

# Kazakhstan Report

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# Introduction

The Republic of Kazakhstan is a country that crosses two continents in Europe and Asia. Its territory includes northern Central Asia and southeastern Eastern Europe. The western part of the Ural River belongs to Europe. The west is adjacent to the Caspian Sea. It is the largest landlocked country in the world. The name of the country comes from its main ethnic Kazakh. Formerly one of the Soviet Union republics, declared independence on December 16, 1991. It borders Russia, China, Kyrgyzstan, Uzbekistan, Turkmenistan and other countries, and faces Iran and Azerbaijan across the Caspian Sea.

Before the 16th century, nomadic Turks lived in Kazakhstan. Until the early 18th century, the Russian Empire annexed Kazakhstan. Kazakhstan began to become a colony of the Russian Empire and accepted European culture and Slavic customs. His culture is a combination of Turkic culture, Islamic culture and Slavic culture. It can be said that Kazakhstan is in a cultural exchange domain, and the cultural collision of various nationalities eventually gave birth to this unique country.

The national flag of each country contains the country's profound cultural heritage and historical background, and Kazakhstan is no exception. The country's national flag is light blue, with a golden sun in the middle of the flag. The sun radiates 32 rays of light. The golden sun symbolizes light and warmth. Below is a flying eagle, and the eagle symbolizes bravery. There is a vertical bar on the side of the flagpole, which is the traditional golden pattern of Kazakhstan. Light blue is the traditional color preferred by Kazakh people, representing the sky, and also symbolizing peace and tranquility; patterns and patterns can often be seen in Kazakh carpets

and costumes, which shows the wisdom and wisdom of Kazakhs. The ingenious design of the national flag reflects the cultural characteristics and expresses the diplomatic spirit of a country.

Kazakhstan is rich in land and resources. The country has a land area of 272,449 square kilometers. They are mainly plains and lowlands. The lowest point in the west is the Karaguye Basin, which is located 132 meters below sea level. East and southeast are Altai Mountain and Tianshan Mountain, respectively. The plains are mainly distributed in the west, north and southwest. In the middle is Kazakh mountain. The desert and semi-desert areas account for 60% of the territory and belong to a severe arid continental climate, with hot and dry summers and cold and snowy winters.

Kazakhstan is very rich in natural resources. As of 2014, there are more than 90 proven mineral deposits. Coal, iron, copper, lead, and zinc are abundant in production. The production of uranium for nuclear fuel and nuclear weapons is also the world's first, known as the 'uranium bank'. In addition, the Caspian Sea region is also rich in oil and gas resources. Benefiting from the abundant domestic oil and gas resources, people's living standards have risen, employment has improved, and the risk of social unrest has been reduced. Although Kazakhstan relies heavily on energy and mineral income to support domestic economic development and finance, economic growth is deeply affected by energy price fluctuations, and oil and gas exports account for about 70% of overall exports. If metals and ores are added, energy and mineral exports will reach 90% %. The government of Kazakhstan also notices that the biased economic structure will not benefit Kazakhstan's long-term development. Therefore, the Kazakh government is currently committed to improving infrastructure, education and health care systems to promote economic diversification.

Although Kazakhstan has always pursued a balanced foreign policy, its diplomatic focus is still in Eastern Europe and the West. It has successively joined the CIS, the Euro-Atlantic Partnership Council, the Ji'an Organization, the OSCE, the Shanghai Cooperation Organization, the Islamic Cooperation Organization, the Turkic Parliament, International organizations such as the NATO Peace Partnership Association and the Eurasian Commission. Kazakhstan has strengthened its economic, political, and military integration with Russia and other Eastern European countries in recent years.

## History

The republic of Kazakhstan first formed around the 6<sup>th</sup> century with the migration and conflicts Turkic and Mongol nomadic tribes. The earliest region, Turkic Kaganate, was established, followed by the state established by the Qarluq confederation. Islam was soon introduced to the people because of the migration of Arabs in the 8<sup>th</sup> century. In the 1200s, the Karakiati were overtaken by the Mongols under Genghis khan (Country Profile: Kazakhstan, 2006). Russians soon bested the tribes and invaded the territory during the 1800s and maintained control for approximately 200 years. In terms of population, pre-1917 there was a large influx of people from Russia, Ukraine, and Byelorussia ("Kazakhstan - History Background"). The Kazakhstani people rebelled against Russian domination in 1916, but they were unsuccessful. The republic soon became a continuation of the SSR in 1936. The first formal schools were formed by Russian mercenaries and settlers provided general education to the indigenous people. The first secular vocational schools were opened as well, to prepare the population to be clerks, teachers, medical professionals for the Russian administration. There was a lot of discrimination between the Russians and the native Kazakhsatnis, Stalin forcing

