trump's deliberate weakening of multilateral institutions, particularly the World Trade Organization (WTO), through aggressive tariff policies and rejection of global trade rules. He contends that Trump's preference for bilateral and transactional diplomacy over cooperative multilateral frameworks marks a distinct pivot in U.S. global strategy, potentially isolating America from traditional alliances.

Blanchette (2025), assesses the intensified U.S.-China tensions under Trump's second administration. He notes Trump's appointment of China hawks, increased economic decoupling efforts, significant tariff hikes, and stronger U.S. military support for Taiwan. Blanchette emphasizes Trump's transactional and unpredictable foreign policy, arguing this could heighten global instability and reshape international power dynamics, potentially providing strategic opportunities for rivals like China.

Qoraboyev (2025) explores Trump's impact on Central Asia in his report for the Hague Research Institute. He argues that Trump's transactional diplomacy and intensified great-power rivalry may indirectly affect Kazakhstan and its neighbors. Qoraboyev (2025) suggests Trump could regard Central Asia as secondary to broader strategic bargains with Russia and China, risking the erosion of Kazakhstan's "multi-vector" foreign policy approach. He advises Central Asian states to cautiously manage relations with Trump's America, balancing engagement without compromising regional autonomy.

Vakhabov (2025), offers a more optimistic assessment regarding Trump's second-term engagement with Central Asia. The author identifies opportunities for stronger U.S.-Central Asian cooperation, particularly in economic areas such as infrastructure connectivity and rare earth element extraction. He emphasizes Kazakhstan's potential role in helping the U.S. diversify critical supply chains away from China. Furthermore, Vakhabov (2025) suggests security coopera-

tion and counter-terrorism as additional promising areas, aligning with Trump's broader strategic goals and contributing positively to regional stability.

DECODING TRUMP'S FOREIGN POLICY: TRANSACTIONAL AND DETACHED

Trump's strategic vision reshapes global economic and security frameworks around direct U.S. interests, often sidelining multilateral cooperation. While his economic policies offer short-term gains for certain domestic sectors, they risk long-term disruption to supply chains, trade stability, and diplomatic trust. The trade war with China, framed as support for U.S. manufacturing, raises consumer and business costs. China's retaliatory tariffs target key Trump constituencies agriculture and manufacturing intensifying economic pressure. U.S. restrictions have also pushed Beijing to accelerate its tech self-sufficiency, heightening long-term competition. Weaponizing trade policy undermines U.S. reliability as a partner, prompting many countries to diversify ties. Even close neighbors like Mexico and Canada, despite economic coercion, are seeking alternatives to reduce U.S. dependency (Rediker, 2024).

While Trump's policies appeal to nationalist sentiment and assertive leadership, they pose significant risks. Unilateral economic coercion, disregard for diplomatic norms, and frequent renegotiation of trade deals have fueled global market instability. The administration's transactional approach and neglect of international institutions increasingly isolate the U.S. from traditional allies, hindering long-term geopolitical cooperation (Madhani, 2025). The "America First" doctrine, aimed at securing U.S. dominance, may ultimately undermine it by encouraging the formation of independent economic and security frameworks that bypass U.S. influence (Nye, 2024). If these trends persist, the global order could shift away from U.S.-led structures, with Trump's second term marking a more aggressive effort to reshape international dynamics in favor of short-term national gains.

To fully grasp the logic underpinning Trump's foreign and domestic policy behavior particularly his assertive unilateralism abroad and populist-nationalist agenda at home, it is necessary to ground the analysis within an established international relations theory. The following theoretical framing provides a structured lens through which Trump's strategic choices can be more coherently contextualized and interpreted, revealing the interplay between global dynamics and internal political drivers. In this context, to analyze the early and evolving contours of Trump's newly inaugurated second-term foreign and economic policies more systematically, this study draws on the framework of Neoclassical Realism an influential strand of international relations theory that blends classical realist concerns about power and anarchy with domestic-level variables. Unlike structural realism, which emphasizes systemic constraints and the distribution of power among states, neoclassical realism accounts for how internal factors such as leadership perceptions, state capacity, and domestic political pressures mediate foreign policy responses (Rose, 1998; Lobell et al., 2009).

This approach is particularly useful in understanding the Trump administration's assertive and often unpredictable international behavior. At the systemic level, Trump's strategy reflects traditional realist principles: prioritizing national interest, economic self-sufficiency, and sovereignty in an anarchic global system. The administration's economic decoupling from China, emphasis on bi-

lateralism over multilateralism, and transactional approach to alliances reflect the pursuit of relative gains and strategic leverage key tenets of realist thought (Mearsheimer, 2001).

At the domestic level, however, neoclassical realism provides deeper insight into the why and how of these strategies. Trump's foreign policy is shaped not just by the international balance of power, but by populist-nationalist electoral coalitions, institutional alignment within Congress, and bureaucratic maneuvering. His administration's policy decisions—ranging from punitive tariffs to reductions in NATO commitments—are not purely reactions to global shifts but are also conditioned by domestic constituencies that demand economic protectionism, national sovereignty, and visible assertions of American strength (Kitchen, 2010). The 2024 electoral outcome, with its shift in swing-state dynamics and populist resurgence, thus directly empowers a more ideologically consistent application of these policies.

This framework helps situate Central Asia and Kazakhstan in particular within a broader geostrategic logic. Kazakhstan's importance is amplified not solely by its geography or rare earth reserves, but by the way in which U.S. policymakers, under Trump, perceive and instrumentalize these assets in the context of a great power competition. Neoclassical realism offers a lens through which to interpret how Kazakhstan becomes entangled in U.S. efforts to reconfigure global supply chains and apply economic pressure on China, while simultaneously recalibrating relations with Russia under a potentially softened diplomatic posture.

By grounding the analysis in neoclassical realism, this article aims to better capture the complex interplay between systemic power dynamics and domestic political imperatives that define Trump's second-term foreign policy agenda—and to assess how these forces converge to shape the geopolitical future of Central Asia. Understanding the structural logic behind Trump's policies also requires attention to the individuals tasked with translating that logic into action. With this theoretical lens in place, we can now turn to the practical execution of Trump's agenda through the individuals shaping his administration.

Trump's policies largely reflect his personal vision, they are also sharpened by the influence of officials he appoints to key administrative positions. It is reasonable to suggest that these policies are not solely crafted by Trump himself but implemented by like-minded individuals holding critical positions within his administration. Therefore, it is useful to examine the profiles of key figures in the Trump administration. The composition of Trump's 2024 administration reflects a deliberate effort to consolidate power around individuals sympathetic to nationalist, protectionist, and transactional governance approaches. Vice President J.D. Vance, Secretary of State Marco Rubio, Treasury Secretary Scott Bessent, Defense Secretary Pete Hegseth, and advisor Elon Musk play significant roles in shaping the administration's policy direction. The combined influence of these figures has led to radical shifts in domestic and foreign policy, strengthening tendencies toward economic nationalism, military assertiveness, and the restructuring of international alliances (Smith, 2024). Through their ideological commitments and expertise, these individuals ensure that Trump's second term is not simply a continuation of the previous administration, but rather an advanced iteration characterized by refined strategic objectives and deeper skepticism toward globalization.

At the heart of Trump's policy framework is a strong commitment to economic nationalism. Vice President J.D. Vance champions high tariffs to restore U.S. manufacturing and reduce dependence on foreign economies, particularly China. Treasury Secretary Scott Bessent complements this with tax incentives for domestic industries, deregulation, and targeted tariffs on sectors like energy, semiconductors, and rare-earth minerals. Breaking from traditional Republican free-market principles, this administration blends conservative tax policies with interventionist trade measures. It is grounded in the belief that globalist economic structures have eroded U.S. industrial strength, requiring protectionist correction. However, this stance risks economic isolation, as trade partners—potentially even allies—may respond with retaliatory measures, threatening further fragmentation of the global trading system (Gresser, 2025).

Secretary of State Marco Rubio leads a recalibrated U.S. foreign policy that combines military deterrence with economic coercion, especially toward China. Rejecting earlier bipartisan efforts for managed competition, Rubio champions a confrontational approach—expanding sanctions, bolstering Indo-Pacific military presence, and reaffirming the QUAD to counter China's influence (Bland, 2025). While pressure on China intensifies, the administration adopts a more conciliatory stance toward Russia. This selective aggression reflects Trump's broader aim to reduce U.S. security commitments in Europe. Both Rubio and Vice President Vance support a negotiated outcome with Moscow over increased aid to Ukraine, signaling a strategic pivot: prioritizing U.S. interests in Asia over extended military involvement in Europe.

Under Defense Secretary Pete Hegseth, military nationalism has intensified, with the Pentagon shifting from interventionism to deterrence. Resources now focus on countering China's military rise while scaling back long-term deployments (Detsch, 2025). Rejecting post-Cold War doctrines, Hegseth promotes a more inward-looking, defense-oriented force. Domestically, he dismantles diversity, equity, and inclusion (DEI) programs, viewing them as ideological distractions, and aims to create a leaner, ideologically aligned military structure.

Elon Musk brings a disruptive yet influential voice to the administration as a key advisor. His push for deregulation and efficiency led to the creation of the Department of Government Efficiency (DOGE), which seeks to apply private-sector models to federal governance (Dorman, 2025). However, Musk's extensive business ties to China—especially through Tesla—create tension with the administration's hawkish stance, occasionally undermining policy coherence on Beijing.

Together, these five figures define an administration driven by nationalist priorities across economic, military, and diplomatic fronts. Favoring bilateral deals and transactional diplomacy, the leadership marks a clear break from multilateralism and the liberal international order that shaped U.S. policy after World War II (Patrick, 2025). While advancing U.S. interests, this shift risks weakening longstanding alliances and destabilizing global economic frameworks. A new paradigm is emerging—one where short-term national gains outweigh commitments to global leadership. As Trump's second term unfolds, the lasting impact of this approach on domestic governance and international relations remains to be seen. What is clear, however, is the administration's readiness to challenge established norms in pursuit of a more self-reliant U.S.

Trump's second term's initial stage has led to deeper disputes with China in trade, economy, and security, significantly affecting global economic stability and geopolitical alignments. The administration expanded previous trade restrictions, applying comprehensive tariffs of 20% on all imports from China. When considered alongside other tariffs, it is estimated that approximately $1.4 trillion worth of goods will be impacted by this measure, substantially increasing costs for U.S. businesses and consumers (York and Durante, 2024). Economic decoupling remains a central strategy; the U.S. government is actively working to reduce reliance on China-based supply chains. Import bans and tighter export controls are being enforced on semiconductors, artificial intelligence technologies, and telecommunications equipment. For instance, Chinese firms like Huawei have effectively lost access to critical U.S.-made components. Additionally, the United States has increased restrictions on U.S. companies investing in China's high-tech sector, aiming to halt Beijing's advances in artificial intelligence and quantum computing (Shepardson, 2025).

China has responded to Trump's aggressive trade and security policies with retaliatory measures of its own. The Beijing administration has imposed tariffs ranging from 10% to 15% on U.S. products totaling $21 billion, deliberately targeting sectors such as agriculture, energy, and manufacturing—particularly those located in states comprising Trump's political base (Cash et al., 2025). Additionally, Chinese regulatory agencies have introduced new regulations targeting U.S. companies operating within the country, such as Apple, Qualcomm, and Boeing, initiating compliance investigations and anti-monopoly reviews. Furthermore, to counter Washington's technological decoupling strategy, Beijing has restricted exports of rare-earth elements essential to the U.S. technology industry (Troise, 2024).

Trump's economic policies have also created tensions with traditional U.S. allies beyond China. The administration has reinstated steel and aluminum tariffs against the European Union and Canada, prompting the EU to retaliate with tariffs valued at €26 billion on U.S. exports, particularly targeting politically sensitive sectors like agriculture and whiskey production (Valero & Nardelli, 2024). Trump has further threatened to impose a 25% tariff on European automotive exports, targeting Germany's automotive industry, which accounts for roughly 17% of its total exports (Orth, 2025).

On 2 April 2025, President Donald Trump announced the expected "reciprocal tariff" policy on numerous countries individually and a base of 10% for all. As for individually selected countries, the U.S. will impose 34% tariffs on China, 20% on European Union, 46% on Vietnam, 32% on Taiwan and 25% on South Korea. But there were also surprises, where Canada and Mexico are exempted from this individual tariff list, whereas the United Kingdom faces only 10%. Analysis of these numbers shows that the tariff rates are estimated as roughly half of what those countries are imposing tariffs on the U.S. meaning Trump is keeping an open door for negotiations that could pave the way for better rates for the U.S. After this announcement, key global leaders from China, Germany, Italy, South Korea and others, who are not happy with higher tariffs expressed concern and criticized the tariffs, emphasizing the potential harm to international trade (Mangan et al., 2025).

Trump's "America First" doctrine is placing significant pressure on security alliances as well. NATO allies have faced increased pressure to raise their military expenditures, with Trump threatening to withdraw U.S. troops from Europe if member states fail to meet the defence spending target of at least 2% of GDP. The administration has reduced U.S. military presence in Germany, Poland, and Italy, claiming that these countries excessively rely on U.S. military protection. In response, France and Germany have taken steps toward reducing their dependence on U.S. security guarantees, advocating for Europe's strategic autonomy. The continuation of diplomatic estrangement from NATO and European allies is weakening transatlantic relations and fostering the emergence of new defense initiatives independent of U.S. leadership (Kayali et al., 2025).

Bottom line President Trump in his second term from the start has opened too many fronts to fight and try to implement his policies and vision, whereas his sharp stance and controversial initiatives will create certain repercussions that could be interpreted as internal risks for the stability of his second term. Therefore, it would be useful to explore these potential difficulties that his administration might face in the future. Among them, one of the central challenges stems from political rivalry and growing institutional resistance. Trump's assertive "no-scalps" policy—refusing to dismiss controversial figures or back down in the face of criticism—has intensified internal discord, even among members of his own administration (Reich, 2025).

His open defiance of court rulings and inflammatory rhetoric toward political opponents have alarmed legal and civil institutions, raising concerns about executive overreach and the erosion of democratic norms. Within Congress, although Republicans hold influence, there are signs of division. Some lawmakers have expressed unease over Trump's more aggressive policy moves, especially regarding immigration enforcement and budget cuts. Town halls across the country have revealed rising tensions between elected officials and constituents, with public protests, arrests, and confrontations becoming more frequent (Stokols & Traylor, 2025). Economic uncertainty triggered by abrupt policy shifts—such as tariff escalations—has drawn criticism from business leaders and economists alike. These concerns have further eroded confidence among moderate voters who remain skeptical about the long-term effects of such decisions (Ghosh, 2025). Taken together, these factors suggest that Trump's second term is likely to be shaped not only by his policy ambitions but also by persistent domestic friction, institutional pushback, and the broader challenge of sustaining public confidence.

RESULTS AND DISCUSSION

The "America First" doctrine has substantially transformed U.S. foreign policy, shifting its emphasis from multilateral cooperation toward unilateral economic coercion. Although Trump portrays his approach as reclaiming economic sovereignty and national security, global reactions have been predominantly negative. U.S. allies feel increasingly marginalized, rival powers capitalize on the diplomatic withdrawal of the United States, and international institutions face accelerating fragmentation, especially given that the U.S. has historically been the largest financial contributor to many prominent international organizations. The erosion of U.S. soft power and diplomatic credibility is prompting many countries to reevaluate their long-term alliances, resulting in increased efforts to

reduce their dependence on U.S. economic and security commitments (Banzal, 2025).

Within this political environment of transactional diplomacy tensions, we need to consider how Trump's second administration will influence power dynamics in the Central Asian region, particularly for Kazakhstan. The "America First" trade policies under President Trump's administration have notably impacted U.S.–Kazakhstan economic relations. Historically, the United States has maintained a trade deficit with Kazakhstan, a trend that has persisted and intensified in recent years. In 2024, U.S. exports to Kazakhstan amounted to approximately $1.08 billion, while imports from Kazakhstan reached $2.33 billion, resulting in a trade deficit of $1.25 billion. This deficit widened in early 2025, with U.S. imports from Kazakhstan totaling $1.72 billion in just the first two months, whereas exports stood at $104.4 million (United States Census Bureau, 2025). In response to perceived trade imbalances, the U.S. implemented a 27% tariff on certain imports from Kazakhstan in 2025, citing Kazakhstan's 54% tariff on American goods as justification (Kazinform, 2025).

Figure 1

Kazakhstan's Total Export Destinations in 2024 (billion $)
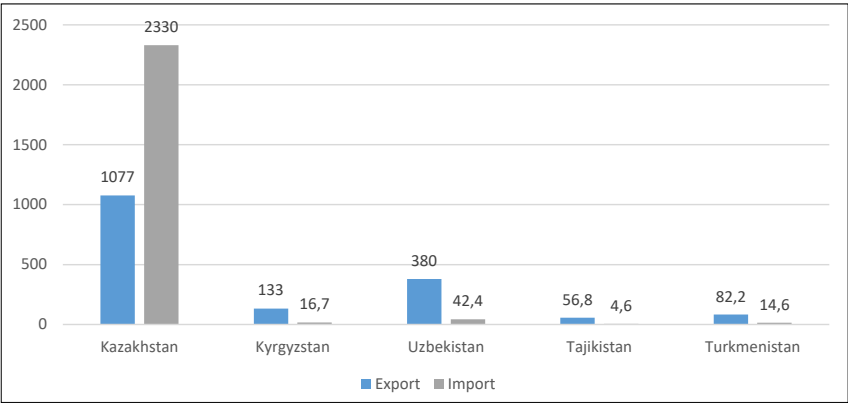
Source: National Bank of Kazakhstan, 2025

Kazakhstan's total exports in 2024 were valued at $81.6 billion, with mineral products accounting for $51.85 billion, base metals and products at $10.9 billion, and chemical industry products at $6.43 billion (National Bank of Republic of Kazakhstan, 2025). Considering that exports to the U.S. represent a small fraction of Kazakhstan's total exports, the increased U.S. tariffs are unlikely to have a significant macroeconomic effect. These figures are also backed by the Kazakh Ministry of Trade and Integration indicating that these new tariffs would affect only 4.8% of Kazakhstan's exports to the U.S., as key exports such as crude oil, uranium, silver, and ferroalloys are exempted (Eruygur, 2025). Given that these exempted commodities constitute the majority of Kazakhstan's exports to the U.S., the immediate macroeconomic impact on Kazakhstan's economy is expected to be limited. In contrast, the U.S. has a trade surplus with other Central Asian economies where U.S. exports constitute 70–80% of total trade volumes in the region. These countries currently face a 10% base tariff on their exports to the U.S., indicating a relatively stable trade relationship compared to Kazakhstan's situation (Bohannon & Pequeno, 2025).

Figure 2

U.S. Exports to and Imports from Central Asian Countries in 2024 (million $)

Legend: ■ Eurasian Economic Union ■ European Union ■ ASIA ■ Other

Values: 9,36 · 10,97 · 23,13 · 38,14
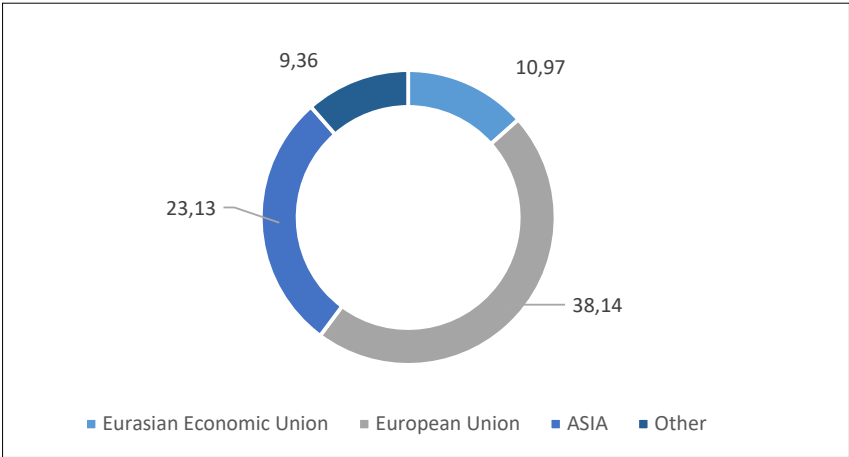
Source: United States Census Bureau, 2025

However, Kazakhstan has a leverage in his sleeves that could be used to ease the tariff situation with the U.S. Kazakhstan's substantial reserves of rare-earth elements are critical to U.S. technology and defense sectors, which attracts the attention of Washington as part of its efforts to reduce dependency on China on importing these rare earth elements. According to World Bank estimates, Kazakhstan possesses more than 5,000 rare-earth mineral deposits, valued at over $46 trillion (Mamishev, 2024). Therefore, Kazakhstan has emerging as an ideal alternative partner for securing critical sources of rare-earth minerals which is essential for semiconductor chip production in the U.S. On this point, Kazakhstan could play this circumstance to its advantage during the negotiations with Washington on reducing the tariff levels.

Besides direct effects there are some indirect effects are emerging as a result of Trump's administration policies. Countries such as China, Vietnam, South Korea, and Japan, facing higher tariffs on their exports to the U.S., are increasingly seeking alternative markets where their products retain competitive advantages. Central Asia, due to its geographical proximity and growing economic potential, is becoming an attractive destination for these countries. Notably, China's trade with Central Asian nations reached $94.8 billion in 2024, with Kazakhstan accounting for 46% of this volume at $43.8 billion (Orda, 2025).

This shift suggests that Central Asian markets may experience increased competition from foreign goods, potentially challenging local industries and businesses. Membership in the Eurasian Economic Union (EAEU) may offer limited protection, as the tariffs imposed by the U.S. on Asian countries like China surpass the EAEU's tariff rates, potentially allowing for a surge of foreign goods into Central Asian markets. Therefore, Central Asian countries need to monitor and adapt to shifting trade patterns and preparing strategic economic planning will be essential to mitigate potential adverse effects on local industries.

When considering other indirect effects on U.S.-Kazakhstan relations, one of the key issues emerging is the future trajectory of U.S.-Russia relations and

related sanctions policies. Given that Kazakhstan's economy is closely linked to Russia's, any changes in U.S. sanctions against Moscow directly affect Kazakhstan's trade, transportation routes, and overall economic stability. During periods of intensified U.S. sanctions against Russia, such as those applied between 2014 and 2020 after Crimea's annexation, Kazakhstan experienced consequences including currency devaluation, trade disruptions, and financial instability. Conversely, if Trump's second administration eases sanctions against Russia, Kazakhstan could significantly benefit from normalized trade flows, reduced transportation costs, and increased investment inflows (Beketova et al., 2025). Furthermore, a potential U.S.-Russia rapprochement under Trump could stimulate Russian demand for Kazakh goods due to reduced economic constraints, expanding Kazakhstan's export opportunities to Russia. Agricultural, machinery, and processed metal sectors, previously adversely affected by Russia's economic stagnation, might thus experience increased exports, positively impacting Kazakhstan's trade balance and GDP.

Therefore, it could be stated that Trump's early stages of the second-term policies are already generating complex outcomes for Kazakhstan and Central Asia, presenting both opportunities and challenges. However, uncertainties in U.S. policies toward Russia and China, combined with Trump's transactional diplomatic approach, introduce risks that Kazakhstan must carefully manage. While a potential easing of U.S.-Russia tensions would be beneficial for trade and financial stability, it could also reinforce Russia's regional influence, complicating Kazakhstan's economic diversification efforts. In this context, Kazakhstan's multi-vector strategy remains crucial under the Trump administration's shifting geopolitical landscape, ensuring the country maximizes economic gains while minimizing strategic vulnerabilities.

CONCLUSION

The 2024 re-election of Donald Trump as President of the United States marks a significant moment in contemporary political history, not only for its electoral uniqueness but also for the ideological and strategic shifts it has set in motion. Trump's second term builds upon the foundations of his earlier presidency, yet with greater institutional support, a more ideologically cohesive cabinet, and a refined policy agenda rooted in economic nationalism, transactional diplomacy, and unilateralism. His administration reflects a deliberate effort to depart from multilateral traditions, favoring bilateralism and power-centered negotiations in both domestic governance and international relations.

The policy framework of the second Trump administration prioritizes reshaping global trade, challenging traditional alliances such as NATO, and countering China through tariffs, technological restrictions, and supply chain realignment. These actions are not without consequence: they contribute to the erosion of diplomatic norms, the destabilization of existing geopolitical alignments, and the potential weakening of U.S. soft power in the long term. While they appeal to a domestic base focused on national sovereignty and economic protectionism, they also signal a strategic recalibration that unsettles global governance structures.

Within this evolving global landscape, Kazakhstan occupies a uniquely sensitive and strategic position. The country's vast reserves of rare earth elements, its geographic location between Russia and China, and its increasing relevance

in U.S. strategic calculations place it at the heart of a shifting geopolitical environment. The Trump administration's renewed interest in resource security and supply chain diversification elevates Kazakhstan's importance as a potential partner. Simultaneously, the possibility of a thaw in U.S.–Russia relations under Trump introduces additional layers of complexity, offering Kazakhstan both opportunities for economic expansion and risks tied to shifting regional power dynamics.

In sum, Trump's second presidency presents a complex matrix of disruption and opportunity. For Kazakhstan and the broader Central Asian region, the next four years may define new trajectories in economic cooperation, strategic alignment, and geopolitical autonomy. Navigating these shifts will require a careful balancing act, one that considers not only immediate gains but also the long-term implications of a U.S. foreign policy increasingly defined by nationalism, pragmatism, and transactional engagement. In this context, several policy measures may help Kazakhstan and its regional partners respond more effectively to emerging challenges and strategic openings:

- Kazakhstan should recognize that the U.S. trade deficit is driven largely by essential energy imports and use this reality to assert its position more confidently in trade dialogues with Washington.

- Rare earth mineral resources should be strategically leveraged by Astana as bargaining tools in negotiations with the U.S., particularly in light of Washington's efforts to restructure critical supply chains away from China.

- Astana should reinforce its multi-vector foreign policy by deepening ties with emerging and alternative partners—including the EU, Gulf states, and Southeast Asia—to counterbalance shifts in U.S.–China dynamics.

- Supporting local industries—through targeted subsidies, infrastructure development, and innovation incentives—can help strengthen the international competitiveness of Kazakh businesses and prepare them to navigate increasingly protectionist global markets.

- Coordinated regional frameworks among Central Asian countries should be strengthened to monitor and manage potential overflows of redirected exports from tariff-affected countries, protecting local producers from market saturation.

Ethical Commission Approval

This study did not require approval from an ethics committee as it did not involve human participants, animals, or sensitive personal data. All data used in this research were obtained from publicly available sources.

Conflict of Interest Statement

There is no conflict of interest with any institution or person within the scope of this study.

