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THE ECONOMY OF KAZAKHSTAN

Akhambai M.

The economy of Kazakhstan is the largest economy in Central Asia. It possesses enormous oil reserves as well as minerals and metals. It also has considerable agricultural potential with its vast steppe lands accommodating both livestock and grain production, as well as developed space infrastructure, which took over all launches to the International Space Station from the Space Shuttle. The mountains in the south are important for apples and walnuts; both species grow wild there. Kazakhstan’s industrial sector rests on the extraction and processing of these natural resources and also on a relatively large machine building sector specializing in construction equipment, tractors, agricultural machinery, and some military items. The breakup of the USSR and the collapse of demand for Kazakhstan’s traditional heavy industry products have resulted in a sharp contraction of the economy since 1991, with the steepest annual decline occurring in 1994. In 1995-97 the pace of the government program of economic reform and privatization quickened, resulting in a substantial shifting of assets into the private sector. The December 1996 signing of the Caspian Pipeline Consortium agreement to build a new pipeline from western Kazakhstan’s Tengiz Field to the Black Sea increases prospects for substantially larger oil exports in several years. Kazakhstan’s economy turned downward in 1998 with a 2.5% decline in GDP growth due to slumping oil prices and the August financial crisis in Russia. A bright spot in 1999 was the recovery of international petroleum prices, which, combined with a well-timed tenge devaluation and a bumper grain harvest, pulled the economy out of recession.

Current GDP per capita shrank by 26% in the Nineties.^[7] However since 2000, Kazakhstan’s economy grew sharply, aided by increased prices on world markets for Kazakhstan’s leading exports—oil, metals and grain. GDP grew 9.6% in 2000, up from 1.7% in 1999. Since 2001, GDP growth has been among the highest in the world. In 2006, extremely high GDP growth had been sustained, and grew by 10.6%.^[8] Business with booming Russia and China, as well as neighboring Commonwealth of Independent States (CIS) nations have helped to propel this amazing growth. The increased economic growth also led to a turn-around in government finances, with the budget moving from a cash deficit of 3.7% of GDP in 1999 to 0.1% surplus in 2000.