ethnic groups to resettle elsewhere due to farm collectivization to strengthen the soviet rule ("The World Factbook: Kazakhstan", 2018). Under their control, Kazakhstan was suffering from agricultural settlements implemented by Tsar Nicholas II and Nikita Khrushchev. Khrushchev was in power from 1953-1964, and during this time, the Virgin Lands project was implemented. The Virgin Lands project consisted of sowing grain on land that hadn't been sowed before ("The Virgin Lands Program in Soviet Union under Nikita Khrushchev "). The majority of this land was in Kazakhstan, making this a huge contribution to the project. The Virgin Lands project brought an additional 1.5 million people to the country. 33.5 million acres were plowed, and they were planning to increase grain production. In Kazakhstan, acres were plowed, but none had been sown with seeds. Also, during this time, there was grain that was not harvested, or grain that was harvested but not thrashed because it was wet. The Virgin Land Plan did not seem to work in the way that the SSR had planned to. While this seems like it helped the economy, it was hurting the economy of the indigenous people. (Country Profile: Kazakhstan, 2006). The communist ideologies involved the idea of social reconstruction. This placed heavy emphasis on education for economic, political, and social reconstructive reasons. The soviet government set a plan up to eradicate illiteracy, and in the 1930s Kazakhstan had taught 84% of the population basic literacy skills ("Kazakhstan - History Background").

## Kazakhstan Population

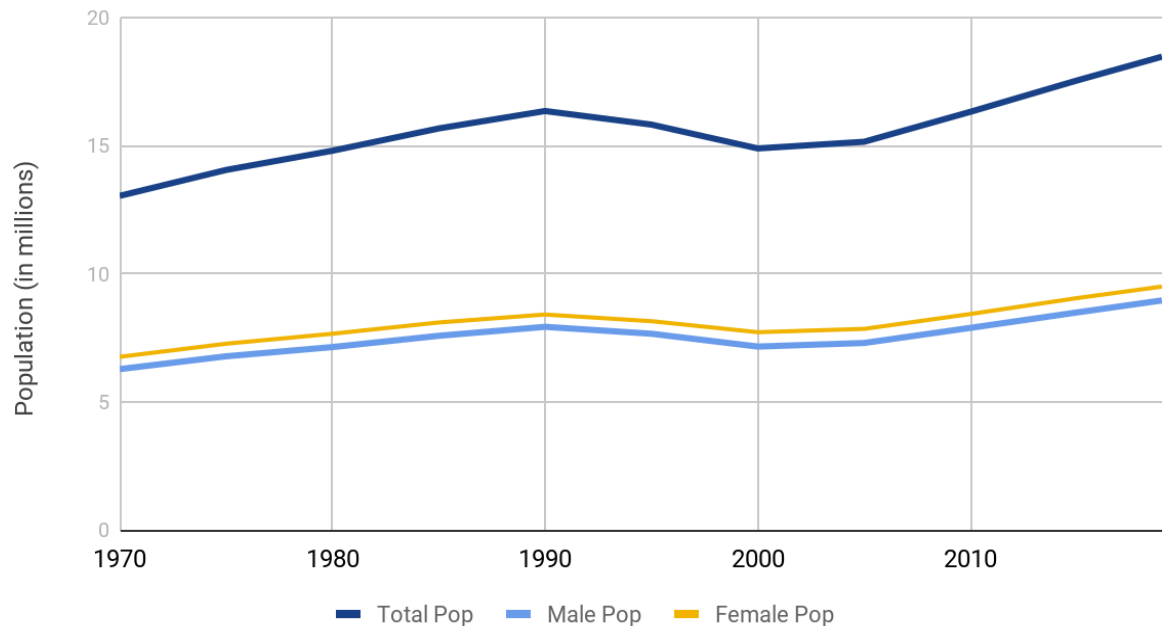


Figure: A1 (Population from 1970-2019)