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FACTORS AFFECTING CDS PREMIUM AND FUTURES CONTRACT PRICES: EXAMPLE OF TÜRKİYE

Tolga BENLI [1]

[1] Atilim University, Ankara, 06830, Türkiye

tolga.benli@atilim.edu.tr
ORCID: 0000-0003-1028-8573

Burcu DINCERGOK [2]

[2] Atilim University, Ankara, 06830, Türkiye

burcu.dincergok@atilim.edu.tr
ORCID: 0000-0002-7050-8163

ABSTRACT

This study examines the relationship between the Türkiye CDS premium and the prices of USD/TL and BIST30 futures contracts traded on BIST VIOP. In addition, the national and global variables affecting these three variables were analyzed. Based on the literature, four national and eight global variables were used to explain these variables. Inflation, industrial production index, central bank external debt, and reserve data are used at the national level. The VIX and MSCI ACWI indices and CDS premiums of the USA, China, Germany, Italy, the United Kingdom, and Brazil were used at the global level. Data were collected at a monthly frequency covering the period from August 2018 to December 2024. VAR model-based, Granger causality, impulse response, and variance decomposition analyses were conducted. The results reveal a relationship between CDS and BIST30 futures with both global and national variables, while USD/TL futures are primarily influenced by national factors. The effect of the structural breaks was also significant.

Keywords: Credit default swap, Futures and options market, Futures contract, Time series analysis, Türkiye.

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INTRODUCTION

Credit risk is defined as the failure of a debtor to fulfill its obligations in a contract. Credit risk must be considered in both markets and the general order of the economy. Understanding the sources of credit risk plays a key role in developing credit risk-management strategies (Longstaff et al., 2011). The ability of institutional and individual investors to effectively manage credit risk contributes to both their own interests and the healthy functioning of the economy. Credit risk is closely related to confidence, anxiety, and liquidity in the market (Turguttopbas, 2015). Default risk leads investors to risk aversion, and as a result, market liquidity decreases. Another result of this situation is an increase in volatility (Arellano, 2008). From the creditors' perspective, there is a demand for higher interest rates to prevent possible losses.

A global perspective demonstrates how systemic risks are created when large financial institutions face defaults. One of the most striking examples of this situation is the global financial crisis of 2008. Among the effects that countries have experienced from such crises is the rise in sovereign default swaps (CDS) (Bostanci & Yilmaz, 2020). A rise in the country's CDSs, a factor that determines the risk level of the country, changes investors' behaviour and decreases the effectiveness of price discovery mechanisms. In addition to such economic fluctuations, political developments also change risk perceptions and make an effective risk management strategy necessary. Effective risk management has a positive effect on financial soundness, capital costs, and investor confidence. Derivative products are widely used in effective risk management. CDSs are risk indicators and insurance tools; however, they are also derivative instruments. The correct pricing of CDSs is important for risk perception, price discovery, and market efficiency. The spillover effect between CDSs across various countries has been measured in the literature. Although there are studies that use only CDSs, the majority of studies include bond yields in the dataset (Sabkha et al., 2019; Afonso et al., 2012; Tsuruta, 2020). There are also prominent studies that diversify the dataset by using global indices and stock market returns, in addition to bond returns (Longstaff et al., 2011; Alter & Beyer, 2012; Fabozzi et al., 2016; de Boyrie & Pavlova, 2016; Avsarlıgil & Turgut, 2021; Huyuguzel Kısla et al., 2022). Studies conducted in Türkiye examined Türkiye CDS premium using various macroeconomic indicators (Gurel, 2021; Erdas, 2022; Buz & Kucukkocaoglu, 2023). A large number of variable groups used in these studies were included in the analysis. Thus, the Türkiye CDS premium is explained by both national and global economic indicators and creates a unique value.

Futures are among the derivative instruments. Their basic principle is to protect investors from future risk and price changes. Since they are determined to meet future expectations, interest rates in the futures market, in particular, serve as a reference for determining credit spreads. The organized market in which futures are traded in Türkiye is the Borsa Istanbul Futures and Options Market (VIOP). Studies in the literature, particularly on futures in Türkiye, are limited. Most studies have investigated the relationship between futures contracts and spot markets (Celik, 2011; Ozdemir, 2011; Iseri & Kacmazer, 2016). Tas (2016) measures the efficiency of futures markets. In another study, currency futures contracts were explained using the Türkiye CDS premium and global risk indices (Elcicek, 2022). Our study includes the highest transaction volumes and USD/TL and BIST30 futures contract prices based on the literature. In ad-

dition to the Türkiye CDS premium, the two futures contract prices with the highest transaction volumes in VIOP are explained by both national and global economic indicators, which is another factor that adds originality to our study. Both futures and CDSs are important derivative instruments that reflect risk perceptions.

This study aims to explain the Türkiye CDS premium and futures contracts with the help of various national and global variables while also examining the relationship between them. For this reason, the research question prepared is "What is the relationship between the Türkiye CDS premium, USD/TL, and BIST30 futures contract prices and how are these financial indicators affected by national and global economic factors?" National and global factors affecting CDS premiums and futures were determined based on research conducted in literature. These factors can be used to understand risk management and pricing dynamics in markets. In this respect, this study is important in terms of providing investors and policymakers with valuable information for the process of better evaluating market risks and making strategic decisions. In addition, it aims to make an original contribution to the literature by analyzing the relationship between CDS and futures contracts specific to Türkiye's market and global economic and financial indicators. The interactions between these instruments and other economic indicators in the risk management process will provide important information to market actors. In the first section, widespread studies on the subject of literature are examined. Based on the literature, the national and global factors that may affect CDS premiums and futures contracts are determined. The second section provides detailed explanations regarding the data and methods used. The third section presents the analysis and results. Finally, the results are discussed.

LITERATURE REVIEW AND THEORETICAL BACKGROUND

Owing to the subject of the study, it would be more explanatory to consider the relevant literature in two parts. The first of these studies mostly focuses on the spillover effect between CDSs, while also using variables such as inflation, reserves, bond yields, stock index returns, VIX, and exchange rates as explanatory factors. The second part of the literature includes studies on futures and is mostly used to compare asset returns in spot markets. The studies in the first group, which focused on CDSs, are given below.

The first group of literature examines various studies on the factors affecting CDS spread across different countries and periods. Longstaff et al. (2011) find that global factors, particularly US stocks and stock markets, significantly influence CDSs more than local economic measures, with default risk accounting for two-thirds of the CDS spread. Afonso et al. (2012) observe that EU government bond yields and CDS premiums react significantly to credit rating announcements, with bidirectional causality between announcements and CDS spreads. Using a spillover index, Alter and Beyer (2012) identified strong interactions between banks and countries in Europe, influenced by political developments. Fabozzi et al. (2016) note a shift in the source of volatility in CDS spreads during the European Debt Crisis from global to European factors. De Boyrie and Pavlova (2016) highlighted significant spillover effects among emerging market CDSs, particularly in Brazil and Mexico. Sabkha et al. (2019) concluded that financial crises increased market fragility, with more severe spillover effects during the Eurozone crisis. Kurt Cihangir (2020) found that national variables have

a greater impact on Türkiye CDS premium volatility than global shocks. Tsuruta (2020) linked Eurozone countries' credit risk components to local stock markets and global banks with liquidity risk affecting bond spreads. Gurel (2021) identifies the nominal exchange rate as a key driver of CDS spreads in Türkiye. Avsarlıgil and Turgut (2021) find short-term causality between stock market indices and CDS premiums in five fragile countries, with long-term cointegration in Türkiye. Erdas (2022) reported that the BIST100 index and liquid liabilities positively affect CDS, whereas banking credit volume has a negative effect. Huyuguzel Kısla et al. (2022) linked CDS spreads to trade links and public debt-to-GDP ratios in European countries. Buz and Kucukkocaoglu (2023) find that in Türkiye, the stock market index and growth rate negatively affect CDS in the long term, while the exchange rate has a positive effect, with various causal relationships identified. There is a common theme among these studies: global and national economic factors, political developments, and market interactions greatly influence CDS spreads, with varying effects across regions and periods.

The second group of studies examines the relationship between futures and spot markets in Türkiye, focusing on volatility, price efficiency, and economic variables. Özdemir (2011) discovered a bidirectional volatility relationship, in which futures markets had different effects on IMKB30 and USD/TL. Similarly, Celik (2011) and İseri and Kacmazer (2016) investigated causality relationships using Celik (2011) finding predictive power in USD/TL futures contracts, but not in VOB30 contracts, while İseri and Kacmazer identified causality running from spot to futures markets in the BIST30 index. Tas (2016) evaluated the efficiency of the futures market and found that artificial neural network models provide more accurate price estimates than traditional econometric models. Elcicek (2022) examined the relationship between USD/TL and EUR/TL futures contracts and economic variables, revealing that contract prices are positively influenced by CDS spreads in the long term and by the economic confidence index in the short term but negatively affected by the VIX index. The Granger Causality test was used to measure the relationship between the spot and futures markets.

While the ARMA-GARCH methodology was preferred, especially for short-term relationships, the VECM methodologies were mainly followed for long-term relationships. However, cointegration relationships are mandatory for the application of VECM. In the studies measuring the spillover effect, the Diebold and Yılmaz (2011) methodology was mostly followed. On the other hand, VAR (Vector Autoregression) methodology often involves variance decomposition, impulse-response analysis, and Granger causality tests. Using these methods, the intensity and direction of the variables' effects on each other were determined.

Futures and options markets provide investors with the opportunity to generate speculative income in addition to managing risks. However, CDSs are essential indicators of the risk of a country or company defaulting on debt. Because CDSs are also derivative instruments (swaps), they are used for hedging and speculation purposes, such as futures contracts. The main difference at this point is the type of risk. While futures are used to manage market risk, CDSs manage default risk. Another difference is that while futures are traded in organized markets, country CDSs are traded in over-the-counter (OTC) markets. While counterparty risk is high in CDSs, there is collateral from the clearinghouse in futures contracts. When their differences and common points are evaluated,

their use provides integrated risk management. Additionally, changes in CDS can affect the price discovery of futures by changing the market's perception of risk. (Blanco et al., 2005).

Although the literature on these two relationships is limited, Elcicek (2022), examines the relationship between futures contract prices and CDS premiums. Gok et al. (2023) analyze the financial interconnectedness of the volatility shock spread of futures contracts with the CDS premium. Future contracts reflect future risk perceptions, thus affecting CDS premiums. Since CDS reflects risk perception, its increase may cause TL and stock market indices to lose value. Rising CDS may trigger foreign investors to exit stock markets. Both Elcicek (2022) and Gok et al. (2023) find a positive relationship between CDS premiums and USD/TL futures. Moreover, Gok et al. (2023) find a negative relationship between BIST30 futures and CDS premiums. According to the literature and our expectations, CDS will have a positive relationship with USD/TL futures and a negative relationship with BIST30 futures.

While futures contracts are usually compared with spot markets, some studies examine the relationship between futures contracts to determine whether they exist. (Bryant et al., 2006; Kayali & Akarim, 2010). Information transfer is significant because these two contracts trade in the same market. Since most companies in BIST30 have foreign exchange positions, changes in exchange rates affect companies' financial performance. Companies that import and export are likely to be affected by their exchange rates. Since an increase in the exchange rate affects firms with foreign exchange open positions and foreign exchange surpluses differently, the relationship between USD/TL futures prices and BIST30 futures prices may be positive or negative in direction. This indirectly affects the stock market index.

Although most studies reveal the relationship with global factors due to the CDS spillover effect, some studies highlight the relationship with country-specific macroeconomic indicators. (Gurel, 2021; Erdas, 2022; Buz & Kucukkocaoglu, 2023). An increase in industrial production is an indicator of economic growth. This may have had a positive effect. On the contrary, high inflation is likely to have a negative impact on CDS premiums. While the increase in the Central Bank's reserves has a positive effect on the CDS premium, an increase in debt can also have a negative effect on the CDS premium (Kurt Cihangir, 2020). The VIX is an indicator of risk perception; therefore, when it rises, investors avoid risky assets. Emerging markets (including Türkiye) are perceived as risky. This causes CDS premiums to increase. The relationship is particularly strong during global crisis periods, and a similar effect is observed in most developing countries. Consequently, investors tend to seek safe havens, leading to capital outflows from emerging markets. This contributes to an increase in CDS premiums. Our expectations and the literature suggest that there is a positive relationship between the Türkiye CDS premium and the VIX (Yang et al., 2018; Kurt Cihangir, 2020; Kartal, 2020). The MSCI ACWI (All Country World Index) shows the overall performance of global stock markets. An increase in the index indicates an increase in the global risk appetite. Increased risk appetite increases interest in developing countries. This leads to a decrease in CDS premiums. The relationship strengthens as global market optimism increases. This becomes more pronounced in periods when the risk perception decreases. Similar effects have also been observed in other developing countries. When the MSCI ACWI

rises, demand for risky assets increases. Capital flows into emerging markets and contributes to a decrease in CDS premiums. Based on this information and the literature, we expect a negative relationship between the MSCI ACWI and CDS premiums (Yang et al., 2018; Kartal, 2020).

Many factors explain the interaction between the CDS premiums. In addition to similar economic structures and common risk factors in countries, global investor behaviour is among these factors. CDS interactions are also affected by factors, such as geographic proximity, trade relationships, perceptions of global risk, and financial market integration. This relationship becomes stronger, especially during periods of global crisis. In these periods, when risk perception increases, the correlation increases and the financial contagion effect becomes more pronounced (Sabkha et al., 2019; Kamıslı & Esen, 2019). Based on the literature, a positive relationship is expected between CDSs in developing country CDSs. Since developed countries have a higher impact on global risk perception, they are expected to have an indirect positive relationship with the Türkiye CDS premium.

In addition, the relationship between futures contracts and national and global macroeconomic indicators is tested. For USD/TL futures contracts, the depreciation of the TL is the main reason for this increase. For this reason, increasing inflation and central bank debt will have a negative impact on TL, which will increase USD/TL futures contracts. However, since the increase in industrial production and central bank reserves will be economically positive, it will have a negative relationship with USD/TL futures. From a global perspective, an increase in the VIX will increase risk perception, which will result in an outflow from emerging markets. Therefore, USD/TL futures prices will increase as TL loses its value. In this case, a positive relationship is expected between the VIX and USD/TL futures. When the MSCI ACWI increased, the global risk appetite increased. There is a capital inflow to emerging markets. USD/TL futures prices decrease as TL gains value. Therefore, a negative relationship is expected between the MSCI ACWI and USD/TL futures.

When inflation increases, corporate costs increase, interest rate hikes are expected, and BIST30 futures prices are expected to fall. When central bank debt increases, risk perception increases, financial stability concerns increase, and BIST30 futures prices are expected to fall. Thus, BIST30 contracts are expected to have a negative relationship with inflation and central bank debt. An increase in the industrial production index signals economic growth, company performance improves, and BIST30 futures prices increase. When central bank reserves increase, financial confidence increases, exchange rate stability expectations strengthen, and BIST30 futures prices increase. Therefore, central bank reserves and the industrial production index are expected to be positively correlated with BIST 30 futures. From a global perspective, when the VIX rises, global risk perception increases, capital outflows from emerging markets, and BIST30 futures prices fall. When the MSCI ACWI rises, optimism in global markets increases, and BIST30 futures prices rise. Therefore, USD/TL futures are expected to have a negative relationship with VIX and a positive relationship with MSCI ACWI.

RESEARCH METHODOLOGY

Dataset

The dataset of the research is at the monthly frequency, which is the most frequent frequency possible, and consists of 77 observations and 15 variables covering August 2018 to December 2024. Because there was a significant structural break in the data for Türkiye in mid-2018, the data were taken to include the period after this date. The model of the study included three separate equations, and each equation included one dependent variable. These dependent variables are the Türkiye CDS premium, Türkiye Futures and Options Market USD/TL contract price, and Türkiye Futures and Options Market XU30 contract price. Two dummy variables are added for July 2022 and November 2022 based on structural breaks in the futures contract series. These two futures contracts are preferred because of their widespread use in the literature, compliance with data frequency, and high transaction volumes. All variables other than these were independent variables. It is possible to collect relevant variables under these three headings. The first is the CDS data of countries and consists of six countries (USA, China, UK, Germany, Italy, and Brazil). The preferred countries are large economies, but Brazil was also chosen for comparisons with emerging markets. Among other major economies, Japan is highly similar to China. France has a high degree of similarity to Germany. For this reason, these two countries were not included in the dataset. Canada and India were not included in the dataset because their data were incomplete. The reference asset for all the CDSs is the 5-year USD bond. The variables in the second group can be considered internal variables of Türkiye. These data are inflation, the industrial production index, the Central Bank of the Republic of Türkiye (CBRT) Reserve, and external debt. The third group includes two economic variables at the global level. These are the Morgan Stanley Capital International All Country World Index (MSCI ACWI) and the Chicago Board Options Exchange Volatility Index (VIX), which is also accepted as the fear index. While the country CDS data, VIX index, and MSCI ACWI index are obtained from the Thompson Reuters Eikon database, the VIOP data are obtained from investing.com. While inflation data, CBRT reserves, and external debt data were accessed from tcmb.gov.tr, industrial production index data were accessed from the TÜİK Statistical Data Portal.

Vector Autoregression (VAR) Model

The VAR model was preferred as the study method. Impulse response and variance decomposition analyses were then used. The present value of a variable may depend on both its own past and the past values of other variables. The VAR model attempts to estimate the future values of variables by taking this into account. Thus, it is possible to estimate future values for a time series and evaluate various scenarios (Sims, 1980).

Using the VAR model, we can define the dynamic relationships between stationary variables. The VAR model is a system of equations in which the variables are used and their lagged values are found on the right-hand side of the equation. This means that the variables are affected not only by their own lagged values but also by the lagged values of other variables. In multivariate time-series analyses, GARCH and VECM models can also be used as alternatives to the VAR model. However, the GARCH model is used for volatility modelling. As our study focused on the relationship between variables, this method was not

preferred. The VECM model can be used in cases where there is a cointegration relationship between the dependent variables. As there is no cointegration relationship between our dependent variables, the VAR model was preferred. The VAR model provides flexibility and less dependence on theoretical constraints because it does not require strict theoretical assumptions such as structural macroeconomic models. Additionally, it provides the opportunity to examine the effect of a shock in one variable on other variables using impulse response analysis and variance decomposition. The VAR equations according to the model variables are as follows:

(1) $Y_1,t = \alpha_1 + \varphi_{11} \cdot Y_1,t_{-1} + \varphi_{12} \cdot Y_2,t_{-1} + \varphi_{13} \cdot Y_3,t_{-1} + \Sigma k_{=1 \to 12} \beta_1,k \cdot X_k,t + \delta_1 \cdot D_1,t + \delta_2 \cdot D_2,t + \varepsilon_1,t$

(2) $Y_2,t = \alpha_2 + \varphi_{21} \cdot Y_1,t_{-1} + \varphi_{22} \cdot Y_2,t_{-1} + \varphi_{23} \cdot Y_3,t_{-1} + \Sigma k_{=1 \to 12} \beta_2,k \cdot X_k,t + \delta_1 \cdot D_1,t + \delta_2 \cdot D_2,t + \varepsilon_2,t$

(3) $Y_3,t = \alpha_3 + \varphi_{31} \cdot Y_1,t_{-1} + \varphi_{32} \cdot Y_2,t_{-1} + \varphi_{33} \cdot Y_3,t_{-1} + \Sigma k_{=1 \to 12} \beta_3,k \cdot X_k,t + \delta_1 \cdot D_1,t + \delta_2 \cdot D_2,t + \varepsilon_3,t$

Model Specifications

The model assumes that each variable can be explained by its own lag and other variables. D_1,t and D_2,t represent dummy variables at structural breakpoints. The multiple structural breaks and Chow break tests were performed for the dependent variables with structural breaks, USD/TL futures contracts, and BIST30 futures contracts. The test results for the USD/TL futures contract are presented in Tables 1 and 2.

Table 1
Breakpoint Test for USD/TL Futures Contract

Number of breakpoints ranked by F Statistics		
Breakpoint	**F-Statistics**	**Critical Value**[**]
0 vs. 1[*]	269.4677	12.29
1 vs. 2[*]	123.6861	13.89

[*] Significance at 0.01 level

[**] Bai-Perron Critical Value

Breakpoint Dates

1 2022M07

2 2023M07

Source: Authors' own data

When the results were examined, the Bai-Perron critical values showed a significance level of 1% for points 0 vs. 1 and 1 vs. 2. Therefore, structural breaks occur.

Table 2
USD/TL Futures Contract Chow Test

Breakpoint Date	F-Stat.	Log Likelihood Ratio	Wald Stat.	Prob.
2022M07	269.4677	117.3874	269.4677	0.0000*
2023M07	252.7117	113.5478	252.7117	0.0000*
* H0: There is no structural break on the specified date				

Source: Authors' own data

Based on the test results, a dummy variable was added to the model to eliminate the structural break problem on the determined dates. Because the dummy variable (D1) was added for July 2022, a dummy variable was not added for July 2023. Tables 3 and 4 show the break test results for BIST30 futures contracts.

Table 3
Break Test for BIST30 Futures Contract Series

Number of breakpoints ranked by F Statistics		
Breakpoint	**F-Statistics**	**Critical Value****
0 and 1*	393.0199	12.29
1 and 2	119.5519	13.89
* Significance at the level of 0.01		
** Bai-Perron Critical Value		

Breakpoint Dates
1 2022M11
2 2024M01

Source: Authors' own data

When the results were examined, the Bai-Perron critical values showed a significance level of 1% for 0 vs. 1 and 1 vs. 2. Therefore, there were structural breaks at points 0 vs. 1 and 1 vs. 2.

Table 4
BIST30 Futures Contract Chow Test

Breakpoint Date	F-Stat.	Log Likelihood Ratio	Wald Stat.	Prob.
2022M11	205.7555	129.8533	205.7555	0.0000*
2024M01	135.8905	79.60653	135.8905	0.0000*
*H0: There is no structural break on the specified date				

Source: Authors' own data

Since dummy variable (D2) was added for November 2022, it was not added for January 2024.

Various tests were conducted to evaluate the consistency of the model. These include lag length, autocorrelation, stationarity, and heteroscedasticity. The test results to determine the optimal lag length for the model are listed in Table 5.

Table 5
VAR Model Lag Length Selection

Lag	LogL	LR	FPE	AIC	SC	HQ
1	-914.8263	55.82817*	20646766*	25.32016	27.14650*	26.05068*
2	-907.1086	10.82479	21773178	25.35347	27.45376	26.19357
3	-898.9622	10.79132	22856509	25.37564	27.74989	26.32532
4	-887.4872	14.30651	22179932	25.31136	27.95955	26.37061
5	-878.3861	10.63763	23107057	25.30873*	28.23088	26.47756
6	-872.8024	6.091272	26670001	25.39747	28.59356	26.67588
7	-869.3740	3.472936	32986996	25.54218	29.01223	26.93017
8	-861.8657	7.020778	37280762	25.58093	29.32493	27.07849

Source: Authors' own data

Based on the table, it was concluded that the number of lags that met the most criteria was 1, and the model was designed according to this value.

Autocorrelation or serial correlation is the systematic relationship of data in a time series with its past or future values. The autocorrelation status of these models was tested using the Lagrangian Multiplier (LM) test. For the test, the null hypothesis states that there is no autocorrelation if the probability value is above 0.05; the hypothesis is accepted, and there is no autocorrelation at the relevant lag order. The details of the test results are presented in Table 6.

Table 6
VAR Model LM Autocorrelation Test Results

Lag	LM Statistics	Prob. Value
1	7.469702	0.5883
2	12.25357	0.1994
3	17.03868	0.0481

Source: Authors' own data

According to the results, when the lag length is 1, the probability value is 0.5883, and because it is greater than 0.05, the hypothesis cannot be rejected, and it is concluded that there is no autocorrelation problem at the relevant lag point.

Stationarity implies that the statistical properties (mean, variance, and covariance) of a time series do not change over time and remain constant. In non-stationary time series, the mean and variance change over time and do not converge to a specific point. Stationarity analysis is important for modelling and estimating time series and understanding changes over time (Gujarati, 1999: 713).

However, even if the series are not stationary at this level, the fact that the structures they form together are cointegrated should also be considered. To detect such situations, the stability of the error terms was tested. The variables e_1,t, ε_2,t and ε_3,t included in the equations are the error terms. If stationarity is provided for the variables in question, it can be concluded that the series shows co-motion behaviour and does not need to be different. The results of the group unit root test performed on the error terms of the research model are presented in Table 7.

Table 7
VAR Error Terms Group Unit Root Test Results

Method	Statistic	Prob[*]	Cross-sections	Obs.
Levin, Lin & Chu	-12.9579	0.0000	3	226
Im, Pesaran and Shin W	-13.0662	0.0000	3	226
What ADF-Fisher does	91.0712	0.0000	3	226
What PP-Fisher does	78.5590	0.0000	3	228

[*] Probabilities for Fisher tests are calculated using an asymptotic Chi-square distribution. All other tests assume asymptotic normality.

Source: Authors' own data

In the VAR model, three error term series (res1, res2, res3) of the dependent variables are tested using the Schwarz Information Criterion (SIC). Because the probability values are less than the 1% significance level in all methods, the null hypothesis that there is a unit root is rejected. Therefore, the series of error terms is stationary.

If the variance of the error terms is not constant, it is called heteroscedasticity. Heteroscedasticity poses a problem in terms of the consistency of the model. The details of the test results to determine whether there is a variance problem are listed in Table 8.

Table 8
VAR Model Error Terms Heteroskedasticity Test

Joint Test		
Degree of Freedom	**Chi-sq**	**Prob.**
216	245.4579	0.0824
Individual Components		
Variable	**Chi-sq**	**Prob.**
Res1*res1	44.69480	0.1517
Res2*res2	46.48671	0.1132
Res3*res3	50.84611	0.0515
Res2*res1	48.43054	0.0807
Res3*res1	42.56764	0.2093
Res3*res2	49.33579	0.0684

Source: Authors' own data

When the common test and individual test results were examined, it was observed that all chi-square probability values were above 0.05. Therefore, there is no problem with heteroscedasticity in the model.

Finally, the inverse characteristic roots of both models were examined. To determine the stability of the VAR model, its inverse characteristic roots are examined. The details of the results are shown in Figure 1.

