



Management Challenges of Kazakhstan's Economy

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Summary

Since independence, Kazakhstan has shown peace, stability, economic progress, and high literacy rates. The republic has attracted foreign investments in energy and minerals resources sectors; in an era of globalization, human and financial capital mobility, the republic can accelerate her pace of modernity and industrial development in a variety of industries, including non-energy sectors. This paper illustrates how advanced industrial nations, in the past, have used entrepreneurship, innovation, and overall domestic business development. These are the management challenges facing Kazakhstan's economy.

Introduction

The Republic of Kazakhstan has made considerable progress since her independence, which allowed Gross Domestic Product (GDP) to grow steadily in the last decade. Thanks to the presidential leadership and the foreign investments in state-owned joint-stock companies. This is a remarkable achievement by itself, considering the history, culture, and land-locked nature of the republic. The following figure 1 shows in a general way how economic development trajectory has taken place in many of the industrialized countries; in many cases, the increased economic activity, as measured by the Gross Domestic Product (GDP), have been gradual and followed a logical progression, that is, from hunters and gatherers, sedentary society, agricultural, then onto industrial development with modern institutions, and today, we have Information and Globalization at an unprecedented scale due to Internet and Information Technology (IT).

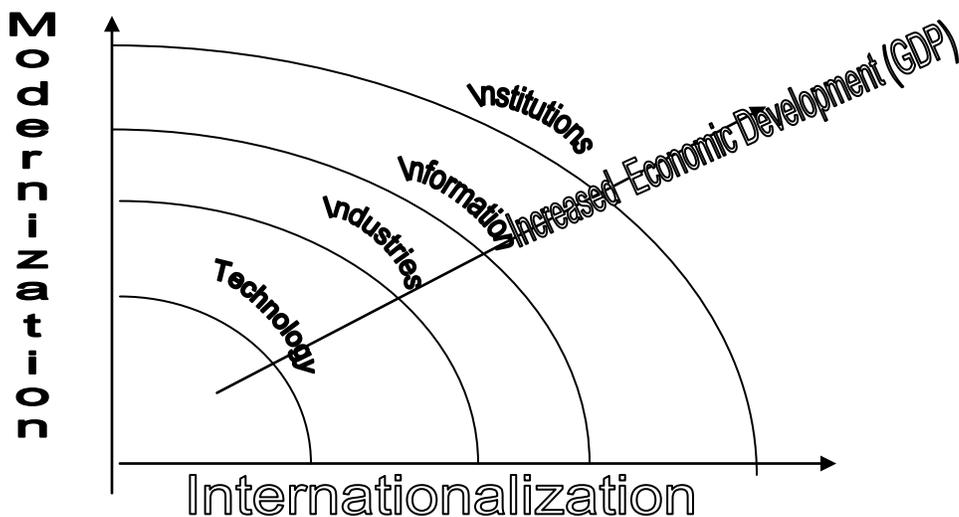


Figure 1: General Schema for Economic Development Trajectory



Lessons from Developed Nations

If there are some lessons to be learned from the industrialized advanced nations of today, that would be political stability, which the Republic of Kazakhstan has, and in the areas of institutional (education, health, legal, transportation) infrastructures, there has been some progress. With regard to diversifying non-energy sectors (industries) and information systems (IT) development, technology and innovation, there is a need for fresh look at the initiatives that are already in place: (1) Special Economic Zones (SEZ), (2) Logistics and Transportation, (3) Internet, Computer, and IT technologies for non-energy business development, (4) Universities, SEZs, and Joint-Stock Companies (JSCs) partnerships, and (5) Astana and Karaganda serve as industrial development corridor and a model of development for the republic. Figure 2, below, shows a suggested trajectory for the economic growth for the republic of Kazakhstan.