With the fall of the soviet rule, nationalism amongst the Kazakhstan people, and then separated from the SSR in 1991, becoming the Commonwealth of Independent States ("Brief History of Kazakhstan"). Even after the separation from soviet Russia, Kazakhstan still has ties to Russia because of shared energy supply lines, the military, and the need for Russian technologies to keep the economy afloat. Under the direction of the first president of the Republic, Nursultan Nazarbayev, new oil fields had been discovered and this brought on major international investment, boosting Kazakhstan's economy (Country Profile: Kazakhstan, 2006). Nazarbayev had kept control over political and economic policies and used this to get rid of any possible political rivals. Kazakhstan was admitted to the UN and the OSCE in 1992, and with the ratification of the constitution the following year, Nazarbayev was able to maintain and expand his political power. Kazakhstan was not only rich with oil, but it had enriched uranium that was usable for nuclear weapons. In 1994, they signed security agreements with the U.S for

the latter to take control of the uranium and provide aid in eliminating the leftover nuclear weapons, close missile silos, make bio-weapon producing centers, and destroy nuclear testing ranges. Kazakhstan signed an economic and military pact with Russia now that they are nuclear free, and the president found yet another way to extend his time in office and revise the constitution, extending a president's term in office to seven years, and raising the max age limit. With the oil reserves discovered, it opened the door for oil agreements to be made with China in 1997. By the start of the 21st century, Kazakhstan adopted an economic security strategy, formed a long-term partnership of strategy with the U.S., and they upped their border security due to pressure from islamist militants ("Kazakhstan profile - Timeline", 2019). The first major pipeline for transporting oil to world markets opened, and Kazakhstan, along with China, Russia, Kyrgyzstan, Uzbekistan, and Tajikistan joined together to combat ethnic and religious militancy, launching the Shanghi Cooperation Organisation (SCO) ("Kazakhstan profile - Timeline", 2019). . Nazarbayev was the only president in power until his resignation, passing the torch to Kassym-Jomart Tokayev in 2019.

## The Economy

Kazakhstan is the biggest economy in Central Asia, it has transitioned from lower-middle-income to upper-middle-income status in less than two decades. The country moved to the upper-middle-income group in 2006. Kazakhstan is reliant on massive deposits of natural resources such as oil, gas, and other minerals. The country is hugely reliant on the exportation of oil and hydrocarbons. The country's industrial sector is reliant on the extraction and manufacture of the minerals and also the production of heavy machinery. The country has a population of 17.7 million with a working force of 8.965 million as at 2019. Its nominal GDP in

2019 was \$271 billion while basing on the Purchasing Power Parity (PPP) was \$429 billion in the same year. In 2019, Kazakh GDP grew by 4.5%, as domestic demand, business spending and construction boom supported economic activity. The unemployment rate remains low in Kazakhstan, stabilized at around 4.8% in 2019. Wages have been rising since 2010 thanks to economic growth and GDP per capita has risen sixfold. Poverty rates declined in the last couple of years amid a continued increase in wages and social assistance.

Kazakhstan benefits from multiple natural resources. Major deposits of oil, natural gas, coal, iron ore, manganese, chromium ore, nickel, cobalt, copper, lead, zinc, bauxite or uranium. The country also has a large agricultural area (ranked 6th world), composed of arable land and pastures. Agriculture suffered from a strong decline in the aftermath of the fall of the Soviet Union but has recovered in the last 20 years. The sector accounts for 4.4% of GDP and employs 14.9% of the working population. Agriculture in the country is extensive, but ageing infrastructure limits its development. More than half of the products are vegetable crops (cereals, including wheat, oilseeds, cucurbits). Kazakhstan is one of the world's leading wheat producers. Livestock and dairy industries account for a significant share of the agricultural sector. Kazakhstan is almost self-sufficient in agri-food. The Kazakh industry has grown significantly in the last few years, now accounting for 33.5% of GDP and employing 21.4% of the working population. Metallurgy of ferrous and non-ferrous metals, hydrocarbon production, textiles, chemicals and pharmaceuticals and fertilizers are the main industrial products. The tertiary sector is the main sector in Kazakhstan and growing steadily. It accounts for 57.4% of GDP and employs 63.8% of the working population. The financial sector, transport and technology are the main services produced in the country. The tourism sector, although not yet very developed, is experiencing strong growth.