Figure 1
VAR Model Inverted Characteristic Roots
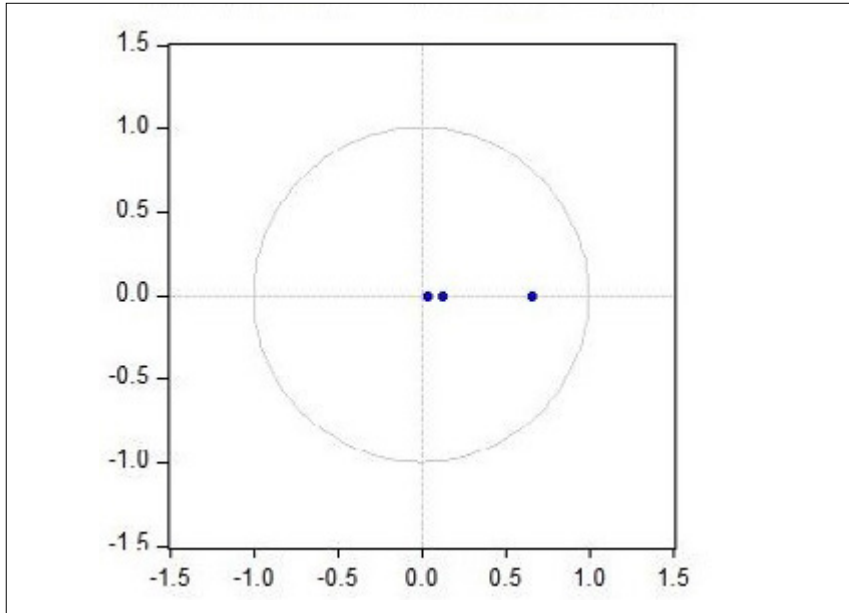
Source: Authors' own data

To ensure the stability of the model, the inverted characteristic roots must be located inside the unit circle. The results indicate that the roots are represented by circles. Therefore, the model was stable.

It is possible to perform an impulse response analysis using error terms. The variance decomposition technique is used to measure the extent to which the forecast errors of the variables at a given time come from their own shocks and from external factors in multivariate time-series VAR models.

ANALYSIS AND FINDINGS

Impulse Response Analysis

The Generalized Impulse Response (GIR) technique was used in this study. The graphs containing the reactions of the Türkiye CDS premium (TÜRKİYE), which is the first set of impulse-response analysis graphs for the VAR model, to the effects of the Türkiye CDS premium and other dependent variables are given in Figure 2. Figure 3 shows the reactions of the USD/TL Futures Contract (VIOPUSDTL), whereas Figure 4 shows the reactions of the BIST 30 Futures Contract (VIOPXU30).

Figure 2

Reactions of Türkiye CDS Premium

Response of TÜRKİYE to TÜRKİYE

Response of TÜRKİYE to VIOPUSDTL

Response of TÜRKİYE to VIOPXU30
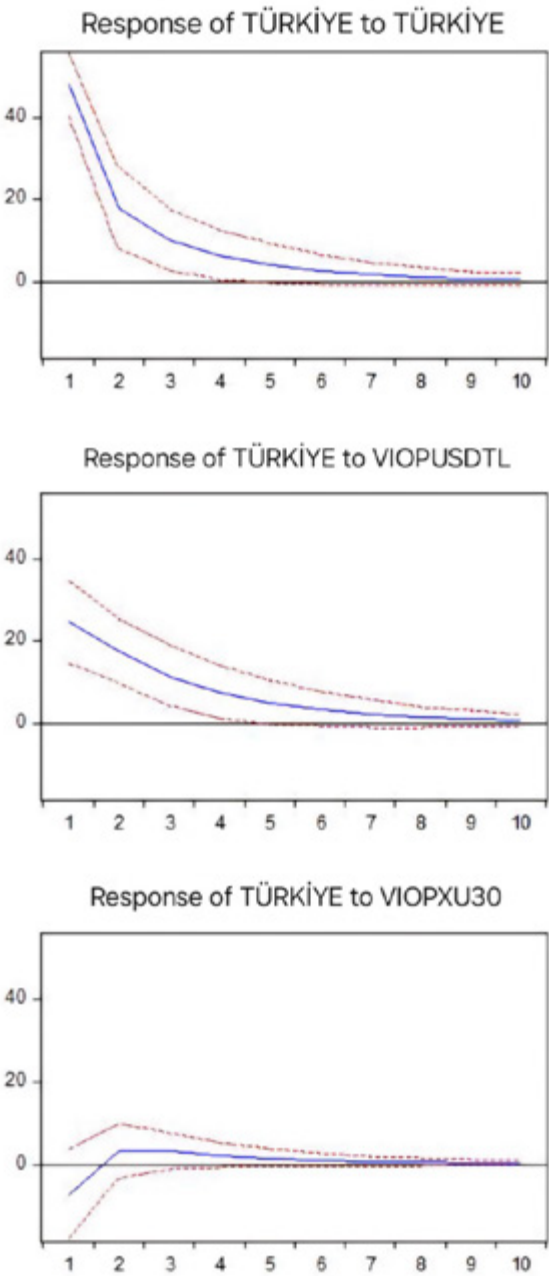
Source: Authors' own data.

The uncertainty was low because the confidence intervals were narrow in all three graphs. The responses of the Türkiye CDS premium to its internal dynamics are stronger.

Figure 3

Reactions of the USD/TL Futures Contract

Response of VIOPUSDTL to TÜRKİYE

Response of VIOPUSDTL to VIOPUSDTL

Response of VIOPUSDTL to VIOPXU30
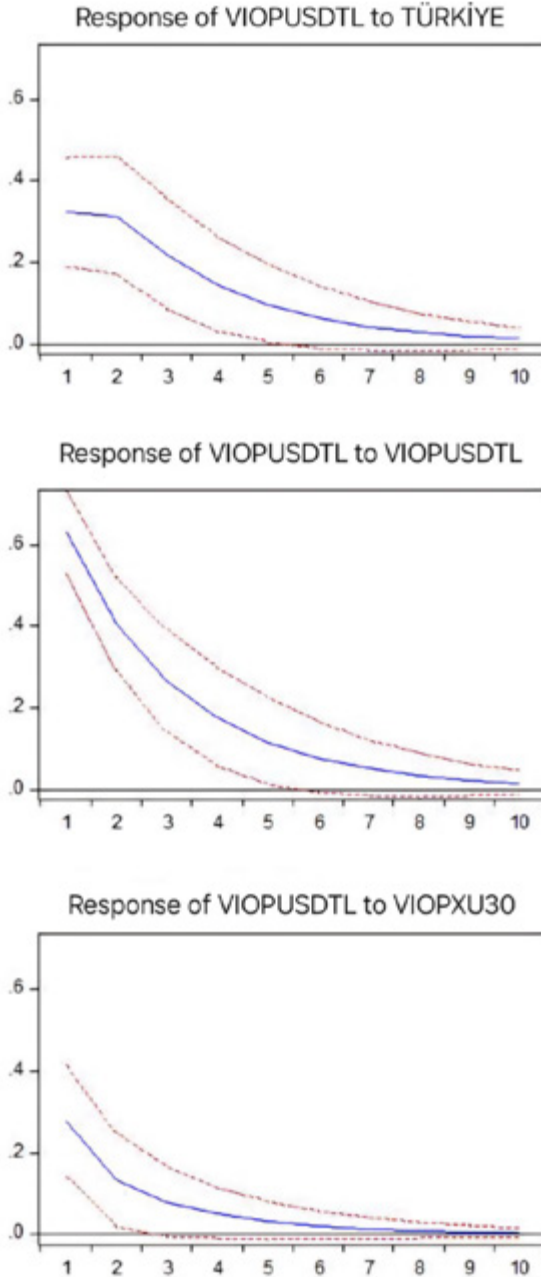
Source: Authors' own data

In all graphs, the reactions had values in the range of 0-1. The responses approaching equilibrium in the medium term reach the equilibrium point, and zero in the long term. Market shocks can be absorbed in the medium term. This shows that the market reacts to sudden changes in the short term, but that the correction mechanism works naturally.

Figure 4

Reactions of the BIST 30 Futures Contract
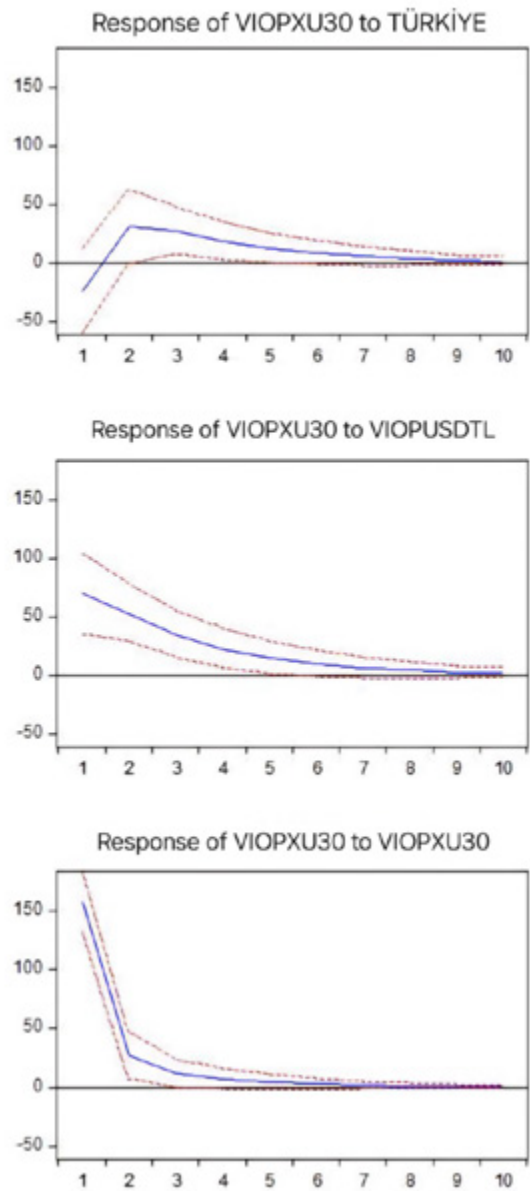
Source: Authors' own data

Uncertainty was low in all charts. In the last chart, there is an equilibrium path close to zero in the medium term, whereas the other two graphs reach the equilibrium point and zero in the long term. According to the analysis, the market absorbs shocks in the medium-term. This shows that market activity is high.

Variance Decomposition Analysis

The details of the variance decomposition analysis, in which each dependent variable is ordered first, are as follows. Table 9 shows the results of variance decomposition, where the Türkiye CDS premium is ordered first.

Table 9

Türkiye CDS Premium Variance Decomposition Analysis

Period	Standard Error	TÜRKİYE	VIOPUSDTL	VIOPXU30
1	47.91663	100.0000	0.000000	0.000000
2	52.01623	96.69596	3.303363	0.000680
3	53.49713	94.94798	5.050009	0.002011
4	54.11558	94.19117	5.806110	0.002716
5	54.38135	93.86796	6.129015	0.003029
6	54.49645	93.72893	6.267901	0.003165
7	54.54644	93.66880	6.327978	0.003223
8	54.56816	93.64271	6.354043	0.003249
9	54.57761	93.63137	6.365367	0.003260
10	54.58172	93.62645	6.370290	0.003265

Source: Authors' own data

When the table is examined, it is seen that the self-disclosure level of the Türkiye CDS premium in the first period is 100%. Although this rate has been decreasing, it has resulted in a high rate of 93.62% in the 10th period. The effect of USD/TL futures contracts, on the other hand, has recently been around 6%, although it has increased over time. The effect of the BIST30 futures contract is negligible. The results show that the Türkiye CDS premium is highly explained by internal dynamics and is less sensitive to external shocks. In the long term, there is a low exchange rate effect.

Table 10 shows the results of the analysis, in which the USD/TL Futures Contract ranks first.

Table 10

USD/TL Futures Contract Variance Decomposition Analysis

Period	Standard Error	TÜRKİYE	VIOPUSDTL	VIOPXU30
1	0.630435	26.18148	73.81852	0.000000
2	0.759947	34.99693	64.98907	0.014001
3	0.811184	38.01618	61.96683	0.016996
4	0.832613	39.16663	60.81541	0.017961
5	0.841774	39.63598	60.34568	0.018339
6	0.845728	39.83423	60.14727	0.018497
7	0.847442	39.91935	60.06209	0.018565
8	0.848187	39.95615	60.02525	0.018594
9	0.848511	39.97212	60.00927	0.018607
10	0.848651	39.97906	60.00233	0.018613

Source: Authors' own data

According to the results, VIOPUSDTL was explained by its internal dynamics during the first period. Although there is no VIOPXU30 effect, the effect of the TÜRKİYE series is approximately 26%. In the long term, its influence enters a continuous downward trend and falls to the level of 60%. The effect of the TÜRKİYE series, on the other hand, enters an upward trend and increases in the long term, reaching 40% in the 10th period. The findings show that, in the short term, the USD/TL futures contract is mostly explained by its internal dynamics, but it has a significant CDS effect. In the long run, these effects result in a decrease in internal dynamics and an increase in CDS effects. However, the effect of BIST30 did not exceed 1%.

Finally, Table 11 shows the results of the analysis of which the BIST30 Futures Contract ranks first.

Table 11

BIST30 Futures Contract Variance Decomposition Analysis

Period	Standard Error	TÜRKİYE	VIOPUSDTL	VIOPXU30
1	157.8430	2.294731	36.16780	61.53746
2	166.7009	5.414467	39.23818	55.34735
3	170.6666	7.706824	39.48430	52.80888
4	172.4071	8.753467	39.49773	51.74881
5	173.1628	9.205707	39.49585	51.29844
6	173.4908	9.400815	39.49440	51.10479
7	173.6333	9.485291	39.49372	51.02099
8	173.6953	9.521953	39.49342	50.98463
9	173.7222	9.537884	39.49329	50.96883
10	173.7339	9.544810	39.49323	50.96196

Source: Authors' own data

Although the self-disclosure level of the BIST30 futures contract is approximately 61% in the first period, it follows a downward trend and reaches 50% in the 10th period. Although the effect of CDS is low, it follows an upward trend and has recently increased to 9%. Another striking result is the effect of USD/TL futures contracts. The effect, which started at the level of 36%, followed an upward trend until the 5th period, and then reached 39% with an extremely low downtrend. The results show that futures contracts interact while the impact of CDS is low.

Granger Causality Test

Table 12 presents the results of the Granger Causality Test performed according to the VAR model.

Table 12

Granger Causality Test

Relationship	Chi-Square	Prob.
VIOPUSDTL → TÜRKİYE	5.676169	0.0172*
VIOPXU30 → TÜRKİYE	0.004718	0.9452
VIOPUSDTL + VIOPXU30 → TÜRKİYE	8.212091	0.0165*
TÜRKİYE → VIOPUSDTL	4.154648	0.0415*
VIOPXU30 → VIOPUSDTL	0.119746	0.7293
TÜRKİYE + VIOPXU30 → VIOPUSDTL	4.263867	0.1186
TÜRKİYE → VIOPXU30	0.252945	0.6150
VIOPUSDTL → VIOPXU30	8.707721	0.0032*
TÜRKİYE + VIOPUSDTL → VIOPXU30	16.19839	0.0003*

* statistical significance at the 5% level ($p < 0.05$)

Source: Authors' own data

The Granger causality test results revealed significant relationships between the variables. A bidirectional causal relationship was found between VIOPUSDTL and TÜRKİYE. There is a strong causal relationship between VIOPUSDTL and VIOPXU30. In addition, the effects of TÜRKİYE and VIOPUSDTL on VIOPXU30 were also statistically highly significant. Similarly, the combined effects of VIOPUSDTL and VIOPXU30 on TÜRKİYE were also found to be significant. On the other hand, no significant effect of VIOPXU30 alone on TÜRKİYE and VIOPUSDTL. These results emphasize the important role of VIOPUSDTL in the system and its strong interactions with other variables.

VAR Outputs

The outputs of the VAR model, which include three dependent variables, are interpreted specifically for each dependent variable. Table 12 shows the results for the Türkiye CDS premium.

Table 13

VAR Analysis Results (Dependent Variable TÜRKİYE)

Variable	Coefficient	Std. Error	T-Statistic	Prob.
TÜRKİYE(-1)	0.257832	0.115572	2.230912	0.0296
VIOPUSDTL(-1)	17.26194	7.245393	2.382471	0.0206
VIOPXU30(-1)	0.001096	0.015951	0.068690	0.9455
Fixed Term	-285.0339	258.1373	-1.104195	0.2741
BRAZIL	0.932404	0.233664	3.990353	0.0002
CHINA	-0.705190	0.760046	-0.927826	0.3574
DUM1	410.1780	150.3605	2.727963	0.0085
DUM1VIOPUSDTL	-22.94168	8.478972	-2.705715	0.0090
DUM2	-133.8428	94.75829	-1.412465	0.1632
DUM2VIOPXU30	0.000265	0.016578	0.016007	0.9873
INFLATION	-0.291176	2.871917	-0.101387	0.9196
GERMANY	-7.325822	3.388861	-2.161735	0.0349
ITALY	0.395208	0.343901	1.149190	0.2553
MSCI_ACWI	-0.332001	0.238720	-1.390754	0.1697
INDUSTRY	6.547866	3.022185	2.166600	0.0345
TCMB_DISBORC	-0.002872	0.002204	-1.302942	0.1978
TCMB_REZERV	-0.000845	0.000825	-1.024878	0.3098
UK	0.512449	1.505576	0.340367	0.7348
USA	3.312956	1.305292	2.538095	0.0139
VIX	1.957707	1.018488	1.922169	0.0596
R-squared	0.914290	R-squared		435.9705

Adjusted R-squared	0.885721	Adjusted R-squared	141.7432
S.E. of regression	47.91663	S.E. of regression	10.79553
Sum squared resid	130872.2	Sum squared resid	11.40431
Log likelihood	-395.6279	Log likelihood	11.03904
F-statistic	32.00194	F-statistic	1.708689
Prob(F-statistic)	0.000000		

Source: Authors' own data

The fact that the CDS premium is affected by its historical value shows the market's sensitivity to its own internal dynamics. This indicates that market participants consider future risk perceptions. The positive effect of USD/TL futures contract lag shows that exchange rate expectations increase risk perception. The positive effect of the Brazilian CDS premium shows that Türkiye has a similar risk perception as other emerging markets. The negative correlation with the German CDS premium arises from investors' use of Germany as a safe haven amid the rising global risk. In particular, the debt ceiling crisis, inflation, and interest rate hikes in the US in the 22-23 period, may have directed investors to Germany. The positive correlation of the USA CDS premium and the VIX index with the Türkiye CDS premium also supports this finding. A positive correlation of the industrial production index is an indicator of inflationary growth and temporary or unhealthy growth, based on external resources and external debt. Therefore, contrary to expectations, this creates a positive correlation with CDS premiums. In addition, the negative correlation between the structural break in July 2022 and the interaction term of the USD/TL futures contract is remarkable. This shows that the effect of the exchange rate on CDS decreases over a certain period. No significant relationships were found with other variables.

Table 14
VAR Analysis Results (Dependent Variable VIOPUSDTL)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TÜRKİYE(-1)	0.003099	0.001521	2.038295	0.0462
VIOPUSDTL(-1)	0.515728	0.095327	5.410088	0.0000
VIOPXU30(-1)	7.26E-05	0.000210	0.346043	0.7306
Fixed Term	-11.84384	3.396291	-3.487287	0.0009
BRAZIL	0.000554	0.003074	0.180214	0.8576
CHINA	0.014771	0.010000	1.477168	0.1451
DUM1	-7.316973	1.978281	-3.698651	0.0005
DUM1VIOPUSDTL	0.503673	0.111557	4.514932	0.0000
DUM2	0.369276	1.246727	0.296197	0.7682
DUM2VIOPXU30	-1.78E-05	0.000218	-0.081505	0.9353
INFLATION	0.093408	0.037786	2.472047	0.0164

GERMANY	-0.087132	0.044587	-1.954197	0.0556
ITALY	0.003142	0.004525	0.694436	0.4902
MSCI_ACWI	-0.002155	0.003141	-0.686181	0.4954
INDUSTRY	0.147784	0.039763	3.716658	0.0005
TCMB_DISBORC	-1.39E-06	2.90E-05	-0.048047	0.9618
TCMB_REZERV	1.35E-05	1.08E-05	1.247485	0.2173
UK	-0.000468	0.019809	-0.023621	0.9812
USA	0.011073	0.017174	0.644787	0.5217
VIX	0.013008	0.013400	0.970748	0.3358
R-squared	0.996997	Mean dependent var		15.11780
Adjusted R-squared	0.995996	S.D. dependent var		9.963174
S.E. of regression	0.630435	Akaike info criterion		2.133914
Sum squared resid	22.65456	Schwarz criterion		2.742694
Log likelihood	-62.15567	Hannan-Quinn criteria		2.377420
F-statistic	996.0209	Durbin-Watson stat		2.115719
Prob(F-statistic)	0.000000			

Source: Authors' own data

The fact that past values of the Türkiye CDS premium affect exchange rate expectations indicates that risk perception is reflected in the foreign exchange market, similar to the results of the previous dependent variable. Additionally, the strong influence of its lagged value indicates the sensitivity of the foreign exchange market to its internal dynamics. The structural break in July 2022 also exhibited a positive correlation. When inflation increases, the exchange rate also increases. This positive correlation shows that economic conditions increase the exchange rate expectations. A positive correlation of the industrial production index is an indicator of inflationary growth and temporary or unhealthy growth, based on external resources and external debt. The negative correlation of the German CDS premium was similar to that of the previous dependent variable, the Türkiye CDS premium, but the significance level was below the 5% level. Apart from this variable, no other variable yields significant results.

Table 15
VAR Analysis Results (Dependent Variable VIOPXU30)

Variable	Coefficient	Std. Error	T-Statistic	Prob.
TÜRKİYE(-1)	0.191472	0.380709	0.502937	0.6169
VIOPUSDTL(-1)	70.42929	23.86718	2.950885	0.0046
VIOPXU30(-1)	0.056464	0.052544	1.074603	0.2871
Fixed Term	-1065.228	850.3346	-1.252716	0.2154

BRAZIL	-1.759364	0.769718	-2.285724	0.0260
CHINA	9.707341	2.503679	3.877230	0.0003
DUM1	2199.355	495.3053	4.440402	0.0000
DUM1VIOPUSDTL	-81.86501	27.93073	-2.931001	0.0049
DUM2	-3457.230	312.1449	-11.07572	0.0000
DUM2VIOPXU30	0.976816	0.054610	17.88714	0.0000
INFLATION	11.36833	9.460431	1.201671	0.2345
GERMANY	-1.718138	11.16331	-0.153909	0.8782
ITALY	-1.009549	1.132851	-0.891158	0.3766
MSCI_ACWI	-0.857383	0.786373	-1.090301	0.2802
INDUSTRY	25.04353	9.955432	2.515564	0.0147
TCMB_DISBORC	-0.003695	0.007262	-0.508867	0.6128
TCMB_REZERV	0.001950	0.002716	0.717843	0.4758
UK	0.403722	4.959544	0.081403	0.9354
USA	-1.466285	4.299785	-0.341014	0.7343
VIX	-2.458072	3.355021	-0.732655	0.4668
R-squared	0.998577	R-squared		4029.026
Adjusted R-squared	0.998102	Adjusted R-squared		3623.431
S.E. of regression	157.8430	S.E. of regression		13.17981
Sum squared resid	1420122.	Sum squared resid		13.78859
Log likelihood	-487.4225	Log likelihood		13.42331
F-statistic	2104.896	F-statistic		1.860396
Prob(F-statistic)	0.000000			

Source: Authors' own data

USD/TL futures contracts have strong positive effects on BIST30 futures contracts. This finding shows that exchange rate expectations are associated with stock markets. While there is a negative relationship with the Brazilian CDS premium, there is a positive one with the Chinese CDS premium. This situation shows that risk perceptions in emerging markets reflect differently on BIST30 futures contracts. The industrial production index has a positive effect. This increase also increases the stock market because it supports economic growth. In addition, structural breaks have a significant effect. The relevant breakouts caused serious fluctuations in the BIST30 futures contract prices. There were no significant relationships among the other variables.

CONCLUSION

This study aims to explain the dynamics of futures markets and risk perception in Türkiye using local and global factors. In the analysis, effective economic indicators at the global and national levels are used to reveal the interrelationships

between USD/TL futures contracts, BIST30 futures contracts, and Türkiye CDS premiums.

The results show a bidirectional positive relationship between the Türkiye CDS premium and USD/TL futures. Elcicek (2022) reached a similar conclusion: This positive relationship shows that an increase in risk perception is reflected in the exchange rate. However, risk relationships were not fixed. In the period of structural breakage, USD/TL futures contracts negatively affect CDS premiums. This may be because of several factors. In the structural breakpoint period of July 2022, the increase in CDS premiums quickly turned downward. The Central Bank's intervention in foreign exchange and transition to a currency-protected deposit system are policies that support the Türkiye economy. This situation may have changed investors' risk perceptions. In addition, various measures were taken to reduce the effects of the global energy crisis due to Russia's invasion of Ukraine during the relevant period. The fact that Türkiye is a transit country at this point had a positive effect. There is no significant relationship between the Türkiye CDS premium and the BIST30 futures. However, according to the Granger test, BIST30 futures affect the Türkiye CDS premium, when considered together with USD/TL futures. It was concluded that the Türkiye CDS premium is affected by both internal dynamics and global economic indicators. Among the national indicators, only the industrial production index has a significant and positive effect on CDS premiums. Gurel (2021) also concludes that the index of industrial production is an explanatory factor for the spread of CDS. Although the increase in the industrial production index shows economic growth, the continuation of the CDS increase shows concerns about the sustainability of growth. On the other hand, an increase in production and growth may bring about new financial costs, which may increase the CDS premium. From a global perspective, the VIX and MSCI ACWI do not have a significant impact on the Türkiye CDS premium. However, the effects of CDS premiums in other countries exist. There is no significant relationship with the UK, Italy, or China. There is a positive relationship between Brazil and the USA, and the effect of the USA is more severe on the Türkiye CDS premium. Longstaff et al. (2011) and de Boyrie and Pavlova (2016) obtained similar results. This situation points to a connection between developing and developed countries' markets. The increase in risk in the United States has a global impact. This situation negatively affects the confidence environment in emerging markets such as Türkiye and Brazil. The impact of the German CDS premium is higher than that of other countries' CDS premiums and negative. Germany's CDS premium is quite low, and its volatility is low during the analysis period. On the other hand, the CDS premium in Türkiye is quite high and volatile during the relevant period. In times of increased global uncertainty and risk, investors are likely to turn to safe havens such as Germany.

When the analyses are examined in the USD/TL futures contracts section, as previously emphasized, there is a positive bidirectional relationship between USD/TL futures and the Türkiye CDS premium. The analysis shows no significant directional relationship between BIST30 futures and USD/TL futures. From a national perspective, there is a positive relationship between inflation and industrial production index. The rise in nominal asset prices and economic growth has an increasing effect on demand for foreign currency. Dependence on imports for production may also have created this result. These results show that

USD/TL futures contract prices are related to the internal dynamics and national macroeconomic variables. Global variables have no significant impact on the USD/TL futures market.