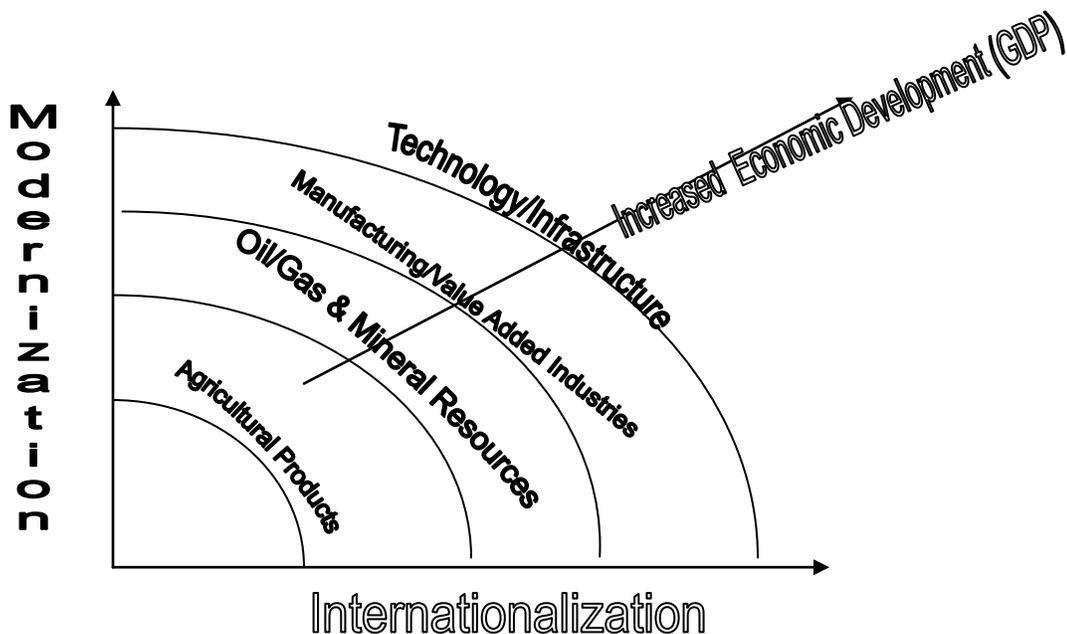


Figure 2: A suggested trajectory for the Republic of Kazakhstan

Existing special economic zones, foreign company participations, and technology-related support services can be strengthened with technology parks and with targeted triangular partnerships with SEZs, universities, and joint-stock companies. Figure 3 illustrates why developing domestic businesses with manufacturing focus is helpful in further accelerating sustained economic development, especially in non-energy sectors.

