PREFACE

The Central Asian Republics (CARs) consisting of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, emerged as independent nations in 1991 following the dis-integration of Soviet Union.

Russia under the Tsarist rule established their influence in the Central Asia region from the mid of nineteenth century. Tsarist Central Asia had a very 'backward feudal economy' with low level of economic development. The Tsarist rule did not alter the socio-economic system in Central Asia in any fundamental way and preferred to govern through local feudal aristocracy. After the October Revolution in 1917, the Soviets introduced agricultural and industrial reforms in Central Asia. In 1920s, during Lenin’s time, co-operative farming became popular. Stalin’s coercive measures like compulsory farm collectivisation and industrialisation achieved great success but it also had a negative impact on Central Asian livestock. The onset of Second World War changed the scenario in Central Asia. During the war period, Soviet Union shifted its major industrial facilities to the Central Asian region, particularly Kazakhstan to protect Soviet industrial base from enemy attack. With Khrushchev coming to power, there was a change in Soviet policies towards Central Asia. He tried to reform Stalin’s punitive tax system and introduced ‘Virgin Land Campaign’ in Kazakhstan in February 1954 and increased the process of industrialisation by using improved machinery and technical efficiency. Brezhnev stressed on scientific management of economy, which was also applied in Kazakhstan. In mid 1980s, major economic reforms took place through the policies of ‘Glasnost’ and ‘Perestroika’ introduced by the then President of USSR Mikhail Gorbachev. These reform processes continued till 1991.

Soon after independence, Kazakhstan witnessed a “deep economic crisis”. There was sharp decline in gross production including industrial and agricultural output, foreign trade, capital investment and living standard of the people because of the break up of long established economic ties with Soviet Union. The unfavourable effects of transition like high inflation, unemployment, low level of production, etc. had a greater impact on the Kazakh economy. The impact was severe in entire Central
Asian region as compared to other countries of Central and Eastern Europe and the CIS.

After independence, Kazakhstan government introduced market oriented reforms. From the beginning, Kazakh leaders favoured relatively rapid changes in the economy. It introduced various macroeconomic reforms like the introduction of prudent macroeconomic management, financial sector reform, tax reform, exchange rate management, legislative reform, better public administration and participation of the private sector in economic development to tackle the economic crisis. It also introduced various new policies to revive the economy and maintain a steady economic growth. Some of these measures are- Strategy for Development of Kazakhstan till 2030, National Innovation Strategy, Industrial Park, Software Technology Park, Millennium Development Goals in Kazakhstan, etc. It also created a National Fund from the profits of oil and gas sector to finance the development of rural and agricultural sector, infrastructure, health, education, etc.

The present study deals with the Economic Reforms undertaken in Kazakhstan during the period 1991-2005. The introductory chapter gives an overview of Kazakhstan in particular and of the region in general. It outlines the economic policies and developments under the Soviet rule. This chapter gives an account of the geographical features and resources of Kazakhstan, besides outlining the rationale and the objectives of the study. A detailed data base and methodology of the research undertaken have been elaborated. It also gives a detailed overview of the literature surveyed in a thematic format.

The second chapter provides a theoretical perspective of economic transformation in transitional societies. It discusses the characteristics of transitional economy in general and of Kazakhstan in particular and strategies undertaken during the transitional phase to attain the market economy. It also analyses the various problems faced by the Kazakhstan government, particularly problems like inflation, decline in agricultural and industrial production, unemployment, low living standard, etc. The chapter throws light on some of the issues like corruption and accumulation of wealth in few hands. The chapter compares the economic performance of all the
CIS countries in the transition period, which helps to better understand Kazakhstan’s economic position in the region in the transition phase.

Chapter three examines the various reform processes undertaken by the Kazakhstan government after independence. It deals with various issues like privatization, liberalization, globalization, development of Kazakh currency and banking system, securities market, insurance, pension system, etc. This chapter discusses various policies introduced to accelerate economic development in Kazakhstan like, Strategy for Development of Kazakhstan till 2030, National Innovation Strategy, Industrial Parks, Software Technology Park, Millennium Development Goals in Kazakhstan, Programme of 30 Corporate Leaders of Kazakhstan, etc. It highlights the new priorities in macroeconomic policy undertaken by the Kazakhstan government in 2008. The chapter also points out major achievements of Kazakhstan economy since independence.

The fourth chapter analyses the impact of reform processes on various industries, both existing and newly created industries, their closure, modernization or even building of new complexes. It examines the industrial development on the basis of Gross National Income, annual industrial growth to GDP, marginal efficiency of capital, sectoral development of industries, etc.

Chapter five studies the impact of economic reform on agriculture in Kazakhstan. It discusses issues like land reform, reorganization of state farms and collective farms, execution of new agrarian policy and compulsory insurance policy, role of agriculture in the development of agricultural processing industries, etc. It examines the agricultural development on the basis of Gross National Income, annual growth of agricultural product to GDP, investment in agriculture, per-capita income of farmers, labour productivity and unemployment.

The sixth chapter deals with Kazakh energy sector. It studies different issues linked with the energy sector like energy reserves, transportation system and the role this sector plays in the economic development of Kazakhstan. It also examines the role of Foreign Direct Investment (FDI) in developing energy sector in general and oil and gas in particular. The chapter also gives an overview of management of oil profits and National Fund.
Chapter seven concludes this study by summing up the impact of economic transition and reform processes on Kazakhstan’s economy and society. This chapter brings out both positive and negative impact of economic transition and reforms in Kazakhstan. It evaluates the reform policies undertaken by the Kazakhstan government since 1991.