Finally, when BIST30 futures are examined, there is no direct relationship between BIST30 futures and Türkiye CDS premiums in both the causality test and VAR model. There is causality from USD/TL futures to BIST30 futures, according to the Granger test. Although the Türkiye CDS premium does not have a direct effect on BIST30 futures, USD/TL futures and Türkiye CDS premiums jointly have a causal effect on BIST30 futures. The disclosure level of USD/TL futures in BIST30 futures is high. This indicates the impact of foreign exchange on stock markets. According to the VAR model, there is a highly positive relationship between USD/TL and TL futures contracts. Investors may have turned to stock market investments during periods when the Turkish Lira lost value. Moreover, many companies in the BIST30 index exported significantly. An increase in the exchange rate increases the income these companies earn from their sales in foreign currency. When we look at the structural break periods, the fact that BIST30 futures are positively related to their own interaction term shows that the increase in BIST30 futures after the breakpoint is consistent with the model. The negative correlation with USD/TL futures contracts shows that the effect of USD/TL futures contracts on BIST30 futures contracts decreased during this period. In November 2022, another period, the prices of BIST30 futures contracts have a positive effect and increase. At the national level, an increase in the industrial production index is positively correlated with the stock market. This implies that economic growth may have increased the sales and profitability of BIST30 companies. From the global effect perspective, there is a significant positive relationship with the Chinese CDS premium. The rise in risk perception in China has led investors to adopt alternative emerging markets, such as Türkiye. The negative relationship with Brazil can be explained by the decrease in global risk appetite. Brazil, similar to Türkiye, has emerging market dynamics. The risk perception in emerging markets may have directed investors toward safe havens.

The findings show that the Türkiye CDS premium is associated with more global and national variables. The six countries in the model are in a relationship with 3 of three CDS premiums. This indicates the spillover effect of CDSs. It is noteworthy that USD/TL futures contracts are related only to national variables. Additionally, the effects of structural breaks have come to the fore. BIST30 futures contracts, on the other hand, are only related to the industrial production index at the national level, while they are related to the Brazilian and Chinese markets at the global level. The most important finding is the highly positive relationship with USD/TL futures contracts. This indicates the movement of these two assets into the same market. These findings provide important information to market makers and investors. Further research may consider including high-volume traded commodities and crypto assets. Artificial neural network can be used methodologically with the help of developing technology.

Ethical Commission Approval

This study did not require approval from an ethics committee as it did not involve human participants, animals, or sensitive personal data. All data used in this research were obtained from publicly available sources.

Conflict of Interest Statement

There is no conflict of interest with any institution or person within the scope of this study.

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ATTENUATION OF INTERGROUP ANXIETY THROUGH INTERGROUP CONTACT AND INTERCULTURAL SENSITIVITY: INSIGHTS FROM ASIAN INTERNATIONAL STUDENTS STUDYING IN HUNGARY

Werede Tareke GEBREGERGIS [1]

[1] University of Debrecen, Debrecen, H-4032, Hungary

mailto:weredetarekeg@gmail.com
ORCID: 0000-0002-8273-1864

Csilla CSUKONYI [2]

[2] University of Debrecen, Debrecen, H-4032, Hungary

csukonyi.csilla@arts.unideb.hu
ORCID: 0000-0002-1749-1745

ABSTRACT

International students are particularly vulnerable to mental health challenges, including depression, anxiety, and psychological distress, often at rates significantly higher than those of their domestic counterparts. In light of these pressing mental health concerns, this study primarily sought to investigate whether positive intergroup contact and intercultural sensitivity could serve as effective strategies to attenuate intergroup anxiety among Asian international students studying in Hungary. The study further examined the students' levels of intergroup contact, intercultural sensitivity, and intergroup anxiety. Participants were selected through convenience sampling from the general student population (N = 237) and completed self-report questionnaires assessing these variables. Data were analyzed using both descriptive and inferential statistical techniques, including frequency distribution, Pearson product-moment correlation, and hierarchical multiple regression. The results indicate that while international students experience low to moderate intergroup contact with local individuals, they exhibit higher levels of intercultural sensitivity. Additionally, moderate levels of intergroup anxiety were reported during intercultural interactions. Importantly, the findings reveal that intergroup contact and intercultural sensitivity emerge as essential resources for reducing intergroup anxiety. These results underscore the need for higher education institutions to proactively foster intergroup contact and enhance intercultural sensitivity among their international student populations. The study also discusses implications, limitations, and future research directions.

Keywords: Intergroup contact, Intercultural sensitivity, Intergroup anxiety, Asian international students, Hungary.

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INTRODUCTION

Globalization has transformed the landscape of education, offering students more opportunities to select their preferred study destinations. As a result, the international education market has expanded, leading to a significant increase in the mobility of international student sojourners. Statistical reports indicate that by 2020, the number of international students studying across the globe exceeded 6.3 million (Oduwaye et al., 2023). Similarly, since the establishment of the Stipendium Hungaricum scholarship by the Hungarian government in 2013, the number of international students studying in Hungary has grown significantly. According to the Tempus Public Foundation (2020), as cited by Wu and Rudnák (2021), the number of international students in Hungary increased from 11,783 in 2011 to 38,422 in the 2019/2020 academic year. Among Hungarian universities, the University of Debrecen stands out as the institution hosting the largest number of international students, followed by the University of Pécs (Vincze & Bács, 2020). This growing international student presence highlights Hungary's expanding role in global higher education. The influx of students from diverse countries not only enriches the academic and cultural environment of Hungarian universities but also makes international students an increasingly important part of the country's higher education system. As a result, Hungary has become an attractive destination for students seeking quality education and international experiences, cementing its place in the global education landscape. While studying abroad offers numerous benefits, including access to quality education, cultural exposure, and enhanced job prospects, it also presents significant challenges. The unfamiliar social, cultural, and academic environments of host countries can pose serious mental health risks to international students. These challenges often manifest in the form of anxiety, depression, acculturative stress, psychological distress, and intergroup conflicts (e.g., Forbes-Mewett & Sawyer, 2016; Gebregergis et al., 2020; Kim & Kim, 2021; Maharaj et al., 2024).

One of the common mental health issues faced by international students is intergroup anxiety, which arises from social interactions with people from different cultural backgrounds. Intergroup anxiety is defined as "a type of anxiety that people experience when anticipating or engaging in intergroup interactions" (Stephan, 2014). In other words, intergroup anxiety reflects that when individuals from different cultural backgrounds come together and interact, they often experience feelings of fear, discomfort, and apprehension. For example, the daily basis interaction between international students and members of the host society is more likely to elicit feelings of anxiety due to cultural differences, such as language barriers. Unlike social anxiety, intergroup anxiety is specifically tied to situations involving interactions between different cultural or social groups (Stephan, 2014). This anxiety can be triggered by interactions with specific outgroups or by general intergroup encounters. According to Stephan (2014), intergroup anxiety comprises three distinct but interconnected components: affective, cognitive, and physiological. The affective component refers to the negative emotional experiences individuals encounter during intergroup contact. Those experiencing affective intergroup anxiety may feel apprehension, distress, and uneasiness. Research has consistently shown that anxiety-related emotional responses often accompany intergroup interactions (Stephan & Stephan, 1992; Stephan, 2014). The cognitive component involves an individual's negative evaluation of the intergroup interaction, with concerns that the

interaction may lead to undesirable outcomes. Stephan & Stephan (1985) identified four key reasons why people may be anxious about intergroup interactions. First, they may worry about negative psychological consequences, such as feeling embarrassed, confused, fearful, or incompetent. Second, concerns may arise about negative behavioural consequences, such as being discriminated against, exploited, harassed, or physically harmed. Third, individuals may fear being negatively evaluated by members of the outgroup, fearing rejection, negative stereotyping, disrespect, or ridicule. Finally, people may worry about being rejected by members of their group (ingroup) for engaging with members of the outgroup. The physiological component of intergroup anxiety involves physical changes that occur during intergroup interactions, such as heightened galvanic skin responses, increased blood pressure, and elevated cortisol levels. These physiological reactions underscore the tangible impact intergroup anxiety can have on individuals, particularly international students who frequently navigate intercultural environments. Likewise, Karyanta et al. (2024) point out that intergroup anxiety can have significant implications for international students, creating barriers to active participation in both social and academic activities (e.g., reduced engagement in group discussions, campus events, and social gatherings). It can also lead to social isolation, such as difficulty establishing friendships with locals, and increased emotional stress, which may jeopardize their psychological well-being and academic success. Considering the devastating impact of intergroup anxiety on international students' well-being and academic performance, researchers have suggested various personal and situational factors such as personality traits, intergroup contact, interpersonal mindfulness, cross-group friendship and intercultural sensitivity that potentially reduce the adverse outcomes of intercultural contact including intergroup anxiety (e.g., Castiglione et al., 2013; Khukhlaev et al., 2022; Pettigrew & Tropp, 2006; Sari & Yalcinkaya-Alkar, 2022; Stephan & Stephan, 1992; Turner et al., 2014). In this study, we propose that intergroup contact and intercultural sensitivity are critical assets for reducing intergroup anxiety among international students.

Pettigrew and Tropp (2006: 75) conceptualized intergroup contact as "actual face-to-face interaction between members of clearly defined groups". Harwood (2017) further describes intergroup contact as occurring when members of a specific group (the ingroup) communicate with members of another group (the outgroup), emphasizing that intergroup contact is inherently a communicative process. According to Allport (1954: 35), ingroup contact can be defined as "any cluster of people who can use the term we with the same significance". In contrast, an outgroup consists of individuals who do not identify with a particular social category, such as gender, religion, race, ethnicity, or social class (Stephan & Stephan, 1992). Originally, intergroup contact theory focused primarily on ethnic and racial groups, emphasizing direct face-to-face interactions. However, its application and conceptualization have expanded to include various forms of intergroup contact, including direct, indirect, imagined, and mediated interactions, as well as the quantity and quality of contact, and secondary transfer of contact (McKeown & Psaltis, 2017; Pettigrew et al., 2007; Visintin et al., 2016). As a result, individuals can experience multiple forms of contact with different groups (Ramasubramanian & Costantini, 2020). Direct contact involves the quantity and quality of face-to-face interactions between group members. For instance, intergroup friendships represent a high-quality form of contact compared to brief interactions with acquaintances (Pettigrew & Tropp, 2006;

Ramasubramanian & Costantini, 2020). Another type of intergroup contact is mediated contact, which refers to interactions with members of other groups through mass media or computer-based interpersonal communication. Extended contact occurs when ingroup members have weak connections with outgroup members within social media networks (Ramasubramanian & Costantini, 2020). Imagined contact, another form, represents individuals' psychological visualization of positive interactions with members of the outgroup (Ramasubramanian & Costantini, 2020). In this study, we aim to explore the various forms of intergroup contact that international students may experience while interacting with members of the host country. Consequently, our focus will be on general intergroup contact without specifying a particular form.

The second potential personal resource that may alleviate intergroup anxiety is intercultural sensitivity. In the context of the 21st century, characterized by the emergence of a global village, developing intercultural sensitivity is essential for individuals to thrive and secure their place in an increasingly diverse world. The significance of intercultural sensitivity in our rapidly changing environment is thus becoming increasingly evident. Intercultural sensitivity is defined as "an individual's ability to develop a positive emotion toward understanding and appreciating differences that promote appropriate and effective behaviour in intercultural communication" (Chen & Starosta, 1997). This definition highlights that intercultural sensitivity is a dynamic construct comprising six key attributes: self-esteem, self-monitoring, open-mindedness, empathy, interaction involvement, and non-judgment. Consequently, individuals who navigate intercultural environments effectively typically exhibit these six characteristics. Individuals with high intercultural sensitivity often demonstrate elevated self-esteem (Chen & Starosta, 1997). According to Chen & Starosta (1997), while intercultural sensitivity encompasses cognitive, affective, and behavioural components, it primarily focuses on the affective dimension, emphasizing the emotions of individuals. Intercultural knowledge (cognitive) serves as a foundational element for intercultural sensitivity (affective) and contributes to the development of intercultural competence (behavioural). Furthermore, Hammer et al. (2003) describe intercultural sensitivity as "the ability to discriminate and experience cultural differences". Overall, these definitions emphasize the importance of individuals' ability to accurately recognize and respect cultural differences during intercultural interactions and thereby reduce intergroup anxiety.

There are lack of studies that examined the levels of intergroup contact, intercultural sensitivity, and intergroup anxiety. However, one study explored the levels of intercultural sensitivity among international students studying at the Northern University of the Philippines, and the results suggested that the students demonstrated a higher level of intercultural sensitivity in the host society (Arde, 2018). Studies conducted among domestic university students have similarly reported higher levels of intercultural sensitivity (e.g., Chen & Hu, 2023; Magsanay et al., 2024). Although research on the levels of these variables is limited, several studies have observed the effects of intergroup contact and intercultural sensitivity on intergroup anxiety. For example, the general intergroup contact studies support the assumption that intergroup contact is a significant predictor of intergroup anxiety. Individuals with higher levels of positive intergroup contact are more likely to experience lower levels of negative outcomes, such as anxiety, negative attitudes, prejudice, and intergroup conflict during their interactions

with members of different groups (Bentsen, 2022; Islam & Hewstone, 1993; Stephan & Stephan, 1992; Telaku, 2021). These studies suggest that positive intergroup contact can help individuals feel more comfortable and less anxious when engaging with outgroups, thereby reducing intergroup anxiety. In contrast, negative or limited intergroup contact may reinforce existing stereotypes, increase anxiety, and contribute to negative experiences during intergroup interactions. Similarly, research carried out among domestic and international students observed the same result that international students' positive quality contact with the local people reports a reduced level of negative intergroup contact experiences such as anxiety. Specifically, those students report lower levels of intergroup anxiety, which often manifests as discomfort or nervousness during interactions with members of the host community (Gao et al., 2024; Mak et al., 2014). Positive intergroup contact not only reduces negative intergroup experiences but also enhances positive outcomes, such as fostering more positive attitudes, improving subjective well-being, increasing willingness to engage in interactions, and promoting intercultural competence (Gao et al., 2024; Mak et al., 2014; Ye et al., 2023). These findings highlight the importance of encouraging positive social interactions between international students and locals to mitigate potential negative experiences, such as anxiety, prejudice, or isolation, during their time abroad. Intergroup contact theory also posits that face-to-face interactions between members of different groups are more likely to reduce negative intergroup outcomes, such as intergroup anxiety, prejudice, hostility, and perceived threat (Allport, 1954).

Intercultural sensitivity is widely recognized as a critical individual psychological factor influencing intergroup contact experiences and their outcomes, including intergroup anxiety. A study conducted in Türkiye demonstrated that intergroup anxiety served as a significant mediator between intercultural sensitivity and positive attitudes toward outgroup members. The findings indicated that members of the interculturally sensitive Turkish local community experienced lower levels of intergroup anxiety, which, in turn, fostered a more positive attitude toward Syrian refugees (Sari & Yalcınkaya-Alkar, 2022). In a similar vein, Rodríguez-Izquierdo (2022) examined the relationship between international experiences and the development of intercultural sensitivity in a sample of 1,645 university students. The study reported a positive correlation between intercultural sensitivity and both mobility experiences and intercultural friendships. This suggests that intercultural sensitivity not only mitigates negative intergroup outcomes but also enhances positive intergroup outcomes, such as the formation of intercultural friendships. Furthermore, several researchers have established that negative expectations regarding intergroup interactions, such as fear of rejection and perceptions of hostility from outgroup members are positively associated with intergroup anxiety (Britt et al., 1996; Brown, 2007; Butz & Plant, 2007). These findings indicate that individuals' feelings of intergroup anxiety are exacerbated by psychological anticipations of negative consequences during intergroup interactions. He et al. (2023) noted that individuals with lower intercultural sensitivity are more susceptible to emotional disturbances such as depression and anxiety. Conversely, this study suggests that students with higher intercultural sensitivity are less likely to experience these emotional difficulties, particularly anxiety and depression. Overall, it appears that intercultural sensitivity plays a crucial role in alleviating intergroup anxiety.

CURRENT STUDY

The increasing globalization of education has led to a significant rise in the number of international students pursuing their studies in Hungary. While this diversity enriches the academic environment, it also poses unique mental health challenges, such as anxiety, depression, and psychological distress, especially when compared with domestic students (Maharaj et al., 2024; Wang et al., 2023). Intergroup anxiety is among these mental health encounters that can adversely impact international students' academic performance, social integration, and overall mental well-being, ultimately limiting their ability to thrive in a foreign educational context (Stephan & Stephan, 1992). When individuals from different cultures come into contact, their intercultural interactions naturally involve emotional responses such as feelings of discomfort, stress, and anxiety (Berry, 2005; Stephan, 2014). Existing literature and theoretical models consistently support the effectiveness of positive intergroup contact and intercultural sensitivity in reducing intergroup anxiety among general immigrant populations. Those immigrants may have different ethnicity or race but they may share a common cultural background. However, this area has received limited attention regarding international student populations who are ethnically and culturally different from domestic students. Therefore, there is a paucity of research on the role of intergroup contact and intercultural sensitivity in decreasing intergroup anxiety among international students. Considering this research gap, the current study was carried out to investigate the levels of intergroup contact and intercultural sensitivity, as well as their roles in reducing intergroup anxiety among Asian international students in Hungary. The findings of this research are expected to provide valuable insights into the relationships between these variables and offer practical recommendations for universities to better support their international students. More specifically, the study proposed the following guiding research questions.

1. What is the degree of intergroup contact, intercultural sensitivity, and intergroup anxiety among Asian international students in Hungary?

2. What is the relationship between intergroup contact and intercultural sensitivity among Asian international students in Hungary?

3. Does intercultural sensitivity significantly predict intergroup anxiety of Asian international students in Hungary?

METHODS

Participants of the study

The sample of the study comprised 237 international students enrolled in undergraduate and postgraduate programs at the University of Debrecen, Hungary. Participants were recruited through a convenience sampling strategy. As summarized in Table 1, the sample included 121 (51.10%) male and 116 (48.90%) female students, with an average age of 23.21 years. The average length of stay of the students in Hungary was 25.40 months. The sample included students at various academic levels: 132 (55.70%) were pursuing bachelor's degrees, 82 (34.60%) were master's students, and 23 (9.70%) were doctoral students. Regarding financial support, 103 students (43.50%) were scholarship recipients, while 134 (56.50%) were self-funded. Before arriving in Hungary, the majority of students reported having international travel experience (n = 179; 75.50%),

whereas 58 students (24.50%) indicated they had no such experience. Regarding their host language skills, most students reported having poor to fair proficiency in the Hungarian language, with only a small number indicating good or very good proficiency. The participants came from a diverse range of Asian countries, including China, India, Russia, Lebanon, Palestine, Syria, Iran, Qatar, the United Arab Emirates, Jordan, Iraq, Pakistan, Israel, Türkiye, South Korea, Kyrgyzstan, Kazakhstan, Uzbekistan, Turkmenistan, Japan, and Indonesia.

Table 1

Frequency Distribution of Characteristics of the Participants

Variable	*N*	*%*	*N*
Sex			237
Male	121	51.10	
Female	116	48.90	
Educational level			237
Bachelor	132	55.70	
Master	82	34.60	
Doctorate	23	9.70	
Source of financial support			237
Scholarship	103	43.50	
Self-support	134	56.50	
Prior Travel Experience			
Yes	179	75.50	
No	58	24.50	
Hungarian Language Skill			237
Poor	142	59.90	
Fair	79	33.30	
Good	13	5.50	
Very good	3	1.30	

Source: Authors' own data

Measures

Sociodemographic variables: Data on students' sociodemographic backgrounds were gathered through self-developed questions. These variables included gender, age, proficiency in the host country's language, length of stay in the host country, educational qualifications, and prior international travel experience.

Intergroup contact: The General Intergroup Contact Quantity and Quality (CQCQ) scale, developed by Islam & Hewstone (1993) was utilized to assess intergroup contact. This scale measures two dimensions: intergroup contact quantity (5 items) and intergroup contact quality (5 items). The contact quantity

dimension reflects the number of friends international students have from the host culture, as well as the frequency of interactions with locals (Hungarians) in various settings (e.g., campus). The contact quality dimension assesses the equality, motivation, and nature of relationships with members of the host culture (e.g., "I have positive experiences during my interactions with Hungarians"). The CQCQ is a 10-item self-report questionnaire based on a Likert scale, with higher scores on the quantity items indicating greater contact with members of the host country, and higher scores on the quality items reflecting more positive contact experiences. Previous studies have demonstrated that the scale has good internal consistency and reliability (Ye et al., 2023). Likewise, the scale demonstrated a high reliability coefficient in the current study ($\alpha = .88$).

Intercultural sensitivity: The Intercultural Sensitivity Scale (ISS), originally developed by Chen & Starosta (2000) and shortened by Wang & Zhou (2016), was adopted to measure the intercultural sensitivity of international students. The ISS assesses five dimensions: interaction engagement, respect for cultural differences, interaction confidence, interaction enjoyment, and interaction attentiveness. It comprises 15 items rated on a 5-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). Negative statements were reverse-coded, and overall scores were calculated by summing all item values, with higher scores reflecting greater intercultural sensitivity. The scale has been validated in several studies, demonstrating high internal consistency and strong validity (e.g., Wang & Zhou, 2016). In the present study, the reliability coefficient of the measure was 0.84.

Intergroup anxiety: The Intergroup Anxiety Scale (IAS), developed by Stephan & Stephan (1985), was used to assess the intergroup anxiety experienced by international students. The IAS includes 11 items based on adjectives such as certain (reverse coded), awkward, accepted (reverse coded), self-conscious, confident (reverse coded), happy (reverse coded), defensive, irritated, impatient, suspicious, and careful when interacting with outgroup members. International students will rate how they feel when interacting with Hungarians, using a 5-point scale from 1 (not at all) to 5 (extremely). Positive statements were reverse-coded to compute a total score ranging from 10 to 50, with higher scores indicating greater intergroup anxiety. The scale has shown good internal consistency in previous research (Gudykunst & Nishida, 2001; Khuhlaev et al., 2022). Karyanta et al. (2024) have also validated the psychometric properties of the scale with a sample of international students. In the current study, the scale showed good internal consistency ($\alpha = 0.74$).

Data collection procedure and analysis

The study received approval from the United Ethical Review Committee for Research in Psychology at the University of Debrecen. Printed self-report questionnaires were distributed to participants in their dormitories and libraries. In line with the American Psychological Association's guidelines, participation was voluntary, and informed consent was obtained from all participants. They were assured that their data would remain confidential and be used solely for research purposes. The collected data were entered into SPSS Version 26 for analysis. Univariate statistics, including means, standard deviations, skewness, and kurtosis, were computed to summarize the data and check for normality. Based on previous general studies that employed similar procedures to evaluate

other behaviours and psychological variables (e.g., Gebregergis et al., 2024; Hamdzah et al., 2020; Yikealo et al., 2018), we adapted the method to assess the levels of intergroup contact, intercultural sensitivity, and intergroup anxiety among students. The total continuous scores for each variable were divided into three categories. The lowest one-third of scores were classified as reflecting below-average levels, the middle one-third represented moderate levels, and the highest one-third indicated above-average levels. Pearson product-moment correlation analyses were conducted to explore the relationships between the study variables. Hierarchical multiple regression analyses were used to assess the predictive effect of intergroup contact and intercultural sensitivity on intergroup anxiety while controlling for sociodemographic factors. Before conducting the correlation and regression analyses, assumptions such as normality, and multicollinearity were tested, and no violations were found, ensuring the validity of the analyses. Normality was assessed using the values of skewness and kurtosis (see Table 2). Multicollinearity was evaluated using Tolerance and VIF (Variance Inflation Factor). The Tolerance values of less than 0.10 and VIF value greater than 10 indicate the presence of multicollinearity (Field 2009; Pallant, 2020). In the current study, the Tolerance and VIF values for the independent variables appeared to be within the recommended cutoff criteria. To determine the relationship between the study variables, a significance level of 0.05 (95% confidence interval) was applied.

RESULTS

Descriptive statistics of the study variables

Table 2 presents the summarized statistical values, including mean, standard deviation, Cronbach's alpha, skewness, and kurtosis. The average values for the study variables intergroup contact, intercultural sensitivity, and intergroup anxiety were 28.74, 59.27, and 25.67, respectively. The reliability coefficients for the study exceeded the benchmark value of 0.70, indicating strong internal consistency. To the assumption of normality, skewness and kurtosis were computed and they fell within the acceptable limits of +2 and – 2 (Field 2009; Gravetter & Wallnau, 2014), suggesting that all data sets were normally distributed.

Table 2
Descriptive statistics of the study variables ($N = 237$)

Variables	Min	Max	M	SD	Items	α	Sk	Ku
Intergroup Contact	10.00	70.00	28.74	11.72	10	.88	.73	.50
Intercultural Sensitivity	35.00	75.00	59.27	8.57	15	.84	-.45	-.66
Intergroup Anxiety	10.00	50.00	25.67	6.32	10	.74	.07	.69

*Note. Sk* = skewness; *Ku* = Kurtosis

Sources: Authors' own data

Levels of intergroup contact, intercultural sensitivity and intercultural anxiety

To assess the levels of intergroup contact, intercultural sensitivity, and intercultural anxiety, a frequency distribution was used, and the results are presented in Figure 1. The findings revealed that the majority of international students report-

ed low to moderate levels of intergroup contact. Specifically, more than half of the students ($n = 134$; 56.5%) indicated moderate levels of contact, while nearly one-third ($n = 85$; 35.5%) reported low levels of contact. Only 19 students (8.0%) reported high levels of contact with local people. Further, the results indicated that students' levels of intercultural sensitivity ranged from moderate to high. The majority of students ($n = 188$; 79.3%) reported high levels of intercultural sensitivity in their intercultural interactions, while a smaller proportion ($n = 49$; 20.7%) exhibited moderate levels. Additionally, the findings revealed that the majority of students demonstrated moderate levels of intergroup anxiety during their intercultural interactions with Hungarian people (n = 200; 84%). Meanwhile, 17 students (7.2%) reported high levels of intergroup anxiety, and 20 students (8.4%) indicated that they did not experience anxiety in their intergroup contact with Hungarians.