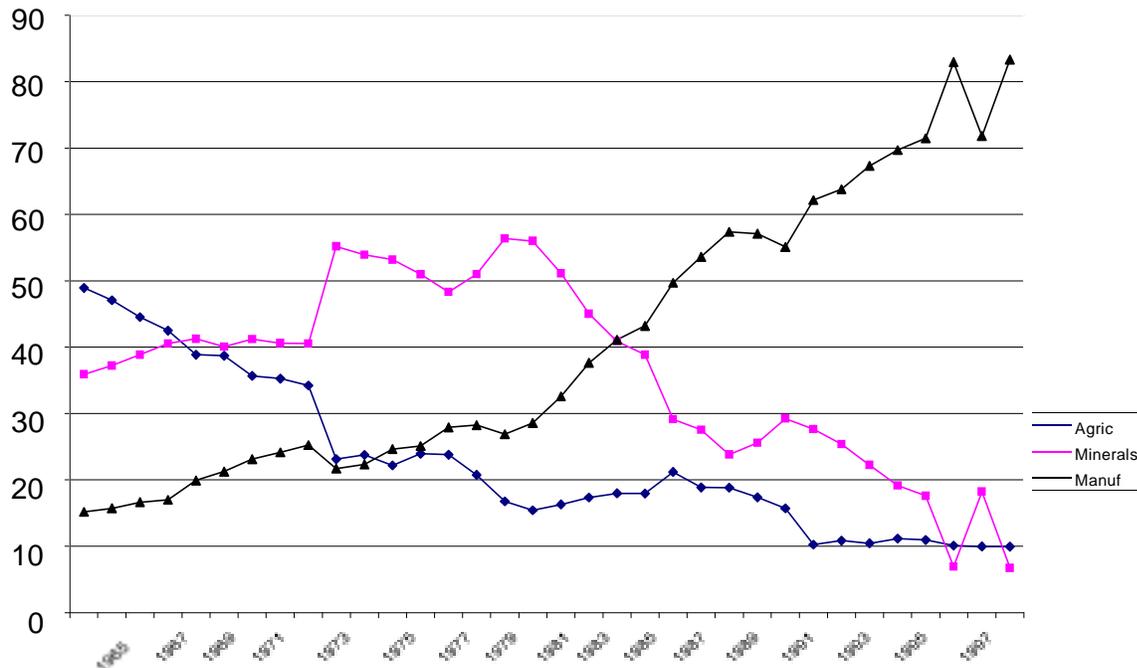


Figure 3 the Changing Pattern of Merchandise Exports from Developing Countries

Shares in Merchandise Exports of Developing Countries

Source: GTAP Version 5 Database

The manufacturing exports in the developing countries exports have grown tremendously in recent years. The share of mineral exports has declined considerably. Since the 1980s, developing countries are shaping their export pattern from commodities to manufacturing; the noteworthy effect is that they are increasing their high rate of accumulation of human and physical capital (Nehru and Dhareshwar 1993; Nehru, Swanson and Dubey 1995). Technology is also a factor in both human and physical capital accumulation in developing countries. Both agriculture and manufacturing sectors experienced productivity gains (Martin and Mitra 2001); Bernard and Jones 1996).

There is a lesson to be learned for Kazakhstan, in that these sustained economic developments due to productivity increases in manufacturing and agriculture sectors can also provide a strategic path, especially in non-energy sectors. Figure 4 illustrates these trends in manufacturing exports. It also describes a new recent phenomenon in that the shares of exports to other developing countries have increased. Again, this may also provide a strategic benefit for the Republic of Kazakhstan.



Share of exports going to other developing countries

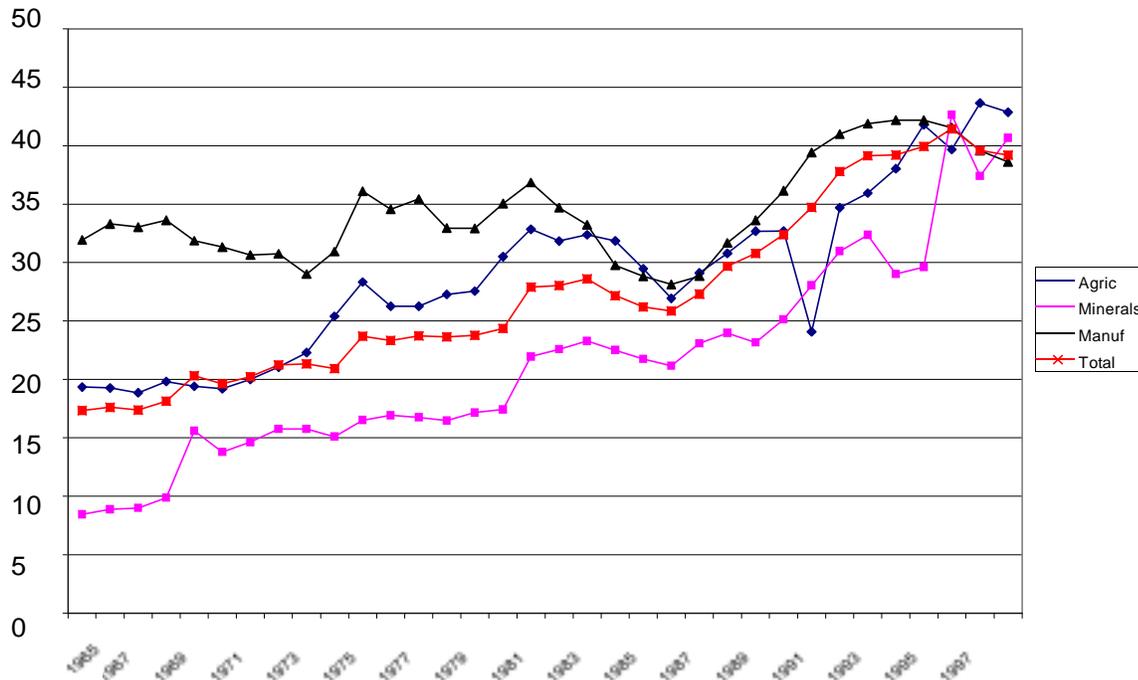


Figure 4. The share of exports to other developing countries has increased.
Source: GTAP 5 Database.

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