Figure 1
Levels of Intergroup Contact, Intercultural Sensitivity and Intercultural Anxiety
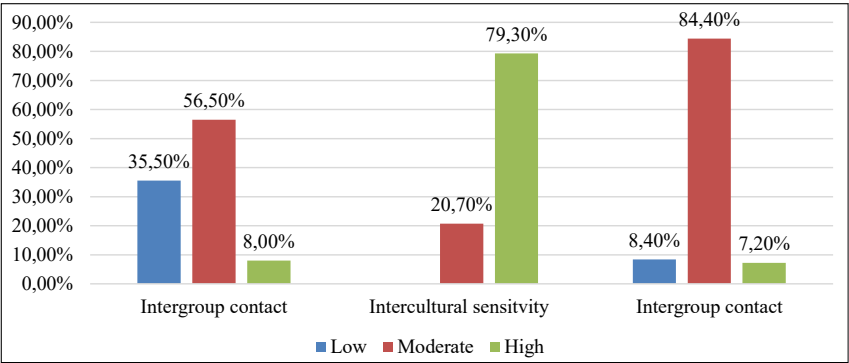
Source: Authors' own data

The Interplay Between the Study Variables

Pearson's product-moment correlation and an independent sample t-test were used to examine the associations between the study variables, and the correlation coefficients for the continuous variables are presented in Table 3. The results indicated that intergroup contact ($r = -.29$, $p < .001$) and intercultural sensitivity ($r = -.43$, $p < .001$) were both negatively and significantly correlated with intergroup anxiety. However, no statistically significant association was found between intergroup contact and intercultural sensitivity. Among the sociodemographic variables, age ($r = -.16$, $p < .05$), length of stay ($r = .15$, p < .05), and source of financial support ($t = 2.87$, $p < .05$) showed significant associations with intergroup anxiety, suggesting that younger students, those with longer stays in Hungary, and self-funded students tended to experience higher levels of intergroup anxiety.

Table 3

Correlation coefficients for the study variables

Variables	1	2	3	4
1. Age				
2. Length of stay	.02			
3. Intergroup contact	.11	.04		
4. Intercultural sensitivity	.06	-.02	.06	
5. Intergroup anxiety	-.17*	.15*	-.29**	-.43**

$^*p < .05, ^{**}p < .001$

Source: Authors' own data

Hierarchical multiple regression analysis

Predicting intergroup anxiety from intergroup contact and intercultural sensitivity

To assess the predictive effects of intergroup contact and intercultural sensitivity on the intergroup anxiety of international students, a hierarchical multiple regression analysis was performed. The regression analysis consisted of three blocks. In the first block, sociodemographic characteristics such as gender, age, educational level, length of stay, prior travel experience, and source of financial support were included. In the second block, intergroup contact was added. Finally, intergroup anxiety was entered in the third block of the regression model. The variables in the first block accounted for a total of 6% of the variance in the outcome variable, and the regression model was significantly different from zero ($R^2 = .06$, $F_{(6, 230)} = 2.52$, $p < .05$). The inclusion of intergroup contact in the second block enhanced the model, explaining a total of 14% of the variance in intergroup anxiety ($R^2 = .14$, $F_{(7, 229)} = 5.16$, $p < .05$). When controlling for sociodemographic variables, intergroup contact contributed 8% of the variance to the model ($\Delta R^2 = .08$, $F_{(1, 229)} = 19.77$, $p < .001$). Intergroup contact with local people showed a negative and significant relationship with intergroup anxiety ($\beta = -.28$, $p < .001$). Finally, the addition of intercultural sensitivity in the last block of the regression model resulted in an explanation of a total of 29% of the variance in the outcome variable ($R^2 = .29$, $F_{(8, 228)} = 11.77$, $p < .001$). When the effects of sociodemographic variables and intergroup contact were controlled, intercultural sensitivity uniquely contributed an additional 11% of variance to the overall model ($\Delta R^2 = .11$, $F_{(1, 228)} = 50.26$, $p < .001$). Intercultural sensitivity negatively and significantly predicted intergroup anxiety ($\beta = -.41$, $p < .001$).

Table 4

Regression coefficients for predictors of intergroup anxiety

Predictors	B	SE	β	R	R²	ΔR²	F	df
						Model		
Block 1				.25	.06		2.52*	6, 230
Gender	.36	.80	.03					
Age	-.13	.10	-.09					
Educational level	.78	.90	.06					
Prior travel experience	-.07	.97	-.01					
Length of stay	.04	.02	.13					
Source of fund	-1.43	.91	-.12					
Block 2				.37	.14	.08	5.16***	7, 229
Gender	.84	.78	.07					
Age	-.09	.10	-.07					
Educational level	.78	.87	.06					
Prior travel experience	.00	.94	.00					
Length of stay	.04	.02	.14*					
Source of fund	-1.16	.88	-.09					
Intergroup contact	-.15	.03	-.28***					
Block 3				.54	.29	.16	11.77***	8, 228
Gender	.02	.71	.00					
Age	-.10	.09	-.07					
Educational level	.54	.79	.04					
Prior travel experience	.40	.85	.03					
Length of stay	.04	.02	.14*					
Source of fund	-.47	.80	-.04					
Intergroup contact	-.13	.03	-.25**					
Intercultural sensitivity	-.28	.04	-.41***					

Note. Sociodemographic variables were coded as: *Gender*: Male = 1, Females = 0; *Educational Level*: Undergraduate = 1, Postgraduate = 0; *Source of fund*: Scholarship holder = 1, Self-support = 0; *Prior travel experience*: Yes = 1, No = 0;. *p < .05, **p < .01, ***p < .001; *SE*: Standard Error

Source: Authors' own data

DISCUSSION

The primary purpose of this study is to examine how positive intergroup contact and intercultural sensitivity contribute to reducing intergroup anxiety among Asian international students studying in Hungary. More specifically, the discussion section addresses three key issues: 1) the levels of intergroup contact, intercultural sensitivity, and intergroup anxiety; 2) the relationship between intergroup contact and intergroup anxiety; and 3) the relationship between intercultural sensitivity and intergroup anxiety.

First, the results indicate that the majority of the students reported low to moderate levels of intergroup contact, high levels of intercultural sensitivity, and moderate levels of intergroup anxiety. A few studies have found that intergroup interaction and friendship between international and local students are limited (Aydin, 2019). Despite the lack of adequate prior studies examining these variables within the international student population, several explanations can account for these findings. The low to moderate levels of intergroup contact (especially in quantity statements, such as visiting homes of Hungarian friends, contacting Hungarians as friends or neighbours, and contacting Hungarians at school) and an average level of intergroup anxiety (e.g., feeling awkward during interaction with Hungarians) among the majority of international students may be to some extent attributed to cultural differences that create barriers to interaction. Asian students typically come from collectivist cultures, where social harmony, group cohesion, and loyalty to one's in-group are highly valued. In contrast, Hungarian culture is more individualistic, emphasizing personal autonomy and self-expression (Hofstede, 2001). This cultural discrepancy can lead Asian international students to anticipate negative psychological experiences when interacting with local individuals, fostering a reluctance to engage in intergroup interactions. Such expectations may stem from fears of cultural misunderstandings or feelings of alienation in a new social context. Several studies have shown that Asian international students experience greater challenges in intercultural and intergroup interactions with host nationals in Western academic contexts compared to other regions, primarily due to significant cultural differences (Glass et al., 2014; Rienties & Nolan, 2014). Another significant factor that might hinder students from not having high intergroup contact and low intergroup anxiety is the reported poor host language proficiency of the students (Aydin, 2019). Most of the participants of the current study indicate that they possess limited skills in the Hungarian language, which can serve as a substantial barrier to effective communication. This lack of fluency may create anxiety around engaging in conversations, as students might fear miscommunication or embarrassment. Several previous studies have shown that limited proficiency in the host language can hinder international students' ability to connect with local peers, leading to the avoidance of social situations that require communication (e.g., Tang & Zhang, 2023; Wilczewski & Alon, 2023; Xiao, 2024). This linguistic barrier can further perpetuate feelings of isolation and inhibit the development of meaningful relationships with Hungarian students. Furthermore, the academic structure in which international and domestic students often attend separate classes, primarily due to differences in the medium of instruction, can significantly limit opportunities for meaningful interactions.

The findings of our study, indicating that most Asian international students exhibit high levels of intercultural sensitivity, are consistent with previous studies

conducted in Asia, which also reported high intercultural sensitivity among both international and domestic students (Arde, 2018; Chen & Hu, 2023; Magsanay et al., 2024). This suggests that these students possess a strong awareness of cultural differences, as well as the ability to appreciate and respect such differences, enabling them to function effectively in a multicultural environment. A plausible explanation for the elevated intercultural sensitivity could be linked to their diverse cultural backgrounds. Many of these students may come from societies of multiple ethnic and cultural groups, and their prior exposure to such diversity before arriving in Hungary may have influenced their intercultural sensitivity. Various scholars also suggest that the multicultural context is one of the critical factors contributing to the development of intercultural sensitivity (Chen & Hu, 2023; Segura-Robles & Parra-González, 2019). Moreover, although the students reported low to moderate levels of intergroup contact with Hungarians, they likely engage in frequent and meaningful intercultural interactions with other international students, as they attend the same classes and communicate in English. Another possible explanation is that, as Asian international students constitute a larger number of students at the University of Debrecen, they may have more opportunities for intercultural contact among themselves, which could further enhance their intercultural sensitivity. Additionally, various cultural and social events hosted by the university may have contributed to the development of their intercultural competence during intercultural interactions.

Second, the current study highlights that international students who maintain high levels of intergroup contact with domestic students tend to experience reduced intergroup anxiety. This finding is consistent with previous research that has identified a negative relationship between these variables (Bentsen, 2022; Islam & Hewstone, 1993; Stephan & Stephan, 1992; Telaku, 2021). This result can be understood within various theoretical frameworks, such as intergroup contact theory, intergroup anxiety theory, and social learning theory. According to intergroup contact theory, direct and positive interactions between groups can significantly alleviate prejudice and anxiety, particularly when these interactions are characterized by equal status, shared goals, cooperation, and institutional support (Allport, 1954; Pettigrew & Tropp, 2006). Similarly, in their intergroup anxiety theory, Stephan & Stephan (1985) argue that individuals may feel apprehensive about intergroup interactions as a result of their feeling of concern about the negative behavioural and psychological consequences of the interaction, as well as fear of negative evaluation and rejection by the members of the other group. Based on this theoretical argument, it can be assumed that engagement in positive intergroup contact increases familiarity and understanding between international and domestic students. As students interact, they have opportunities to learn about each other's cultures and experiences, which can mitigate stereotypes and reduce anxiety associated with cultural differences. Social learning theory also posits that individuals learn behaviours and attitudes through observation and interaction, fostering an environment of acceptance and understanding (Bandura, 1977). Moreover, positive intergroup contact can facilitate the development of social support networks. When international students form friendships with domestic peers, they create a support system that can help buffer the stress and anxiety associated with adapting to a new environment. This sense of belonging can further enhance their overall well-being and reduce feelings of isolation, which are common among international students. Furthermore, intergroup contact often involves collaborative educational tasks that encour-

age cooperation and communication. Such shared goals can enhance language skills, allowing international students to express themselves more confidently and effectively. Improved communication not only reduces misunderstandings but also fosters positive attitudes toward one another, ultimately leading to a decrease in intergroup anxiety.

Finally, the findings of our study indicate a significant negative association between intercultural sensitivity and intergroup anxiety. This suggests that international students with higher intercultural sensitivity in their interactions tend to experience reduced levels of intergroup anxiety. This outcome echoes previous studies that have reported a statistically significant negative relationship between intercultural sensitivity and negative intergroup experiences such as intergroup anxiety (He et al., 2023; Sari & Yalcinkaya-Alkar, 2022). The theoretical conceptualization of intergroup anxiety and intercultural sensitivity might explain the negative relationship between the variables. Stephan and Stephan (1985) proposed various types of feared negative consequences that contribute to intergroup anxiety: negative psychological consequences (e.g., frustration, loss of control), negative behavioural consequences (e.g., exploitation), negative evaluations by outgroup members (e.g., negative stereotyping, disdain), and negative evaluations by ingroup members (e.g., disapproval or rejection for engaging with the outgroup). Thus, the affective and cognitive dimensions of intergroup anxiety play a significant role in shaping individuals' experiences of anxiety during intercultural interactions. In this context, it can be argued that intercultural sensitivity functions as an effective approach to alleviating negative emotional and psychological expectations associated with intercultural encounters. For instance, individuals with high intercultural sensitivity are often characterized by greater self-esteem, enabling them to engage in positive evaluations of intercultural interactions rather than anticipating adverse experiences (Chen & Starosta, 1997). Moreover, the self-esteem and open-mindedness components of intercultural sensitivity facilitate the development of positive emotions toward understanding and accepting cultural differences during intercultural encounters. Chen & Starosta (1997) further assert that when individuals adopt a non-judgmental stance during intercultural interactions, they are more likely to enjoy their engagements with individuals from diverse cultural backgrounds and less likely to experience negative intercultural experiences. Hence, it is plausible that the diverse set of intercultural sensitivity skills, including self-esteem, self-regulation, open-mindedness, cultural empathy, interaction involvement, and the ability to suspend judgment, are essential personal resources for significantly reducing intergroup anxiety among international students. The study also highlights that, despite both intergroup contact and intercultural sensitivity significantly predicted intercultural anxiety, intercultural sensitivity emerges as a stronger predictor of intergroup anxiety. The limited effect of intergroup contact in mitigating intergroup anxiety might be associated with the students' low to moderate levels of intergroup contact with members of the host country. On the other hand, the moderate to higher levels of intercultural sensitivity reported by the students might have played a better role in reducing their intergroup anxiety.

Implications of the study

This study offers several significant theoretical and practical implications for higher education institutions, particularly in the Hungarian context. Theoretically, by examining the roles of positive intergroup contact and intercultural

sensitivity in reducing intergroup anxiety among international students, the research extends our understanding of these factors. Specifically, it sheds light on the levels of intergroup contact, intercultural sensitivity, and intergroup anxiety experienced by Asian international students studying in Hungary. Additionally, the findings may offer valuable insights for international students regarding their own experiences of intergroup contact, intercultural sensitivity, and anxiety within the host society. On a practical level, higher education institutions, university lecturers, and curriculum developers are recommended to take practical actions toward fostering intergroup contact and intercultural sensitivity of their international students, thereby reducing the students' vulnerability to intergroup anxiety. For example, higher education institutions might organize various social, cultural, and recreational activities, such as cultural exchange programs, sports and recreational events, tutor programs, language exchange programs, multicultural concerts and exhibitions, student excursions, and multicultural potluck events. Such activities are instrumental in raising students' levels of intergroup contact and cultural sensitivity during their intercultural interactions. These initiatives not only increase the quantity and quality of interactions between local and international students but also foster the development of intimate friendships, positive attitudes, and improved language skills in the host society. Moreover, these activities contribute to the appreciation and acceptance of cultural differences, ultimately enhancing students' intercultural communication competence. Another crucial strategy for promoting intergroup contact involves integrating international and local students in shared living arrangements, such as dormitory assignments. Mixed accommodation arrangements encourage daily interactions and close friendships, while co-national dormitory groupings may impede intergroup interaction and hinder host language development and also the overall intercultural adaptation of the students. Involvement in extracurricular activities with host nationals and tutoring programs, along with mixed housing arrangements where international and local students share the same living space, has been shown to effectively promote intergroup contact and foster friendships (Hendrickson, 2018).

In addition to extracurricular initiatives, educational interventions, such as group work projects, short educational trainings, seminars, and workshops, host language and culture courses can further enhance intercultural interaction and competence. Cruickshank et al. (2012) emphasize that group work in both classroom settings and the broader university environment significantly fosters intergroup interaction and learning. Furthermore, intensive short-term training or workshops have been proven effective in promoting positive intergroup relationships (Ng et al., 2023), which are essential for quality intergroup contact and lasting friendships. Beyond these strategies, educators are encouraged to adopt culturally sensitive and inclusive teaching methods to further enhance the development of intergroup contact, and intercultural sensitivity, and reduce intergroup anxiety. The current study recommends curriculum developers to design and implement curricula that actively promote meaningful intercultural interactions between international and domestic students. Hence, by implementing these strategies, universities can create environments that actively enhance positive intergroup contact and intercultural sensitivity among international students, thereby alleviating negative experiences such as intergroup anxiety during intercultural interactions.

Limitations and future research directions

While the theoretical and practical implications discussed above are significant, this study has several limitations that should be acknowledged for future research consideration and to enhance the robustness of the findings. One potential limitation is the reliance on self-report questionnaires as the primary method of data collection. This approach may be influenced by social desirability bias, as students may provide responses they believe are more socially acceptable rather than their true feelings. Additionally, the study employed a cross-sectional design, assessing all variables at a single point in time. This design limits the ability to capture changes in these variables over time, which could affect the results. Furthermore, participants were drawn from a specific region and enrolled at a single university, which may restrict the generalizability of the findings to other contexts or populations. It is also important to note that the predictive effects of intergroup contact and intercultural sensitivity on intergroup anxiety were based on correlational data rather than empirical evidence. Moreover, though this study utilized a quantitative approach, integrating qualitative methods, such as interviews, participant observation, or focus group discussions, in future research could provide a richer understanding of the experiences and perspectives of international students related to their intergroup or intercultural encounters. To address these limitations, future research is recommended to validate the findings of the current study by employing longitudinal designs, adopting qualitative approaches, expanding the participant pool, and utilizing mixed data collection methods.

CONCLUSION

Research documents that international students encounter mental health challenges, including depression, intergroup anxiety, and psychological distress. Considering the detrimental effect of these student mental health challenges, the current cross-sectional study was conducted to unravel the potential predicting effects of intergroup contact and intercultural sensitivity on intergroup anxiety among Asian international students in Hungary. The findings reveal that positive intergroup contact and intercultural sensitivity were significantly and negatively related to intergroup anxiety, suggesting that students with high intergroup contact and intercultural sensitivity experienced fewer symptoms of anxiety during their intercultural interaction. The study further reports that the levels of intergroup contact and intergroup anxiety for the majority of the students ranged from low to moderate. However, the student achieved moderate to higher levels of intercultural sensitivity. The results of the study suggest that intergroup contact and intercultural sensitivity are effective strategies to mitigate international students' feelings of fear, apprehension and discomfort during intercultural interaction. Therefore, university communities should consider these factors when addressing mental health challenges, such as intergroup anxiety, among their international students.

Ethical Commission Approval

This study involving human participants has completed and fulfilled the ethical guidelines requirements. The participants provided written informed consent before taking part in the study and were informed about its objectives.

Conflict of Interest Statement

There is no conflict of interest with any institution or person within the scope of this study.

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STRATEGIES FOR PRESERVING THE CULTURAL VALUES OF KOREANS IN KAZAKHSTAN: BETWEEN TRADITION AND INNOVATION

Natalya YEM [1]

[1] Al-Farabi Kazakh National University, 050040, Kazakhstan

Natalya.Yem@kaznu.kz
ORCID: 0000-0002-1286-1452

Viktoriya KIM [2]

[2] Ritsumeikan University, 603-8577, Japan

vkim@fc.ritsumei.ac.jp
ORCID: 0000-0002-4997-977X

Aigerim BELYALOVA [3]

[3] Al-Farabi Kazakh National University, 050040, Kazakhstan

aigerim.belyalova@kaznu.edu.kz
ORCID: 0000-0003-4353-4101

ABSTRACT

The contemporary generation of ethnic Koreans in Kazakhstan demonstrates a strong sense of ethnic self-identification, with cultural continuity serving as a central component of this identity. Core elements sustaining this identity include the preservation of language, family and domestic rituals, and the celebration of ethnic holidays. This article examines strategic approaches to the preservation of cultural values among Koreans in Kazakhstan, emphasizing the intergenerational transmission of traditions as a foundational mechanism. A notable dimension of this process is the increasing cultural influence of the Republic of Korea, which functions as a symbolic homeland. However, this influence also introduces tensions, as contemporary South Korean cultural forms may obscure or displace the traditional practices developed by deported Koreans since the 1930s. By drawing on academic literature, narrative interviews, and oral histories, this study seeks to identify effective and contextually grounded strategies for sustaining the distinct ethnocultural identity of the Korean diaspora in Kazakhstan.

Keywords: Koreans in Kazakhstan, Koryo saram, everyday multiculturalism, Acculturation, Integration.

INTRODUCTION

Contemporary Korean ethnic communities maintain a visible and active presence across various global contexts, including within the socio-economic fabric of Kazakhstan. The fate of Soviet Koreans was drastically altered in 1937, when, under the August 21st Resolution "On the Relocation of Korean Population from the border regions of the Far Eastern Territory," signed by V. Molotov and J. Stalin, 200,000 Koreans were forcibly deported "on the grounds of their national affiliation as potential supporters of a potential enemy" to Kazakhstan and Uzbekistan. As a result of this relocation, today the Korean diaspora resides in several post-Soviet states: Uzbekistan – 175,865; Russia – 168,526; Kazakhstan – 109,495; Kyrgyzstan – 18,104; Ukraine – 13,524; Tajikistan – 6,000; Turkmenistan – 3,000 (Korean Overseas Statistics, 2021).

Ethnic Koreans have shaped their collective history alongside the evolving trajectories of Kazakhstan's diverse populations, ultimately becoming an integral component of the unified Kazakhstani nation. Throughout their presence in Kazakhstan, Koreans have, on one hand, preserved their cultural customs and traditions, passing them down through generations, while also integrating into the polyethnic society comprised of over 120 ethnic groups in Kazakhstan. This article examines the experience of ethnic Koreans in Kazakhstan to highlight how cultural identity is preserved within a multicultural society, with a particular focus on the strategic preservation of cultural values rather than solely on the process of ethnic identity formation.

With the establishment of diplomatic relations with the Republic of Korea, the Kazakhstani Korean community entered a phase of ethnic revival, wherein traditional ancestral values began to incorporate elements of South Korean culture. At the same time, Koreans of Kazakhstan, brought up on Soviet and later Kazakh postulates of building statehood, have always remained loyal and committed to the political course of the country. Their diligence, high level of education, and dedication to their work and country allowed them to maintain prominent positions across nearly all spheres of public life throughout their time in Kazakhstan. As a result, conditions emerged in which Koreans in Kazakhstan developed specific strategies to preserve their ethnic customs and traditions amidst influences from both South Korean culture and the national culture of the titular Kazakh ethnicity, as well as through interaction with other ethnic communities residing in Kazakhstan.

Recent academic research has shed light on the complex dynamics diaspora communities face in preserving cultural identity amid a changing socio-political environment. The preservation and understanding of cultural belonging have been examined through studies of Korean diasporas in various countries, particularly through art. Diaspora Korean artists explore the meaning of "Koreanness" through their paintings, political cartoons, theatre, cinema, documentaries, photography, and multimedia art. Cultural values are conveyed through these art forms, where "emotions within artworks provide insight and justification for the Korean diaspora's identity through lived experiences." As a result, cultural values and diaspora identity are reinterpreted through the "myths of the Korean diaspora" (Son and Rhee, 2018).

In the case of Kazakhstan, Kim T. Y. and Jin (2016) emphasize the critical role of cultural events and educational efforts in reviving ethnic consciousness

among younger generations of diaspora communities. The Korean diaspora in Kazakhstan employs a range of strategies, such as cultural festivals, language education, and the use of digital platforms, to sustain cultural practices and foster a sense of community. Particular attention should be directed toward the role of the Korean theatre as a cultural hub that serves not only the Korean diaspora but also the broader multiethnic population of Kazakhstan and the former Soviet Union. This theatre acts as a conduit for both "diaspora-building" and "diaspora integration," showcasing the vitality of Korean art, literature, and music (Kim, 2019). Furthermore, the cultural policy of the Korean government – especially in promoting the Korean Wave (*hallyu*) – illustrates a commitment to expanding Korean cultural influence globally. Studies on the Korean Wave contextualize how cultural diplomacy and national identity are projected through government initiatives, thereby offering a framework for understanding cultural globalization and the role of policy (Nam, 2013).

By examining these strategies and their implications, this article contributes to the broader discourse on cultural resilience and the adaptive nature of diaspora cultures in a globalized context. It underscores the need for a nuanced understanding of how communities balance cultural continuity with change, offering insight into the mechanisms of identity preservation amid global pressures.

LITERATURE REVIEW

Issues related to the preservation of an ethnic group's cultural values have been studied through the lenses of acculturation and assimilation theories. One of the earliest works by Redfield et al. (1936) defined acculturation as "the phenomenon resulting from continuous, firsthand contact between groups of individuals from different cultures, which leads to changes in the original cultural patterns of one or both groups." Later, in the 1960s, M. Gordon equated acculturation with assimilation and identified seven types of acculturation: Cultural assimilation (the process of adopting the language, dress, daily behavioural norms, values, and standards); Structural assimilation (the mass inclusion of minorities into clubs, groups, and institutions of the dominant society); Identificational assimilation (formation of social identity based on integration into institutional structures of the dominant group); Attitude reception assimilation (the absence of prejudice from the dominant society toward members of an ethnic group); Behavioural assimilation (elimination of discrimination toward ethnic minorities); Civic assimilation (absence of value-based conflict); Selective or partial acculturation, which is characterized by the adoption of certain aspects of the dominant culture without necessarily abandoning one's own cultural values or ethnic identity (Gordon, 1964).

However, the most relevant framework for understanding the experience of Koreans in Kazakhstan is proposed by J. Berry (1997), who defines acculturation as "the process of maintaining one's traditional ethnic culture while participating in intercultural exchanges." Such an acculturation strategy appears to be the most appropriate for Koreans living in Kazakhstan's multiethnic society.

These strategies have been further validated as mechanisms for the successful acculturation of Koreans into the dominant culture in more recent research. For instance, Baldanova (2014) argues that "a successful example of acculturation is the preservation of traditional values while also accepting the values of the dominant society by the Korean people. This highlights the relevance of stud-

ying the cultural and historical foundations of acculturation strategies used by Koreans in dominant cultures."

As such, strategies for maintaining cultural traditions have been explored in a number of academic sources, offering insights into how ethnic Koreans have preserved their customs and cultural heritage. Research on the acculturation of Koreans within the dominant culture, in the context of the historical and cultural origins of the Korean ethnic group, is well documented in Kazakhstan, Russian and international academic literature. The preservation of cultural values among Koreans in Kazakhstan represents a nuanced negotiation between the forces of tradition and the imperatives of innovation. This complex process has attracted scholarly attention, with researchers such as Kim G., Kang G., and Han V. offering pivotal analyses on how the *koryo saram* – ethnic Koreans in the post-Soviet space – have managed their cultural identity in the face of external pressures and evolving diasporic realities.

Kim's scholarship foregrounds the significance of cultural institutions, particularly the Korean theatre, as vital arenas for the sustenance and transmission of collective memory, art forms, and language practices within the diaspora. Established originally in Vladivostok and subsequently moved to several Kazakhstani cities due to Soviet-era deportations, the theatre has functioned as both a cultural haven and a bridge between generations. Over its 90-year history, it has not only fortified cultural retention among Koreans but has also facilitated meaningful intercultural dialogue within Kazakhstan's polyethnic milieu. Kim (2019) asserts that the theatre's ongoing relevance lies in striking a balance: upholding traditional performing arts while adapting to contemporary socio-political currents – a synergy that catalyzes both "diaspora building" and "diaspora integration" amid emerging challenges such as linguistic assimilation and generational shifts.

Khan (2021) systematically explores multiple dimensions of historiography concerning Central Asian Koreans, including general historical developments, participation in the Great Patriotic War, the organization of Korean collective farms, entrepreneurial activities in agriculture, and the broader Korean movement. In addition to historical narratives, the monograph focuses on ethnographic themes such as daily life, rituals, religious practices, culinary customs, and other features of the Korean community. It also engages with linguistic analysis, literary studies, visual and performing arts, as well as the dynamic processes of identity transformation. A key focus of the study is the emergence of the *koryo saram* as a distinct sub-ethnic group and the conceptualization of a "meta-nation," reflecting a globalized phase in the evolution of the Korean people. Khan underscores the importance of adhering to rigorous academic standards and explicitly critiques pseudo-scientific and non-professional contributions that have appeared in the field of Korean studies. This monograph not only provides an organized synthesis of existing research on the Korean diaspora in the region but also proposes innovative conceptual frameworks for analyzing ethnic identity and cultural transformation within transnational and post-Soviet contexts.

Scholars have noted that, despite the achievements gained through acculturation strategies during the Soviet period, when Koreans earned respect through their diligence, they simultaneously experienced cultural losses, including erosion of their native language and traditions. "Koreans became valued members of the

Soviet military-industrial complex. During Soviet rule, thousands of Korean collective farmers were awarded the medal 'Hero of Socialist Labor'. All of this demonstrated the degree of their usefulness and integration into Soviet society. The initial reasons for their forced relocation and the 'sense of resentment' were gradually erased by the economic success of the deported people" (Diener, 2006).

Researchers also examine the concept of "otherness" within the Korean diaspora in the post-Soviet space. By analyzing the mobility of the Korean diaspora categorized into "continental" and "Sakhalin" Koreans scholars have identified patterns of movement based on diasporic networks. The relaxation of movement restrictions during the Soviet period, the limitations imposed by newly formed national borders after the USSR's dissolution, and the establishment of diplomatic relations among CIS (Commonwealth of Independent States) countries after gaining independence all mark stages that illustrate the complexity of creating a coherent "diasporic space." Saveliev concludes that "the gradual degradation of ethnic ties may lead to further assimilation" (Saveliev, 2010).

Contemporary scholars point out that Kazakhstan has managed to develop a "flexible approach to citizenship and relatively peaceful interethnic relations." This success is attributed to a "subtle combination of Soviet legacy and renewed Kazakh national identity" (Seidikenova et al., 2020). However, the authors also critique the "ambiguity of citizenship notions during the Soviet period, which was marked not only by deportations, evacuations, voluntary and forced migrations, but also by rhetoric portraying of Kazakhstan as a 'promised land,' benefiting from Soviet friendship" (Seidikenova et al., 2020). It is noteworthy that such a strategic approach can be derived from Kazakhstan's unique experience. It is no coincidence that the element of "flexibility" is emphasized: "Koreans skillfully navigate the process of Kazakhization, integrating into public life on one hand, while preserving their original culture on the other. By occupying important socio-political positions, representatives of the diaspora fully validate the normative principles set forth in legal documents regarding a democratic society with a high degree of interethnic harmony and open access to institutions of power and governance" (Markova, 2021).

Academic research has also highlighted strategies adopted by non-titular ethnic groups for cultural preservation within Kazakhstani society. Based on ethnographic materials, researchers have identified strategies developed by activists of Tatar cultural associations "to manage the status quo and preserve cultural proximity." While the popularization of Kazakh heritage was used to reinforce the legitimacy of the titular nationality (i.e., Kazakh identity) and assert its hegemony within the Republic of Kazakhstan, other nationalities were also encouraged to develop their own cultures and participate in nationwide celebrations of unity and interethnic harmony during official state festivities (Davenel, 2012). For example, research into Tatar cultural events, which featured traditional costumes, dances, and songs revealed that Tatar folklore is celebrated by Tatars in Kazakhstan as a way to express cultural distinctiveness. As a result, Davenel (2012) noted that "Tatar folklore is defined as a strong ethnic marker." According to Davenel, one of the key strategies of the Tatar community involved the role of ethnic associations and the authority of specific individuals. The Tatars created a "non-political organization whose sole objective is the preservation and promotion of their national language and traditions. … By occupying public

spaces during state events and showcasing Tatar culture in schools and social in-
stitutions, the president of the Tatar association asserts their visibility and there-
fore their authority in the city" (Davenel, 2012). In the absence of strong support
from the governments of Tatarstan and Kazakhstan, the vitality and operations
of Tatar associations largely depend on the dedication and leadership of individ-
ual activists. The success of the association is also closely tied to its visibility in
the local context (Davenel, 2012).

Another study (Oh, 2012) explores the discourse surrounding the preservation
of culture and identity in two diasporas – the Korean and Ahiska-Turkish com-
munities – and their efforts to revive cultural life following Kazakhstan's in-
dependence in 1991. Drawing on fieldwork findings, the article examines the
survival and manifestation of diasporic nationalism in the increasingly nation-
alizing contexts of Kazakhstan and Uzbekistan. As non-titular ethnic minorities
have become "marginalized" due to the processes of nationalization and indig-
enization in both countries, Koreans have faced "serious challenges in achiev-
ing a sense of national identity due to their Sovietization" (Oh, 2012). Soviet
Koreans established numerous language education institutions throughout the
republic. In the early 1990s, there was a notable boom in Korean language learn-
ing among Soviet Koreans, with numerous Korean language courses organized
by Korean cultural centres and Korean missionary churches. Many of these lan-
guage centres were created with the assistance of the South Korean government,
which also provided Korean books, dictionaries, computers, and other technical
support (Oh, 2012). A major solution for cultural preservation among the Kore-
an diaspora has been "the establishment of various Korean cultural centres and
associations in Kazakhstan. In major cities such as Almaty, Kyzylorda, and Shy-
mkent – home to significant Korean populations – Korean cultural centres were
established. All of these associations emphasized the revival of the Korean lan-
guage, customs, and traditions as their primary goals and missions" (Oh, 2012).

Another strategy for preserving the cultural values of the Korean diaspora in
Kazakhstan is related to mobility between Central Asia and Russia, and between
Kazakhstan and the Republic of Korea. The Korean population in Kazakhstan
has shown relatively low net migration toward South Korea.

Recent studies also highlight the impact of narrative framing, both in local
community initiatives and through engagement with South Korea. Gorbunova
(2020) demonstrates that the South Korean media's evolving portrayal of the
diaspora has contributed positively to the self-image of *koryo saram*, valorizing
their resilience and their role as cultural and economic intermediaries between
Kazakhstan and Korea. This shift in external narrative has reinforced the com-
munity's strategies for maintaining their heritage while embracing innovation in
response to globalization and modernity.

Furthermore, in recent years, increased attention has been paid to the interac-
tions between ethnic groups in Kazakhstan. For example, the sociocultural sta-
tus of Koreans in Kazakhstan and their relations with the Turkish community
have been examined (Lee, 2020). Lee (2020) noted that "the Korean people of
Kazakhstan make significant efforts to preserve their ethnic origins while also
quickly adapting to the social changes of modern life." Overall, researchers have
consistently noted the political loyalty of Koreans in Kazakhstan. Recent studies
have highlighted key themes such as "the Korean diaspora as a subject of Ka-

zakhstan's national policy" and "the Association of Koreans in Kazakhstan as an initiator of public and humanitarian programs in the country." Markova characterizes Kazakhstani Koreans as "an organic part of Kazakhstan's democratic society" (Markova, 2021).

MATERIALS AND METHODS

The methodology of this research involved analyzing materials from official sources of the Korean diaspora (data from ethnic media resources, as well as protocols and official speeches), archival sources, and interview data from second and third-generation ethnic Koreans. Written sources were collected from the archive of the Union of Legal Entities "Association of Koreans of Kazakhstan," as well as from official historical materials related to the Korean community organization. Interviews were drawn from the ongoing research project "Memory," initiated by the Association of Koreans of Kazakhstan in collaboration with the Archive of the President of the Republic of Kazakhstan. Segments of interview transcripts were selected based on key terms such as "traditions," "culture," and "customs."

This study focused on the ethnic Korean population (*koryo saram*) residing in Almaty, Kazakhstan, with purposive sampling employed to ensure the collection of rich, contextually relevant data aligning with the research goals [2]. The sample consisted of 16 participants – 11 women and 5 men – spanning an age range from 38 to 85 years. The cohort encompassed three generational groups: (1) first-generation deportees and settlers (80 years old and above), (2) second-generation individuals born and raised in the Soviet era (aged 80 to 45 years old). All participants were long-term residents of Almaty, the historical and contemporary centre of the Korean diaspora's cultural, educational, and social activity in Kazakhstan. Inclusion criteria mandated self-identification as ethnically Korean, residence in Almaty for at least five years, and willingness to share personal and familial experiences regarding cultural traditions, adaptation strategies, and identity. Participants were recruited using a combination of referrals from Korean cultural associations, snowball sampling among community members, and direct contact during cultural events. This strategy aimed to capture a diversity of perspectives, with attention to gender balance, age, and varying degrees of cultural engagement.

A total of 16 in-depth, semi-structured interviews were conducted between February and April 2025. Interview sessions ranged from 60 to 100 minutes and were held primarily at participants' homes or community cultural centres to foster a comfortable atmosphere, promote rapport, and facilitate open dialogue – a key requirement in qualitative interviewing. This approach aligns closely with the localist perspective, which treats interviews as dynamic social encounters co-constructed by researcher and participant. The interview guide included open-ended questions around themes of cultural value preservation, adaptation mechanisms, generational perceptions, and social integration, with scope for participant-led elaborations. All interviews were audio-recorded with informed consent and subsequently transcribed verbatim for analysis. The study strictly adhered to principles of voluntary participation, informed consent, and confidentiality. Prior to participation, respondents received written and oral information about research objectives and assurances of anonymity; opportunities for withdrawal were communicated at all stages.

Determining sample size in qualitative research is guided by the concept of saturation – the point at which further data collection no longer yields new themes or insights. Data collection continued until informational redundancy was observed – the last five interviews produced no substantially new categories or responses – fulfilling this criterion. The choice of sample size and composition is aligned with recommendations in current qualitative methodology literature, which emphasizes depth over breadth and the purposive inclusion of diverse yet information-rich informants. Given the specific historical and sociocultural focus of this study, the sample size was deemed adequate for achieving nuanced understanding and for facilitating case-oriented, interpretive analysis.

Based on interviews with members of the Korean diaspora in Kazakhstan, researchers have explored family histories, language preferences, and definitions of "home" among ethnic Koreans "within the post-Soviet context and a homogenizing state." These findings offer valuable insights into strategies for preserving the history and culture of the diaspora through the "reclaiming and reinterpretation of diasporic memory." Cultural values are passed down from generation to generation among Kazakhstani Koreans. Family stories are "retold, rewritten, and reinterpreted" in light of "the migration experiences and paths of different generations" under changing historical circumstances. As a result, intergenerational relationships to language and identity are shaped (Ahn, 2019). Thus, the issues of preserving ethnic culture as part of ethnic identification have been approached from various scholarly perspectives. The authors of this study attempt to explore these issues through discourse analysis of official documents from the public organization representing ethnic Koreans in Kazakhstan, as well as interviews with Kazakhstani Koreans from different generations.

RESULTS AND DISCUSSION

The cultural values of Koreans in Kazakhstan such as language, traditions, customs, and holidays, have always remained at the centre of the Korean community's focus in Kazakhstan. The mentality of Koreans changed in response to the challenges of one and a half centuries of living outside their historical homeland, but their basic values remained more or less stable (Sim, 2006). The findings of this study highlight a non-linear process of identity negotiation and acculturation, shaped by local integration, generational change, and transnational engagement with South Korea. The interviews reveal that second – and third-generation Koreans in Kazakhstan have developed contextual ethnic identities, with situational language use. Ethnicity in this context is neither rigidly preserved nor dissolved but negotiated fluidly through language, memory, and local social integration. Furthermore, while most *koryo saram* are historically descended from the northern regions of the Korean peninsula, South Korea has emerged as a symbolic cultural homeland, especially following Kazakhstan's independence. Additionally, at the institutional level, the Association of Koreans of Kazakhstan and its initiatives serve as key structures for maintaining ethnic identity while supporting integration into Kazakhstani civic life. The *koryo saram* experience exemplifies selective integration: adoption of Kazakhstani civic norms and multilingual adaptability coexists with the preservation of core cultural elements such as foodways, rituals, and affective memory. This supports multidimensional models of acculturation in which integration and cultural persistence are not mutually exclusive but are instead mutually reinforcing.

PRESERVATION OF CULTURAL VALUES

A central question confronting researchers concerns the extent to which Koreans in Kazakhstan have preserved their ethnic identity, how they construct and perceive that identity, and the ways in which family values and cultural traditions are sustained and transmitted across generations. From interviews with second – and third-generation Koreans, it becomes clear how life in multicultural Kazakhstan has influenced the self-identification of the study participants. For instance, one of the interviewees, TKN (female, 75 years old) shared her family's life during the Soviet period:

> We lived like one big family with the Kazakhs, honestly, there were no fences, no locks... Our neighbours were Aliya and Galiya, born in 1951, a year younger than me, and we lived happily together! There were five Korean households, the rest were Kazakhs, and one was Russian. Naturally, we spoke Kazakh with them! We didn't know Russian, only Korean or Kazakh. So, I communicate well with Kazakhs, and now I speak Kazakh with them, with Russians – Russian, with my grandmothers – Korean. I know these languages well.

This excerpt highlights the absence of fences and locks, symbols of social or ethnic isolation. It suggests an open, integrative community where representatives of different ethnic groups – Koreans, Kazakhs, and Russians – lived in close proximity, shared daily practices, and languages. Such coexistence can be described as practical multiculturalism, typical of rural and small urban communities in the Soviet Union, especially in Central Asia. Ethnicities were distinguishable but not isolated; cultural boundaries were permeable and flexible. The excerpt also indicates a dynamic, situational identity: the informant switches between three languages depending on the context – Kazakh with Kazakhs, Russian with Russians, and Korean with the elderly. This reflects contextual ethnic identity, built not on opposition but on flexible navigation between cultures. This identity model is characteristic of the post-deportation generation of Koreans in Kazakhstan, who were forced to adapt to a new environment but still found ways to preserve elements of Korean culture – primarily language, culinary traditions, family customs, and rituals.

The story of another participant, KGA (female, late 60s – early 70s), provides testimony to the personal and collective motivation to preserve and revive the Korean language and cultural memory, as well as the active civic initiative at the local level. Here's how she described it:

> We heard a lot of Korean [language], my grandmother spoke it, but we didn't know the language, it was within us. When I became an adult and started learning Korean, I was so happy, I read [words and realized] – oh, I know this word, and I know that one, I've heard it! So, it wasn't too difficult to learn Korean. … When my granddaughter turned 6, I heard that the education centre in Almaty teaches children Korean, so I took her there. I really wanted my granddaughter to know the Korean language. When I brought her to the lessons, I wondered, where should I go [while waiting for the granddaughter to finish her classes]? So I sat in on the lessons… and I really liked it, such interesting les-

> sons! At that time, a volunteer from Korea, Sonya-seonsaengnim, was conducting the classes, and she was a kindergarten teacher from Seoul with extensive experience. It was very interesting, so engaging! I liked it more than my granddaughter did. I asked her, could you come to us [referring to a town in the Almaty region], I can only take my granddaughter to lessons, but there are many Koreans in Kapchagay. I said I would try to organize everything. She [Sonya-seonsaengnim] contacted the director [of the education centre], and they sent us two teachers. So, in the summer, when they were free, we organized [a group of students] and started with five people, and now we have a school. This year, we have 40 people, but two years ago (before the pandemic), we had 120 students. Can you imagine, for such a small town, it's a lot! We have both adults and children, as well as Kazakhs and Russians.

From this passage, it can be concluded that language can be preserved as a memory, an emotional trace, or a sound experience, even if it is not fully transmitted functionally. In this case, the Korean language serves as a cultural code, not so much instrumental as identificational. As the informant grows older, a desire arises to reclaim this lost code, and the process of language learning becomes an act of internal recognition of ethnicity and cultural heritage. Additionally, KGA's individual interest transforms into a collective initiative. The starting point is her concern for passing the language on to her granddaughter, but gradually it transforms into a social project that involves dozens of people. This is an example of local activism within an ethnic minority, where Koreans in Kazakhstan take on the role of agents of cultural preservation. From this example, we can also conclude that the revival of language and culture does not occur in isolation but with support from South Korea. This underscores the importance of a transnational Korean space, where historical diasporas and the metropolis collaborate in the cultural and educational sphere. Such support not only contributes to the preservation of language but also strengthens the sense of belonging to a global Korean identity. Moreover, the fact that the Korean language program in Kapchagay is open not only to ethnic Koreans but also to representatives of other ethnic groups signifies a hybrid model of cultural heritage, where Korean culture becomes a shared resource in a multicultural environment. Ultimately, such practices promote intercultural dialogue and social cohesion, going beyond ethnic exclusivity.

At the same time, our participants identified themselves as ethnic Koreans from Kazakhstan. For example, PAS (female, 76 years old) expressed this in the following way:

> Now my children live far away [outside of Kazakhstan], but they all consider themselves Kazakhstani. I go there and try to speak to them in Russian. When my grandson turned one, I went to visit him for his first birthday. After that, I've been spending six months there every year. The children don't know much about Korean culture. But there, in America, they are more familiar with Kazakhstani culture. We go to Chinatown for the Eastern New Year. There, Koreans – it's all young people in all the centres [probably refers to cultural centres]! Whereas here, only elderly people come, they sing songs, dance, and I say: "Well, it's exactly like in Kazakhstan!"

Although PAS's children lived abroad (in this case, in the USA), they retained a national identity connected to Kazakhstan rather than an ethnic Korean one. This highlights that for many ethnic Koreans, especially in the second and third generations, "Kazakhstani-ness" becomes a more significant identity than their ethnic origin. This may be related to the fact that their socialization occurred within Kazakhstan's multiethnic context, where ethnic differences are often integrated into the civic community. As PAS noted, her children were not well-versed in Korean culture, which points to a gap in cultural transmission, especially abroad. This is typical for third-generation diasporas, particularly when the language and cultural practices were not institutionalized in the family or educational environment. This situation confirms the observation that in the context of migration, ethnic cultures often give way to national (in this case, Kazakhstani) or global (American) cultures. For migrants from Kazakhstan, especially members of minority groups, a "Kazakhstani" identity turns out to be more recognizable and useful in the international environment than a Korean one. It creates a sense of commonality, especially when Korean culture is no longer fully embraced by the descendants.

INFLUENCE OF SOUTH KOREAN CULTURE

As it was illustrated in the cases above, the influence of South Korean culture on the Kazakhstani Korean community has become increasingly pronounced over the past decade. Considering the historical origins of ethnic Koreans in Kazakhstan – primarily from the northern regions of the Korean peninsula – it is plausible to hypothesize that elements of North Korean cultural and linguistic content have influenced the development of their community identity. "Despite this geographical origin (although the Korean peninsula was not yet divided at that time), most Kazakhstani Koreans 'chose' South Korea as their kin state. In post-Soviet Kazakhstan, South Korea has almost exclusive representation among the local Korean community" (Oka, 2006).

Over time, South Korean culture – disseminated through diplomatic initiatives and economic partnerships – began to permeate the cultural landscape of Kazakhstani Koreans, who actively engaged with and adopted various elements of Korean cultural expression. This process has been underpinned by South Korea's longstanding commitment to cultural preservation and heritage promotion. The first comprehensive document on the preservation of historical and cultural heritage in the Republic of Korea was the *Agreement on the Preservation of Cultural Heritage of the Republic of Korea* (1982), which emphasized the necessity of preserving the cultural heritage within South Korea. The agreement included the concept of "cultural values" as: "state, national, and world heritage with historical, artistic, scientific-technical, and natural value, created by nature and humanity" (Lazareva, 2018). As a result, the early years of Kazakhstan's independence marked a period of cultural revival for ethnic Koreans, during which efforts to reclaim and revalorize ethnic traditions gained renewed momentum.

To promote the global recognition of Korean culture, the Korea Foundation supports international performances by designated bearers of South Korea's intangible cultural heritage (Lazareva, 2018). South Korea not only stimulates the preservation of cultural values but also supports ethnic Koreans in building businesses, through both South Korean entrepreneurs and government organizations. Oh (2012) notes that "the driving force behind the current active ac-

tivities of the Korean diaspora is the abundance of well-educated intellectuals and constant material support from the homeland, i.e., South Korea." All of these developments unfolded within the framework of perceiving Kazakhstan as a homeland by the ethnic Korean community. However, this perception was marked by a degree of ambivalence, shaped by the complexities of Kazakhstan's geopolitical landscape. Ahn's (2019) study of Kazakhstani Koreans across different generations revealed that successive political regime changes – ranging from Tsarist Russia to the Soviet Union and finally to independent Kazakhstan – significantly influenced notions of belonging and homeland among members of the community. "Tsarist Russia, the Soviet Union, independent Kazakhstan" – as well as the emergence of South Korea in the global economy and the distancing from North Korea, led to a "view of South Korea as the guardian of the 'Korean' language, culture, and history" (Ahn, 2019).

Official sources from the Korean diaspora (data from ethnic media resources, as well as protocols and official speeches) demonstrated the presence of the South Korean diplomatic mission, alongside the role of South Korean culture in various areas of societal life.

> Our president stated that ethnic cultural organizations should become "living bridges" for interaction with historical homelands. Over the past 25 years, we have actively built relationships with the Republic of Korea. Today, we have achieved recognition. This is evidenced by the large number of delegations from the Republic of Korea. All delegations talk about the importance of Kazakhstani Koreans surviving under difficult conditions, and how today, Kazakhstani Koreans are recognized and respected. Today, it is necessary to move from "empty talks" to real actions. Social, cultural, and business projects should be launched in all regions of Kazakhstan (Kim, 2015).

At present, a significant challenge persists in the coordination and communication among various Korean institutions, both within Kazakhstan and internationally, including with counterparts in South Korea. This lack of coherence extends across public organizations and ultimately affects interactions at the level of everyday community members. Despite the huge amount of information about Koreans and Korea available on the internet, it is not systematized or adapted for users, and therefore works ineffectively. A simple example: there is no clear description of the traditions and customs of *koryo saram*, and the data from all sources differ. Many cannot find the simplest things, such as how to celebrate a child's first birthday, *hangabi* (anniversary) (Kim K.S., 2015), as well as other customs, and even how to properly conduct funerals (from an interview with President of AKK – Shin Y., 2022).

While nowadays ethnic Koreans can easily access information regarding traditional Korean customs, considerable variation and disagreement persist among local *koryo saram* communities, particularly along regional lines based on their place of origin. These divergences reflect the heterogeneous historical and cultural trajectories of ethnic Korean groups, shaped by the specific socio-cultural environments of the areas in which they settled. In many cases, traditional Korean practices have been hybridized with local customs, complicating efforts to distinguish between what might be considered "authentic" Korean traditions

and what has emerged through cultural syncretism. A notable example involves the practice of shaving the heads of babies. Some *koryo saram* assert that this is a traditional Korean custom intended to promote healthy hair growth, while others contend that the practice is not originally Korean but rather borrowing from Central Asian cultural norms. This indicates the need for interaction between the Korean ethnic community and the historical homeland, its cultural postulates, and daily life. The main reason for this need is likely to be the preservation of the "rules and postulates" of authentic Korean traditions, especially in the life cycle.

In this context, South Korea is increasingly conceptualized not as a historical, but as a symbolic "homeland" – serving as a source of cultural, linguistic, and identity-based legitimacy for the Korean diaspora in Kazakhstan. Here we see tension between cultural globalization and local authenticity, where South Korean culture is perceived as a standard, but its adaptation requires mediators, institutions and a sustainable diaspora infrastructure among *koryo saram*. At the same time, Kazakhstani Koreans feel the need not just to consume culture, but to preserve and transmit it in a reasonable manner, while also reproducing and adapting it to the realities of life in Kazakhstan. The key challenge is to create a coherent, accessible, legitimate system of ethnocultural education and communication capable of uniting generations, regions and the diaspora with the "historical homeland." This requires not only external assistance but also internal institutional development of the ethnocultural associations and local initiatives themselves.

ASSOCIATION OF KOREANS OF KAZAKHSTAN AS A CIVIC AND CULTURAL BRIDGE

One of the key strategies employed by Kazakhstani Koreans is the preservation of Korean cultural heritage within the broader context of Kazakhstani society, wherein shared civic and ethical values are actively cultivated. A vital approach to preserving Korean cultural identity in Kazakhstan is the proactive engagement of the diaspora within Kazakhstan's civic and institutional structures. Among the most significant of these are the Assembly of the People of Kazakhstan (APK) and the Association of Koreans of Kazakhstan (AKK). These entities not only provide platforms for cultural continuity but also serve as mechanisms for integration into Kazakhstan's sociopolitical landscape and for fostering transnational ties with South Korea.

In general, the APK plays a key role in promoting interethnic harmony, civic unity, and loyalty to the state. As emphasized by the APK, ethnocultural associations are expected to contribute not only to cultural preservation but also to national integration efforts. These contributions include participation in initiatives that build social cohesion and reinforce Kazakhstan's shared civic values.

At an online meeting with members of the Board of the Association of Koreans of Kazakhstan (AKK), Mr. Marat Azilkhanov – Deputy Chairman of the APK and Head of the Secretariat of the Assembly under the Administration of the President – emphasized that ethnocultural associations should not only focus on preserving their own history, culture, and traditions but must also engage in integration-oriented projects aligned with the national agenda. He underscored the need for a heightened level of civic engagement under current conditions, advocating for the protection of shared values such as mutual respect, support

for the Head of State, and social tolerance (Minutes, 2022). Furthermore, Mr. Azilkhanov cited the example of the Association of Entrepreneurs, emphasizing that its activities should generate economic benefits for society at large. He highlighted the importance of involving members of the Korean community – including those from their historical homeland – in the Association's initiatives. This involvement, he noted, extends beyond financial investments to encompass broader domains of collaboration. He also stressed the necessity of strategic planning to ensure the effective and comprehensive utilization of available resources (Minutes, 2022).

On the other hand, the Association of Koreans of Kazakhstan serves as the central institutional body representing the Korean diaspora in Kazakhstan. It promotes the Korean language, traditions, and intangible heritage through educational and cultural initiatives, while also participating in national policy platforms such as the APK. The AKK fosters ties with South Korea via partnerships with overseas organizations, enabling access to resources and expertise. All initiatives and directives presented to the Assembly of the People of Kazakhstan – whether during parliamentary sessions or government meetings – have been thoroughly examined and deliberated by the Association of Koreans of Kazakhstan. These discussions have taken place across regional branches, within the Board of Trustees, and during meetings of the Presidium, reflecting the Association's commitment to active engagement in national policy frameworks. The Head of the Association of Koreans of Kazakhstan – Mr. Ogay S. – affirmed that the Association of Koreans of Kazakhstan was prepared to actively participate in all relevant processes and to contribute to the country's advancement, despite existing challenges. The Association, he emphasized, expresses its full readiness to support initiatives aimed at national development. Furthermore, Mr. Ogay stated that the purpose of his address was not merely to voice an opinion but to offer concrete proposals from the Association on how to enhance the effectiveness of both the Assembly of the People of Kazakhstan and ethnocultural associations more broadly. In response to recent public discussions questioning the continued relevance of the Assembly, he clarified that the Association of Koreans of Kazakhstan maintains a clear and unequivocal stance: the Assembly remains essential and continues to play a vital role in the state's socio-political framework (Minutes, 2022).

Furthermore, Mr. Ogay noted the importance of using the resources and potential of ethnocultural associations. He expressed the view that today the potential of ethnocultural associations is underused.

> Each ethnic group is a kind of bridge between Kazakhstan and their historical homelands. This potential needs to be strengthened today, and the work of ethnocultural associations should be directed not only at the development of culture and traditions, but also at attracting potential programs and implementing them inside Kazakhstan. Today, ethnocultural associations as 'living bridges' can bring maximum benefit from abroad for the development of our country, becoming a kind of 'social ambassadors of their historical territories'. If this direction is strengthened, then each ethnocultural association can bring enough benefit to Kazakhstan (Minutes, 2021).

Thus, the official data and activities of the public organization representing Koreans of Kazakhstan illustrate a set of strategic approaches to cultural preservation. These include a demonstrated commitment to the state policy of Kazakhstan, the pursuit of unity and solidarity with all ethnic groups residing in the country, and the intention to contribute meaningfully to the development of Kazakhstan as their adopted homeland – a country that, nearly ninety years ago, welcomed ethnic Koreans through the hospitality of its people. Among the initiatives of the Association of Koreans of Kazakhstan, a particularly noteworthy project is the establishment of the "AKK Networking" platform. At the III Republican Forum in 2021, Mr. Ogay reported that the platform had been in development for three years and had reached 178 registered members. He emphasized that the primary objective of AKK Networking is to consolidate professional leaders from the third generation of Koreans in Kazakhstan (Minutes, 2021). This strategy not only supports the preservation and transmission of cultural traditions but also fosters closer communication and intergenerational engagement among younger members of the community. It is noteworthy that all events organized by the Association of Koreans of Kazakhstan were held with the participation of representatives from the diplomatic missions of the Republic of Korea. Furthermore, these events received support from the Overseas Koreans Foundation, which maintained a representative office in Almaty.

Overall, the preservation of Korean cultural traditions in Kazakhstan is characterized by a comprehensive, institutionalized, and integrated approach. At the core of these efforts is the Association of Koreans of Kazakhstan, which functions as a key actor in maintaining Korean heritage while aligning with Kazakhstan's national policy of civic unity and multicultural inclusion. The AKK engages in cultural preservation, while simultaneously playing an active civic role by participating in the Assembly of the People of Kazakhstan, supporting state-led integration agendas, and contributing to national development goals.

CONCLUSION

The experience of Kazakhstani Koreans is an example of successful integration without assimilation in a multicultural society. Ethnic Koreans in Kazakhstan remain a recognizable cultural group, actively participating in the social, economic and civil life of the country. Their identity is not static – it is restored, activated and transformed through language, family memory, life cycle rituals and various forms of cultural exchange. Of particular importance in this process are linguistic capital, intergenerational transmission of traditions, as well as networks within Kazakhstan and with South Korea. Korean culture, partially lost at the level of everyday practices, is preserved as a symbolic and emotional heritage, actualized in the context of transnational dialogue. As such, in multinational and polycultural contexts such as Kazakhstan, ethnic Koreans have demonstrated acculturation through selective integration – adopting aspects of the broader Kazakhstani and Russian social environment while simultaneously maintaining distinct linguistic, familial, and cultural traditions. This mirrors the multidimensional models of acculturation, which recognize integration, assimilation, separation, and marginalization as simultaneous possibilities, rather than mutually exclusive outcomes. Moreover, younger Koreans may display more adaptive integration – balancing inherited values with pragmatic adaptation to the prevailing cultural milieu. This underscores Koreans as a paradigmatic case

of acculturation, where adaptation and cultural persistence are co-constitutive rather than oppositional processes.

Furthermore, as demonstrated through the activities of the Association of Koreans of Kazakhstan and supported by interviews with participants, the Korean community acts as an integral part of the Kazakhstan's multiethnic society – "part of a single whole," contributing to the cultural diversity of the country. As such, the Korean experience reflects not a static outcome but a dynamic interplay of strategies, consistent with the pluralistic and context-dependent nature of acculturation. The Koreans in Kazakhstan do indeed stand as a compelling illustration of acculturation: their community embodies the strategies by which diaspora groups adapt, integrate, and persist within new social and cultural terrains, demonstrating that acculturation is a complex process that encompasses, rather than erases, diversity within and between generations.

Ethical Commission Approval

This study involving human participants has completed and fulfilled the ethical guidelines requirements. The participants provided written informed consent before taking part in the study and were informed about its objectives.

Conflict of Interest Statement

There is no conflict of interest with any institution or person within the scope of this study.

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STATE REGULATION OF CORPORATE SOCIAL RESPONSIBILITY IN KAZAKHSTAN: A QUALITATIVE AND QUANTITATIVE ANALYSIS OF LEGAL AND POLICY FRAMEWORKS

Kuanysh TEL [1]

[1] L.N. Gumilyov Eurasian National University, 010008, Kazakhstan

kuanysh.tel.akx@gmail.com
ORCID: 0000-0002-2154-060X

Bayan SMAGAMBET [2]

[2] L.N. Gumilyov Eurasian National University, 010008, Kazakhstan

smagambetb@gmail.com
ORCID: 0009-0009-3560-1926

ABSTRACT

The article presents an analysis of the content of key regulatory legal acts of the Republic of Kazakhstan governing corporate social responsibility (CSR) for business. The method of content analysis is used, combining a qualitative assessment of the content of strategically significant documents and a quantitative review of references to the main thematic categories. It has been established that there is no single specific law on CSR in Kazakhstan, but certain aspects of social responsibility are integrated into various legislative acts (labour, environmental, entrepreneurship, etc.). A comparative analysis of Kazakhstan's regulation with international standards and practices is conducted. The study delineates the strategic areas of state regulation of corporate social responsibility (CSR), including the protection of workers' rights, the promotion of social partnership, environmental conservation, and the encouragement of charitable activities and social investment, providing a comprehensive analysis of their qualitative and quantitative dimensions. Based on the identified gaps, recommendations are proposed for improving legislation in the field of CSR, taking into account advanced foreign experience and sustainable development goals. The main conclusions emphasize the need to adopt a comprehensive national strategy for CSR and strengthen government measures to stimulate responsible business.

Keywords: Corporate social responsibility, Regulatory legal acts, Sustainable development, Content analysis, Social partnership.

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INTRODUCTION

Corporate social responsibility (CSR) is a concept whereby businesses voluntarily assume additional obligations to society that go beyond the minimum legal requirements. The classic CSR model includes four main components: economic, legal, ethical, and philanthropic (Carroll, 1991). In other words, in addition to making a profit and complying with laws, companies are expected to behave ethically and contribute to solving social and environmental problems in society. In the context of the global sustainable development agenda and increasing stakeholder expectations, the importance of CSR is steadily growing. All over the world, there is a shift from voluntary initiatives to a more systematic integration of responsible business principles into company strategies and in some countries, to legislative consolidation of individual elements of CSR. For example, in India, since 2013, large companies have been required by law to allocate 2% of their profits to social projects (Companies Act, 2013, and the European Union has introduced an obligation for large enterprises to disclose non-financial reports on their activities in the field of ecology and society (EU Directive 2014/95/EU, 2014).

For Kazakhstan, the concept of CSR is also acquiring strategic importance in the context of sustainable development and economic modernization. Kazakhstan, following global trends, has officially supported the UN Sustainable Development Goals and declared its commitment to the principles of responsible and ethical business. The Kazakhstan-2050 Strategy proclaimed goals in the field of social modernization and "green" growth, which imply active participation of businesses in solving social problems and protecting the environment. Large companies in the country are gradually introducing international standards of corporate reporting and sustainable development practices. However, the role of the state in regulating CSR remains debatable. On the one hand, CSR is traditionally viewed as a voluntary business initiative. On the other hand, without certain coordination and incentives from the state, the development of CSR may be non-systemic.

The relevance of this study is due to the need for a comprehensive analysis of the current regulatory legal acts of Kazakhstan related to the field of CSR. The problem is that there is no single law on corporate social responsibility, and the elements of CSR are "scattered" across different branches of legislation. This complicates the formation of a holistic state policy in this area and the setting of strategic priorities. The hypothesis of the study is that the current regulatory framework covers the main aspects of CSR (social, environmental, economic) fragmentarily, mainly through related laws (labour, environmental, business legislation, etc.), and needs to be systematized and supplemented taking into account modern challenges and international standards.

The objective of the study is to provide a qualitative and quantitative description of the content of strategically significant regulatory documents of the Republic of Kazakhstan in the field of CSR in business, to identify priority areas of regulation and to develop recommendations for improving the legislation. To achieve this goal, the following tasks are solved in the work: (1) to determine the range of key regulatory acts directly or indirectly regulating aspects of CSR in Kazakhstan; (2) to conduct their content analysis, highlighting the main thematic categories and assessing the amount of attention paid to them; (3) to compare

the Kazakhstani approach to regulating CSR with international practices and standards; (4) to identify gaps and shortcomings of the current regulatory framework; (5) to suggest areas for improving state regulation of CSR.

LITERATURE REVIEW

The issue of corporate social responsibility of business has received considerable attention in the scientific literature over the past decades. Classic works (Carroll, 1991; Freeman, 1984) laid the theoretical foundations for the concept of CSR and the stakeholder approach, which emphasizes the responsibility of the company to a wide range of stakeholders – from employees and consumers to local communities and society as a whole. Over time, the focus of research has shifted from discussing the voluntary nature of CSR to studying effectiveness, measuring the impact on sustainable development, and the role of regulatory control.

There is a variety of approaches to regulating CSR in international practice. In most developed countries, legislation does not establish direct requirements for CSR, relying on voluntary standards and market mechanisms (Moon, 2004). However, certain elements have been formalized: for example, in France and the UK, laws oblige large companies to publish non-financial reports (on their impact on society and the environment), and a number of countries (India, Indonesia) provide for standards on minimum expenditure on social programs. There are also national CSR strategies and codes adopted by governments to coordinate the efforts of business and the state (for example, the National CSR Strategy in a number of EU countries). International organizations offer framework principles: the UN initiated the Global Compact, which contains 10 principles of responsible business conduct; the OECD approved the Guidelines for Multinational Enterprises, covering human rights, labour, the environment and anti-corruption. The ISO 26000 standard (2010) provides universal recommendations on social responsibility for organizations. These documents are not mandatory but serve as guidelines for the development of national policies.

For countries with transition economies and developing countries, the issue of adapting global CSR principles to the local context and determining the optimal degree of government intervention is relevant. Some studies note that in conditions of underdeveloped civil society and weak public pressure, the state plays a critical role in stimulating CSR (Jamali, Karam, 2018). On the other hand, excessive regulation can undermine the voluntary nature of CSR and lead to formal compliance with requirements without real impact.

In Kazakhstan, CSR research began to develop in the 2000s, reflecting the gradual spread of this concept among businesses. According to an early study, the perception of CSR by Kazakhstani managers in the early 2010s was limited primarily to charity and sponsorship, while systemic aspects (environmental responsibility, labour rights, business ethics) were on the periphery of attention (Smirnova, 2012). Smirnova noted that the key factors stimulating CSR in Kazakhstan were large foreign companies and international financial organizations that broadcast their standards rather than internal legislative requirements (Smirnova, 2012).

Over the past years, there has been an evolution of the approach to CSR in Kazakhstan. According to a recent study by Bulkhairova et al. (2023), the lev-

el of business awareness of CSR principles has increased significantly, with more and more companies implementing social reporting and sustainable development practices. However, the authors note that CSR is not developing fast enough, and one of the reasons is the lack of clear legislative guidelines and incentives. In particular, it is confirmed that there are still no special laws on CSR in Kazakhstan, although certain *prerequisites* have been created in the form of regulatory references and individual benefits. Baltabayeva et al. (2024) characterize the Kazakhstani model of CSR for large businesses as still emerging, representing a combination of government regulation and business initiatives. In their work, they identify the main CSR *stakeholders* in Kazakhstan (the state, business associations, NGOs, local communities, etc.) and emphasize the importance of partnership between them to promote CSR principles. The authors trace the evolution of public policy: from the first steps in the 1990s (the 1994 Presidential Decree on Social Partnership) through incentive measures in the 2000s (the establishment of the Paryz Prize in 2008) to current efforts to implement international initiatives (for example, localizing the principles of the UN Global Compact). It is noted that as early as 2013, at the initiative of the Eurasia Foundation of Central Asia, a draft National Concept of CSR in Business was developed; however, a unified concept has not yet been officially adopted at the government level. Nevertheless, a certain *system for promoting CSR* ideas is emerging, including both regulatory elements and institutional mechanisms (partnerships, forums, competitions).

A number of sector-specific analyses highlight the particular role of CSR in Kazakhstan's extractive industries, especially in the oil and gas sector. Large subsoil users are often major contributors to social development in the regions where they operate – supporting education, healthcare, and infrastructure. However, such initiatives are frequently not the result of a cohesive national CSR policy but rather stem from contractual obligations under subsoil use agreements or informal arrangements with local authorities. This contract-driven model reflects a limited view of CSR as a compliance mechanism rather than a strategic business philosophy.

A recent study by Tauyekelova et al. (2024) conducted a comparative analysis of CSR practices in Kazakhstan and developed countries. According to its results, compared to developed countries, where CSR is already an integral part of corporate strategy, Kazakhstan is still lagging behind in a number of indicators (level of transparency, stakeholder involvement), although it has positive dynamics. The authors conclude that *systemic efforts* are needed to accelerate the development of CSR in the country, including developing an understanding among businesses that long-term financial success depends on reputation and public trust. One of the ways to achieve this is the introduction of integrated reporting and the concept of "reasonable corporate egoism", when social investments are considered as a contribution to the company's own competitiveness.

In addition to Kazakhstani and Western academic sources, it is important to consider research from the Turkic world, where corporate CSR is also actively developing. In Türkiye, the perception and practice of CSR have undergone significant changes under the influence of global trends and internal transformations, including political, economic, and social shifts. As Yelkikalan and Kose (2012) point out, the financial crisis also had a notable impact on the evolution of CSR in Türkiye, encouraging companies to integrate social responsibility as a stra-

tegic response to growing public expectations. In Azerbaijan, a study on CSR practices among small and medium-sized enterprises (SMEs) identified major barriers to CSR integration and highlighted the need for sustainable strategies (Gahramanova, 2022). In Uzbekistan, empirical findings suggest that brands offering socio-economic benefits through CSR positively influence consumer purchase intentions, underlining the growing importance of CSR in developing countries (Ataniyazova et al., 2022). Including this regional comparative perspective enriches the understanding of CSR trends and offers an additional foundation for evaluating Kazakhstan's legislative approach.

A literature review shows that, despite the growing attention to CSR from the scientific community and the existence of individual initiatives, there remains a gap in Kazakhstan between the declared importance of CSR and the degree of its consolidation at the regulatory level. Many researchers directly point to the fragmentation of the legislative framework and the absence of a coordinating document (strategy, concept), which complicates the development of CSR (Bulkhairova et al., 2023; Baltabayeva et al., 2024). Similar challenges have been observed in other Turkic countries, such as Türkiye, Azerbaijan, and Uzbekistan, where interest in CSR is growing but regulatory frameworks often remain fragmented and inconsistent. At the same time, it is emphasized that Kazakhstan has all the necessary prerequisites for the active promotion of the principles of responsible business there are basic laws regulating labour and environmental standards, the state declares its commitment to sustainable development, and the business elite is aware of reputational risks. Thus, the task of analysing current regulatory legal acts in terms of their content related to CSR is relevant in order to outline ways for further development of regulation.

METHODOLOGY

To achieve the objectives of the study, the method of content analysis of regulatory legal acts with elements of comparative legal analysis was chosen. Content analysis allowed us to identify how and to what extent topics related to corporate social responsibility are reflected in the text of official documents. The study is of a qualitative and quantitative nature: on the one hand, a qualitative interpretation of the provisions of legislative acts was carried out (highlighting semantic categories corresponding to aspects of CSR), on the other hand, a calculation of the conditional frequency of mentioning certain thematic categories or the volume of regulatory material devoted to them was performed to assess the emphases of state policy.

The object of the analysis was the strategically significant regulatory and legal acts of the Republic of Kazakhstan, which directly or indirectly regulate CSR issues. These include: The Constitution of the Republic of Kazakhstan; the Labour Code; the Entrepreneurial Code; the Tax Code; the Environmental Code; a number of special laws, such as the Law on Private Entrepreneurship (no longer in effect, but historically important), the Law on Public-Private Partnership, the Law on Public Procurement, as well as by-laws and government initiatives (for example, state programs or concepts affecting sustainable development). Some non-normative, but strategic documents were also taken into account – in particular, the Kazakhstan-2050 Strategy, and international commitments (accession to the UN Global Compact, the Paris Agreement on Climate), since they form the context for the development of CSR legislation.

Research procedure. In the first stage, a list of regulatory acts relevant to the topic of CSR was compiled. The following criteria were taken into account during the selection: (1) the act regulates the sphere that is a component of CSR (social and labour relations, ecology, charity, human rights, transparency and business ethics); (2) the act contains provisions addressing the responsibilities of business to society or stimulating the contribution of business to the public good; (3) the act is in force at the time of the study or has historical significance for the formation of CSR policy.

In the second stage, the text of the selected documents was coded into key categories. The following categories were identified for analysis: a) labour and social responsibility (employee rights, working conditions, personnel development, social partnership); b) environmental responsibility (environmental protection, sustainable use of resources, environmental standards for enterprises); c) economic and ethical responsibility (fair business practices, anti-corruption standards, consumer protection, transparency); d) charity and community development (stimulating voluntary social investments of companies, business participation in solving social problems of regions); d) government stimulation of CSR (tax incentives, subsidies, competitions, awards); e) reporting and disclosure of information (requirements or recommendations for non-financial reporting, public disclosure of CSR activities). This set of categories covers the main dimensions of CSR in accordance with international approaches and is adapted to the Kazakhstan context.

Each document was assigned a profile for these categories – i.e. it was noted whether the relevant topic was present in the text of the document, and if so, in what detail it was disclosed (for example, the number of articles or points devoted to it). For quantitative assessment, conditional points or percentages of content for each category within the document were introduced. Dynamics over time were also taken into account – for documents that have several editions or where new codes were adopted to replace old laws, changes were tracked that reflect the evolution of the approach to CSR.

The third stage is a comparative analysis. The results for Kazakhstan were compared with foreign examples and international recommendations. A comparison was made: which aspects of CSR are legislatively enshrined in Kazakhstan and in other countries, how strictly or, on the contrary, declaratively they are prescribed, whether there are any features unique to Kazakhstan (for example, an emphasis on social partnership) and what gaps are noticeable in comparison with best practices. For this, literature data, reviews of international organizations (for example, the OECD on responsible business in Kazakhstan) and regulatory acts of other countries were used.

The limitations of the study should be specified. Content analysis of regulatory acts allows us to identify only the presence or absence of certain provisions but does not measure the effectiveness of their implementation in practice. The existence of a CSR norm does not guarantee its implementation by businesses. In addition, the analysis covers formal legal documents and does not include corporate policies of companies (for example, internal CSR codes), which also influence the development of practices. Nevertheless, the focus on government regulation is justified by the purpose of the work – to assess the role and direction of government policy in the field of CSR. In the future, it is planned to

supplement the study with empirical data on the implementation of legislative requirements by companies and the perception of these requirements by stakeholders.

DISCUSSION

General characteristics of the regulatory framework for CSR in Kazakhstan

The analysis showed that there is no separate specialized law on corporate social responsibility in the legislation of Kazakhstan. This situation is similar to the practice of many countries where CSR is not allocated as an autonomous legal area. Instead, the principles of social responsibility are implemented in many acts of different industry affiliation, forming a mosaic regulatory picture. In Kazakhstan, such elements of CSR are primarily traced in labour, environmental, entrepreneurial and tax legislation, as well as in acts regulating the interaction of the state and business (for example, in the area of public procurement, partnership, investment in regional development). Below is a qualitative and quantitative description of key documents and their contribution to the overall regulatory picture of CSR.

The Constitution of the Republic of Kazakhstan (1995) is a fundamental document that enshrines basic values, rights and obligations, and creates a foundation for socially responsible behaviour. The Constitution proclaims the highest values: man, his life, rights and freedoms (Article 1); recognizes the right of citizens to a favourable environment (Article 31); establishes the rights to work in safe conditions, to rest, social security (Chapter 2). These constitutional norms form a framework of responsibility: business, as part of society, is called upon to respect constitutional rights (for example, to ensure safe work, not to harm the environment). Although the Constitution itself is not directly addressed to the corporate sector, it plays an important role, influencing all industry legislation, determining the balance between economic freedoms and social responsibilities.

Labour legislation. In the social dimension of CSR, the Labour Code of the Republic of Kazakhstan is of key importance. The current Labour Code (as amended in 2015 with subsequent amendments) includes an extensive set of regulations aimed at protecting labour rights and the well-being of employees. Content analysis of the Labour Code revealed the following key components correlated with CSR: guarantee of safe and healthy working conditions (section on safety, industrial sanitation); employees' rights to association, collective bargaining, participation in management (social partnership institutions, collective agreements); prevention of discrimination and forced labour; employer's obligations to train personnel, improve skills; regulations on the employer's liability for damage to the life and health of an employee, etc. Quantitatively, more than 50% of the provisions of the code directly or indirectly relate to the social responsibility of business to its employees – this is a mandatory, legally enshrined part of CSR (in Carroll terminology – *the legal responsibility* of the company to society). The Labour Code thus establishes minimum standards below which the company's behaviour cannot fall (safety, wages not lower than the minimum, respect for workers' rights). It was revealed that the institution of social partnership (cooperation between employers, employees and the state) has also received legislative registration: The Republican Tripartite Commission on Social Partnership operates, and collective agreements are concluded at the enterprise level. Historically, the foundations of social partnership were introduced back

in 1994 by Presidential Decree No. 1593, later the Law "On Social Partnership" (2000), now repealed, was adopted. Its functions are largely integrated into labour legislation. Qualitatively, these standards contribute to the implementation of the principle of business responsibility to personnel and the stability of labour relations; quantitatively, labour legislation makes up a significant share (about 20-25%) of the entire array of regulatory provisions relevant to CSR in the Republic of Kazakhstan.

The Entrepreneurial Code of the Republic of Kazakhstan is one of the central acts defining the fundamental approaches to the interaction between business and the state. The version of the code adopted in October 2015 contains a special chapter (Chapter 6) entitled "Social Responsibility of Entrepreneurship". This is an innovation compared to the previous law "On Private Entrepreneurship", which also contained a definition of social responsibility. Article 75 of the Entrepreneurial Code provides a legal definition of CSR: "social responsibility of entrepreneurship is a voluntary contribution of business entities to the development of social, environmental and other spheres of society". Important provisions include: the state creates conditions for the development of social responsibility of business; no one has the right to force entrepreneurs to implement CSR (i.e. participation remains voluntary); the areas of CSR implementation – employment and labour relations, environmental protection and charity – are listed in approximate order. Articles 76 and 77 specify the areas: in the sphere of labour, the partnership of the entrepreneur with employees, assistance in solving social issues of the work collective are emphasized; in the sphere of ecology – careful attitude to the environment, financing of environmental protection measures. Article 78 provides for measures of state support for voluntary charitable activities of business – for example, the establishment of awards and prizes for contribution to social development. Quantitatively, the section on CSR in the Entrepreneurial Code is small (4 articles), but qualitatively it has great symbolic significance: for the first time at the level of codified law, the principles of CSR are enshrined, voluntariness is emphasized and at the same time the interest of the state in business contributing to the public good is indicated. In essence, the state declares a kind of *social contract* with entrepreneurship: freedom and support for business, in return – the expectation of social responsibility.

It is worth noting that the definition of CSR in the Kazakh law largely corresponds to international approaches (the three-aspect model "people-planet-profit"). However, the emphasis is on voluntariness. This reflects the evolution of views: back in the 2000s, the concept of social responsibility of business was introduced through the Law "On Private Entrepreneurship", and even then, it was interpreted as a voluntary contribution to the development of society. The amendments to the Entrepreneurial Code of 2015 clarified these ideas and strengthened their legal status.

Tax legislation is an important tool for stimulating CSR through economic methods. The Tax Code of the Republic of Kazakhstan (new version of December 25, 2017) contains a number of provisions providing benefits or deductions for companies engaged in socially significant activities. Content analysis showed that the code provides, for example, tax deductions for charity: amounts donated to educational, healthcare, social service organizations, as well as to support culture and sports, can be deducted from taxable income (within established limits). The code also stimulates the employment of socially vulnerable

categories: for employers employing disabled people, reduced rates of social contributions or tax preferences are provided. Analysis of the relevant articles shows a quantitatively small share (less than 5% of the text of the code) directly related to CSR, but their effect is significant – through the tax system, the state financially encourages corporate charity and social investments. For example, according to Article 288 of the Tax Code, an enterprise can deduct up to 4% of profits directed to charitable purposes. This creates an economic incentive for voluntary business activity in the social sphere. Additionally, tax benefits are provided for companies investing in environmentally friendly technologies and energy conservation (part of the environmental policy associated with CSR).

The Environmental Code of the Republic of Kazakhstan is a key document regulating environmental aspects of organizations' activities. The first version of the Environmental Code was adopted in 2007; a new, significantly updated version of the code has been in force since 2021. This code establishes mandatory environmental standards and norms for enterprises: requirements for the protection of air, water, soil, waste management, conducting an EIA (environmental impact assessment) before starting new projects, compliance with maximum permissible emissions and discharges, and liability for damage to nature. All these standards represent the implementation of environmental responsibility of businesses, mostly on a mandatory basis (legal requirements). Quantitatively, environmental legislation occupies a large array (the code contains hundreds of articles), but in terms of CSR, its contribution can be assessed through the share of standards addressed specifically to the activities of enterprises (and not to government agencies or citizens). Almost the entire Environmental Code is directly related to the regulation of companies' activities, so it is the cornerstone of the external (in relation to the company) side of CSR – responsibility to the environment and society for environmental consequences. Particular note are the provisions on the best available technologies, on public environmental reporting (enterprises are required to disclose information on significant accidents, environmental risks), and on the possibility of public participation in discussing environmental aspects of projects. Thus, environmental legislation forms the strategic direction of CSR – sustainable environmentally responsible business management – primarily through the mechanism of mandatory standards and sanctions for violations.

Special laws and programs. In addition to the above-mentioned codes, there are other regulations in the Republic of Kazakhstan that affect business participation in solving social problems. For example, the Law "On Public-Private Partnership" (PPP) (2015) establishes a legal framework for the joint implementation of infrastructure and social projects by the state and business. It provides that private companies can invest funds and management resources in social facilities (schools, hospitals, utilities) on the basis of partnership with the state, receiving certain guarantees and income in return. Although PPP is a commercial mechanism, its development allows for the involvement of business in socially significant initiatives, which is consistent with the spirit of CSR. The Law "On Public Procurement" contains provisions on preferences for domestic producers and goods in public procurement. This can be considered as an element of the economic responsibility of business: support for the local community (local enterprises, jobs). Also, government procurement introduces requirements for compliance with certain standards (for example, the absence of corrupt connec-

tions, compliance with labour laws by contractors), which indirectly promotes the principles of responsible business conduct among suppliers.

In the oil, gas and mining sectors of Kazakhstan, the practice of concluding agreements between investors-subsoil users and the government, including a section on "social obligations", has historically been used. Companies assumed obligations to invest in the development of regional social infrastructure – to build schools, roads, medical institutions, and to finance social programs for the local population. These requirements were either enshrined in the subsoil use contract or followed from by-laws. For example, a standard subsoil use contract may provide for an annual allocation of a certain percentage of investments for social projects in the region. Quantitatively, such obligations vary, but in large projects (oil, uranium), social investments amounted to millions of dollars annually. Qualitatively, this is an important area of CSR – the development of local communities – although conditioned by contractual obligations. In recent years, the government has been moving to a new model, where social investments of subsoil users are voluntarily coordinated through memorandums with akimats (local executive bodies). For example, ERG annually signs agreements with several regions to finance social projects, the total volume of which amounted to more than 10 billion tenge in 2020. This mechanism effectively institutionalizes CSR at the regional level.

Initiatives and incentives. The Kazakh government has implemented a number of initiatives to stimulate the dissemination of CSR. One of the iconic programs is the annual "Paryz" competition, established by the Decree of the First President in 2008. The competition rewards enterprises that have achieved the greatest success in the field of social responsibility in several nominations (the best social program, environmental initiative, labour agreement, etc.). The "Paryz" award has become an important non-material incentive: it is prestigious for a company to receive recognition at the state level for its contribution to society. Analysis of the competition data shows that during the first decade of its existence, dozens of companies (both national and international) were recognized, which encouraged them and their competitors to expand their CSR activities. Another initiative is the creation of the CSR Leaders Club with the support of the Eurasia Foundation in 2013, which brought together various stakeholders (business, NGOs, experts) to exchange best practices. Kazakhstan also joined the UN Global Compact in 2008, and as of the late 2010s, approximately 15–18 Kazakhstani companies were listed as its participants, voluntarily committing to follow 10 principles in the areas of human rights, labour conditions, the environment, and anti-corruption (Baltabayeva et al., 2024).

A comparison of regulatory acts with the previously identified categories made it possible to determine the strategic directions of CSR regulation in Kazakhstan and give them a qualitative and quantitative description:

Protection of workers' rights and social partnership. This area covers labour legislation, labour protection standards, employment guarantees and personnel development, collective bargaining relations. Kazakhstani legislation pays the greatest attention to this area (about 30-35% of the total content related to CSR). Qualitatively, the standards are mandatory and comply with international labour standards (ILO conventions). Strategically, the state sets the goal of ensuring social stability and decent working conditions, considering business as a partner

in achieving these goals through social partnership mechanisms. The documents (Labour Code, Constitution, previously the law on social partnership) trace the evolution from the declaration of general principles to detailed regulation of the rights and obligations of the parties.

Responsibility for environmental protection. This is the second most important area, legally enshrined mainly in the Environmental Code and related acts (laws on environmental protection, on environmental audit, etc.). The share of environmental standards is about 25-30% of the "CSR field" in legislation. All major projects in Kazakhstan are subject to environmental assessment, permitting and control mechanisms are in place. The state strategically directs business to reduce the negative impact, introduce clean technologies. Qualitatively, the standards are quite strict; the problem is rather in ensuring the inevitability of their observance. The topic of climate change and reduction of greenhouse gas emissions is also beginning to enter the agenda (the Paris Agreement has been ratified, the CO_2 quota trading system has been introduced), which is gradually being integrated into the responsibilities of companies.

Social investment and development of local communities. This block is less formally enshrined, but is implemented through the above-mentioned mechanisms: requirements for subsoil users, public-private partnerships, voluntary charity and sponsorship. Its share is estimated at 15-20%. Direct legislative requirements for participation in the social development of localities are few (mainly in contracts and by-laws for subsoil), but indirect encouragement comes through tax breaks and public recognition (the "Paryz" competition). Strategically, the importance of business helping to solve social problems in the places where it operates, especially in single-industry towns and remote regions, is recognized. Content analysis showed that the texts of some state regional development programs contain sections on attracting private investment in the social sphere (for example, the agro-industrial complex development program provided for the participation of agricultural holdings in rural areas). In general, this area has not yet acquired the form of mandatory norms of a general nature, remaining at the level of voluntary incentives.

In developing a framework for public policy in the field of CSR, Kazakhstan needs to take into account its international legal obligations, especially those arising from membership in the World Trade Organization (WTO), participation in various bilateral and multilateral investment agreements, as well as regional free trade agreements. These documents enshrine the principles of non-discrimination, free market access, fair treatment of investors and legal predictability. The introduction of new mandatory CSR requirements that are not consistent with these obligations may lead to legal conflicts or even lawsuits from foreign investors.

This issue is especially acute in strategic sectors, such as subsoil use, where investment contracts are often closely linked to international law. According to practitioners in this field, attempts have already been made to promote voluntary CSR initiatives, but many of them have proven ineffective due to business concerns about violating the boundaries of legal regulation or contradicting the provisions of investment agreements. Business representatives are well aware of their rights under international treaties and, as a rule, refuse additional obligations if they are perceived as inconsistent with these documents.

In addition, the investment climate largely depends on stability and legal certainty. Investors expect clear rules and predictability in their application. Uncoordinated or poorly communicated measures to implement CSR can create a sense of regulatory risk, which can scare off foreign investors or lead to capital outflow from vulnerable industries. Therefore, any CSR measures in Kazakhstan should be developed with particular care to avoid unintended consequences. The principle of voluntariness should be preserved, but at the same time interdepartmental coordination should be strengthened, a system of incentives and transparency tools should be developed – all in accordance with the country's international obligations.

Ethical responsibility, transparency and consumer rights. This aspect includes anti-corruption measures, requirements for fair competition, consumer protection, and corporate governance. The Civil Code and laws on the protection of competition and consumer rights contain relevant articles (prohibition of unfair advertising, obligation to provide reliable information about goods, liability for low-quality products, requirements for disclosure of information by issuers in the securities market, etc.). For example, the Law "On Protection of Consumer Rights" obliges sellers and manufacturers to ensure the safety of goods and services for life and health – which is directly related to social responsibility. The share of such norms is about 10-15%. In addition, since the 2020s, the introduction of ESG (environmental, social and governance) standards in corporate governance has been actively discussed. Since 2016, the Kazakhstan Stock Exchange (KASE) has developed methodological recommendations for the disclosure of ESG information for issuers. In 2020, KASE updated the rules to include requirements (currently of a recommendatory nature) for the publication of data on environmental, social and governance indicators in companies' annual reports. Thus, transparency in the field of CSR is gradually becoming part of the "rules of the game" for public companies, although there is no national legislation on mandatory non-financial reporting yet.

In general, it can be stated that the strategic three priorities of Kazakhstan's CSR regulation are (1) social protection of employees, (2) environmental protection, and (3) stimulation of voluntary contribution of business to social development. The first two aspects are predominantly imperative (mandatory labour and environmental law), while the third is voluntary (through economic incentives and partnership). Ethical standards and transparency are also present but are more often implemented through general requirements for doing business (anti-corruption legislation, corporate law). Quantitative content analysis showed that labour and environmental aspects account for more than half of the regulatory provisions related to CSR, while voluntary social initiatives are mentioned less frequently and are mainly encouraged rather than required. This points to a CSR model in Kazakhstan where the basic level of business social responsibility is effectively set by law (labour and environmental compliance), while a higher level is encouraged but not required.

These considerations highlight the need to develop a balanced and legally sound approach to CSR regulation that will strengthen Kazakhstan's commitment to responsible business practices without compromising its investment attractiveness. In this context, it is useful to look to international experience and compare how similar issues are addressed in other countries in order to learn lessons and apply them to national policy.

COMPARISON WITH INTERNATIONAL STANDARDS

A comparison of the Kazakh situation with international standards and practices revealed both achievements and areas for improvement. On the one hand, the regulatory framework of Kazakhstan covers all the main elements of CSR: there is labour legislation (in line with key conventions of the International Labour Organization), developed environmental law, the concept of voluntary social responsibility of business is enshrined, and there are mechanisms for stimulating charity. In terms of the totality of these features, Kazakhstan looks comparable to many countries where CSR is also mainly voluntary. For example, in the United States and Canada there are no direct laws on CSR, but there are labour and environmental laws – an analogy with Kazakhstan can be traced. The Kazakh definition of CSR in the Entrepreneurial Code is essentially close to the definition of ISO 26000 and other international guidelines that emphasize the voluntary contribution of business to the sustainable development of society.

On the other hand, international trends of the last decade demonstrate a movement towards mandatory disclosure of information and responsibility of companies in some aspects. In this component, Kazakhstan is still lagging behind: there is no mandatory non-financial reporting, no requirements for transparency in the supply chain (like, for example, the Modern Slavery Act in the UK or similar EU regulations on human rights due diligence). There is also no legislative consolidation of such modern areas as gender equality in corporate bodies, climate reporting, etc., which appear in EU regulation. Kazakhstan participates in a number of global initiatives (for example, EITI – Extractive Industries Transparency Initiative, OECD Guidelines – joining as a partner), but the implementation of their provisions in national acts is not always complete. The OECD report (2014) on responsible business conduct in Kazakhstan recommended strengthening the practical application of labour and environmental legislation, as well as developing a national action plan for responsible business. As of 2023, such a CSR plan or strategy has not yet been approved, although concept papers have been discussed.

An interesting comparison with neighbouring countries and similar economies is that in Russia CSR is not regulated by law separately, but there are national standards and guidelines (GOST R ISO 26000-2012, National Council on CSR). In China and India, despite different political systems, the state is becoming increasingly involved: China issues guidelines for companies (including state-owned enterprises) on CSR, India, as noted, has introduced a direct standard on CSR costs. Kazakhstan currently occupies an intermediate position: the state supports CSR more indirectly and through *soft measures* (soft law) than through strict requirements. On the one hand, this corresponds to the principle of voluntariness, on the other hand, there is a risk that without a certain "kick" from the law, some companies will ignore their social obligations. The emerging markets literature suggests that a combination of measures – "the carrot and the stick" – is often more effective: voluntary action should be backed by at least a reporting obligation (to create publicity and reputational pressure) or minimum CSR standards (Khan et al., 2016).

An important international benchmark is the UN Sustainable Development Goals (SDGs) for the period up to 2030, which Kazakhstan has undertaken to achieve. Many of the 17 goals are directly related to business activities (for

example, decent work – SDG 8, industrialization and innovation – SDG 9, combating climate change – SDG 13, partnerships – SDG 17). The state expects the corporate sector to be a partner in implementing the SDGs. However, without building a system for monitoring the contribution of business to the SDGs, it is difficult to assess progress. In this regard, a number of countries are introducing mandatory ESG reporting, including indicators of compliance with the SDGs. Kazakhstan is still limited to voluntary reporting, although the largest companies (especially those listed on foreign stock exchanges) are already publishing ESG reports according to GRI standards. The strategic difference is that in international practice, the state increasingly requires transparency (disclosure) from companies, without imposing specific expenses, but obliging them to disclose information about risks and impacts. Kazakhstani legislation has yet to integrate this approach.

CONCLUSION

The conducted research showed that the legal framework of Kazakhstan in the field of corporate social responsibility is complex and fragmented. Complexity lies in the fact that all three classic components of CSR are covered – economic, social and environmental: compliance with labour rights and social partnership, minimization of harm to the environment, fair business practices and contribution to the public good are present in Kazakhstani laws. Fragmentation is expressed in the absence of a single codified act or strategy devoted to CSR: the relevant norms are "scattered" across different laws and codes (Labour, Environmental, Entrepreneurial, Tax, etc.). This complicates a unified understanding and application of CSR principles in practice. Nevertheless, the inclusion of a chapter on social responsibility in the Entrepreneurial Code (2015) is an important step that has designated the official status of CSR as a significant element of state policy.

A qualitative and quantitative analysis of the content of regulatory acts revealed that the priority areas of CSR regulation in Kazakhstan are: (1) ensuring social guarantees for employees and developing social partnership (the most fully and strictly regulated area); (2) environmental protection and environmental responsibility of business (comprehensive environmental legislation with requirements for companies); (3) stimulating voluntary social investments of business in the development of society (tax incentives, partnership projects, competitions). These areas correspond to the strategic objectives of the country – building a socially oriented economy, preserving the environment during industrial growth, consolidating society's resources for sustainable development.

The analysis revealed several key gaps. Firstly, there is no single strategic document (national concept or plan) for CSR development, which leads to disunity of efforts. Secondly, the mechanism of transparency and reporting in the CSR sphere is not regulated: companies are not required to disclose information on their social and environmental activities, which deprives society and investors of the opportunity to objectively assess the contribution of business (with the exception of certain KASE initiatives, but they are advisory in nature). Thirdly, incentive measures are currently limited to tax breaks and bonuses, which is good for attracting volunteers, but may not be enough for the mass involvement of small and medium businesses. There are no targeted preferences, for example, for companies implementing "green" practices (except for certain

industries) or following international CSR standards. Fourthly, institutional coordination is poorly developed: different bodies are responsible for different aspects (the Ministry of Labour for social partnership, the Ministry of Ecology for environmental protection, the Ministry of National Economy for the Entrepreneurial Code, etc.), there is no single centre responsible for promoting CSR (in some countries there is a special council or agency for CSR). Finally, legislation does not keep up with new challenges: for example, digitalization and platform employment raise questions of business responsibility to freelancers; climate change requires stricter carbon reporting measures – these issues are not yet reflected in regulations.

Based on the results of the study, a number of measures are proposed to improve the state policy and legislation of Kazakhstan in the field of CSR:

1. Develop and adopt a National Strategy (Concept) for CSR Development. Such a document could be approved by the government or a presidential decree and contain general principles, goals and indicators for CSR development in the medium term (5–10 years). The strategy should define priorities (e.g., increasing transparency, stimulating CSR in SMEs, supporting social start-ups), distribute responsibility between government agencies and provide for monitoring mechanisms. The experience of developing the draft National CSR Concept in 2013 can be taken into account and updated in accordance with current realities and the UN SDGs.

2. Introducing non-financial reporting requirements for large companies. It would be appropriate to legally oblige companies of a certain category (e.g. joint-stock companies, companies with state participation, large subsoil users) to annually publish a report or section in the annual report on the implementation of sustainable development and CSR principles. Such requirements could be introduced by amendments to the Law "On Joint-Stock Companies" or to the Entrepreneurial Code. At the first stage, it would be possible to limit ourselves to "compliance or explain" – i.e. the obligation to either prepare a report according to the adopted standard (GRI, integrated report), or explain why this was not done. Mandatory reporting will increase transparency and create soft pressure on companies to pay attention to CSR, fearing reputational losses.

3. Expanding economic incentives. It is recommended to review tax legislation to increase incentive standards for responsible business. For example, increase the deduction limit for charitable expenses from the current level, provide tax holidays or accelerated depreciation for companies implementing "green" projects, establish reduced rates of income tax for enterprises undergoing independent certification according to CSR standards (SA 8000 – social responsibility, ISO 14001 – environmental management, etc.). It is also possible to introduce state grants or co-financing of social business projects (according to the "matching" principle – the state doubles the company's contribution to an important social project).

4. Strengthening the role of business associations and self-regulation. The legislation on self-regulatory organizations could stipulate that industry business associations develop codes of ethics and CSR for their members. The state could encourage industries (through subsidies or priority in public procurement) for having such codes and control mechanisms. For example,

in the mining industry, an association could monitor the fulfilment of social investment obligations by members. This would create an additional level of peer-to-peer responsibility (of a company to its industry colleagues).

5. Integration of new aspects of responsibility. It is recommended to initiate the development of amendments that take into account modern challenges: include in labour legislation the norms on the protection of workers on platforms (gig economy), in environmental legislation – the requirements of ESG risks and climate reporting. It is also possible to consider introducing the concept of sustainable (responsible) financing into financial legislation – to encourage banks and investment funds to take into account ESG indicators when lending, which will indirectly motivate businesses to improve CSR practices.

6. International cooperation and exchange of best practices. To consolidate in regulatory documents (for example, plans of the Ministry of Economy) the task of Kazakhstan's participation in international initiatives – OECD, UN Global Compact (increasing the status of participation), Global Reporting Initiative. Perhaps the conclusion of partnership agreements with the EU on the convergence of non-financial reporting standards, which will help gradually harmonize Kazakhstan's legislation with global trends, facilitating companies' access to external capital markets.

7. Enhancing inter-agency coordination and avoiding duplication of CSR efforts. It is recommended to conduct an inventory of current CSR-related programs and initiatives at the national and regional levels and to create a coordination mechanism such as an interministerial working group, a council on CSR under the government, or a unified digital platform for CSR monitoring. This would help prevent fragmentation, streamline policy implementation, and ensure consistency across different sectors and levels of government.

The implementation of these recommendations will allow for the formation of a more systematic and modern CSR regulation regime in Kazakhstan. This does not mean a departure from the principle of voluntariness – on the contrary, the proposed measures mainly create infrastructure and incentives for voluntary responsibility, supplementing them with targeted obligations (in terms of reporting and transparency). As a result, businesses will retain the freedom to choose specific forms of CSR, but will act within the framework of clear guidelines and public expectations supported by the state.

Corporate social responsibility is becoming an integral part of Kazakhstan's sustainable development. The state plays an important role in directing and accelerating this process. The analysis of regulatory legal acts showed that Kazakhstan has a good basis in the form of labour and environmental legislation, as well as the first elements of direct mention of CSR in the law. The next step is to transform this basis into a strategic system in which legal norms, economic incentives and voluntary business initiatives will work synergistically. Increasing transparency requirements, developing a national CSR strategy, stimulating best practices all this can take corporate responsibility to a new level, making its contribution significant and measurable. In the context of global challenges – environmental, social, economic consolidation of the efforts of the state and business on the principles of CSR will be the key to Kazakhstan's successful movement along the path of sustainable and inclusive development.

Ethical Commission Approval

This study did not require approval from an ethics committee as it did not involve human participants, animals, or sensitive personal data. All data used in this research were obtained from publicly available sources.

Conflict of Interest Statement

There is no conflict of interest with any institution or person within the scope of this study.

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BOOK REVIEW

GEOPOLITICS OF THE TURKIC WORLD

Zhuldyz KANAPIYANOVA [1]

[1] Eurasian Research Institute of the Khoja Akhmet Yassawi International

Kazakh-Turkish University, 050004, Kazakhstan

juldyz777@hotmail.com
ORCID: 0000-0002-2992-7390

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The geopolitical importance of the Turkic world has grown significantly in recent years due to its strategic location, abundant natural resources, cultural influence, and its role as a bridge between major global powers. The Turkic world spans Central Asia, the Caucasus, and parts of Eastern Europe and the Middle East, sitting at the crossroads of major continents (Asia, Europe, and the Middle East). This region acts as a critical land bridge for trade, energy, and transportation corridors like the Middle Corridor and China's Belt and Road Initiative (BRI), connecting East Asia to Europe through Central Asia and Türkiye. The Caspian Sea is a critical hub for energy exports, with pipelines like the Baku-Tbilisi-Ceyhan (BTC) and Trans-Anatolian Natural Gas Pipeline Project (TANAP) ensuring energy transit from the region to Europe. The Turkic world shares deep linguistic, cultural, and historical ties, fostering a sense of unity that can translate into coordinated political and economic initiatives. Organizations like the Organization of Turkic States (OTS) are enhancing cooperation in trade, security, and culture, creating a platform for regional influence. In this context, the book titled "The Geopolitics of the Turkic World", edited by Karaman and published in December 2023, seeks to establish its place in the literature by addressing significant developments and topics in the Turkic world. The book aims to analyse key issues such as Turkmenistan's neutrality policy, the OTS, the Karabakh issue, Kyrgyzstan's water problem, and similar critical topics in the countries of the Turkic world. The book consists of four sections—Turkic World, Geopolitics, Central Asia, and Caucasus—and includes 17 chapters.

The section on Turkmenistan examines the following topics: "Turkmenistan in the Independence Process: Challenges and Search for Policies", "Turkmenistan's International Relations and Security Policy in the Context of the Principle of Positive Neutrality", and "History Education and National Consciousness in Turkmenistan". This section highlights that Turkmenistan was one of the countries most affected by the structural problems stemming from the dependency

relationship established during the Soviet Union era. It discusses how the country's landlocked geography significantly limited its ability to develop alternatives after the disintegration of the integrated structure it was part of during the Soviet period. Despite these challenges, the section examines Turkmenistan's efforts to implement policy options such as transforming its monocultural production structure, transporting natural gas and oil to global markets via alternative routes, and achieving permanent neutrality status. These measures aim to enable the country to act autonomously in the face of regional and global challenges that could directly impact it. Thus, it is noted that Turkmenistan continues to formulate policies that balance its goals with the realities of the post-independence period. Additionally, it is mentioned that Turkmenistan's international relations and security policies are conducted within the framework defined by the principles of Permanent Neutrality, Open Door Policy, and Positive Neutrality, alongside the universal standards of international law. These principles have been incorporated into the country's constitution, making them key elements in shaping its strategic policies. Furthermore, Turkmen youth are taught through history education that they belong to a people with a proud past. They are shown that they were not "uncivilized nomads" but rather a nation that contributed to world civilization through the states they established, their advancements in science, and their mastery of governance—leaving an indelible mark both in their homeland and beyond.

The section on Azerbaijan discusses how the relationships established with other powers in the region before the Nagorno-Karabakh war directly affected the outcome of the conflict. It is stated that Russia, which viewed the region as part of its sphere of influence, had favoured the unresolved status of the issue until 2020. The section also highlights that the shift in Armenian leadership following the Velvet Revolution of 2018 led to the adoption of pro-Western policies, which resulted in Armenia losing its role as Russia's loyal ally and led to Russia refraining from intervening on Armenia's behalf. The article emphasizes that Azerbaijan's growth in both military and economic terms, as well as its strategic cooperation with other regional powers, contributed to its victory in the war. Specifically, it points out that the Russia-Türkiye partnership in recent years played a significant role in changing Russia's stance towards Azerbaijan. Additionally, it is noted that, unlike Armenia, Azerbaijan possesses gas and oil resources, which reduced its dependency on Russia and allowed it to find its place in the new power balance.

The section on Uzbekistan highlights that while there are no exact statistics on the total number of Uzbekistan's diaspora abroad, research indicates that the most concentrated regions of the Uzbek diaspora are its neighbouring countries: Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan, and Turkmenistan. In addition, significant Uzbek diasporas, with populations exceeding one hundred thousand, are also found in countries such as Russia, the United States, South Korea, Germany, and Türkiye. The idea is expressed that the diaspora activities of member countries of the Turkic States Organization should be studied, and through this, information sharing should be facilitated to enable joint efforts for Turks living in different parts of the world.

The section on Kyrgyzstan mentions that the Fergana Valley, due to its fertile land, is considered one of the most important agricultural centres in Central Asia. It is shared by Uzbekistan, Kyrgyzstan, and Tajikistan, with 60% of the

valley belonging to Uzbekistan, 25% to Tajikistan, and 15% to Kyrgyzstan. It is also noted that tensions arising from border and water-sharing disputes between the Central Asian republics sharing the Fergana Valley have been increasing in recent years. These border tensions point to the difficulties of the post-Soviet nation-state-building process in Central Asia. Consequently, the growing discourse around "ethnic lands" and mutual territorial claims is seen as fuelling national identities based on negative prejudices, which in turn escalates the existing tensions in the region. In this context, the author suggests that border negotiations should be concluded, and the demarcation and marking of borders between countries should be finalized. Additionally, it is recommended that water usage should no longer be a source of imbalance and conflict and that water should be used more rationally and systematically within the region.

The section also highlights that the U.S. military presence in Kyrgyzstan, within the framework of the American base, has caused political tensions within Kyrgyzstan's domestic politics and diplomatic crises in its foreign policy, which has relatively harmed Kyrgyzstan's international relations. This is because Kyrgyzstan's political stance and indecisiveness in its foreign policy, particularly in its relationships with the U.S. and Russia, have created an image of Kyrgyzstan as an unreliable partner in the eyes of the countries it engages with.

The most important point in the section on Kazakhstan is that, with the 9th largest land area in the world, Kazakhstan is located at the heart of Eurasia, as indicated by Mackinder, and holds significant geopolitical importance in connecting China to the West and Russia to the East. The section notes that Kazakhstan, with 99 elements from the Mendeleev table found within its borders, has attracted global attention due to its rich natural resources, expanding its capacity for reciprocal trade, and highlighting Central Asia's geopolitical importance. The country's pursuit of a multilateral foreign policy, allowing it to establish pragmatic relations not only with neighbouring states like Russia and China but also with the U.S. and Western countries, has provided Astana with an extra advantage in conducting international diplomacy. In this context, the country's position and importance in Central Asia's geopolitics are considered invaluable. Due to its abundant natural resources, Kazakhstan has emerged as a reliable supplier for the West in managing the energy crisis, serving as an alternative to Russia, thus strengthening its position in the international arena. Additionally, by hosting various corridors and becoming a transit country, Kazakhstan has managed to make its mark in the international trade and shipping sectors.

The book "Geopolitics of the Turkic World" can be considered a distinctive work, as it not only discusses the conventional positive developments but also addresses the problems, issues, and historical developments in the region alongside them. It is evident that the book provides extensive information, particularly offering a close and alternative perspective on the countries of the Turkic world. The fact that the chapter authors come from different regions of the Turkic world allows for a deeper analysis of the subject. In this context, while not all aspects of the Turkic world may be covered, it undoubtedly serves as a valuable resource for literature and readers, especially university students, by addressing key topics in general.

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