The total value of exports and imports of goods and services equals 60.6 percent of GDP. The average applied tariff rate is 2.4 percent, and 35 non-tariff measures are in force. Foreign investment is officially welcome, but unclear legal codes and inconsistent application of regulations are deterrents. Troubled banks have been recapitalized, and the financial sector is stable. Capital markets remain underdeveloped. The Republic of Kazakhstan shipped US\$57.7 billion worth of goods around the globe in 2019. The latest available country-specific data shows that 78.6% of products exported from Kazakhstan were bought by importers in: Italy, China, Russia, Netherlands, France, South Korea, Switzerland, Spain, Uzbekistan and Japan (Fig:A2). Given Kazakhstan's population of 18.6 million people, its total \$57.7 billion in 2019 exports translates to an estimated \$3,100 for every resident in the Central Asian republic. At the more detailed level, Kazakhstan's most valuable export product is crude oil followed by Kazakhstan's exported petroleum gases, refined copper and unwrought alloys, iron ferroalloys, radioactive chemical elements, copper ores and concentrates, refined petroleum oils, wheat, iron ores and concentrates then precious metal ores and concentrates. The country mainly imports metallic products, foodstuff, and machinery from other countries. Its major import partners are Russia, China, Germany, Italy, United States, Uzbekistan, South Korea, France, Turkey and Belarus,

(Fig; A3). The monetary value of its import was estimated around \$ 31.63 billion in 2019.

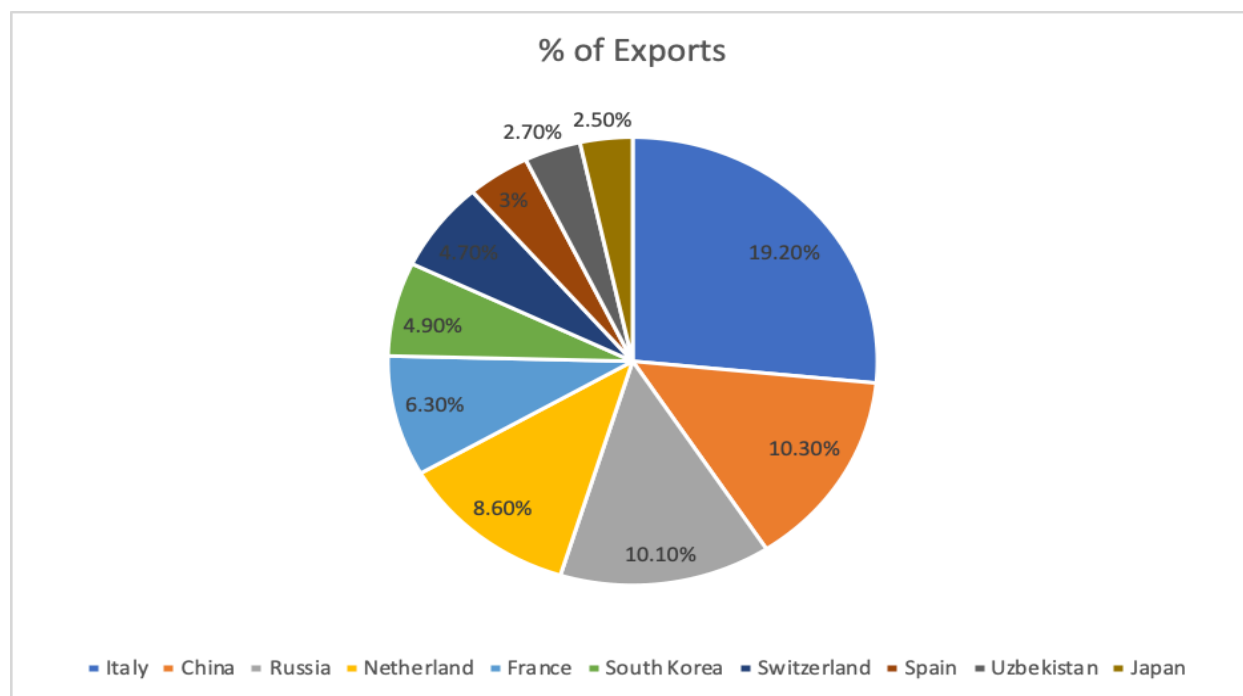


Figure : A2 (Top 10 exporters as per 2019 )

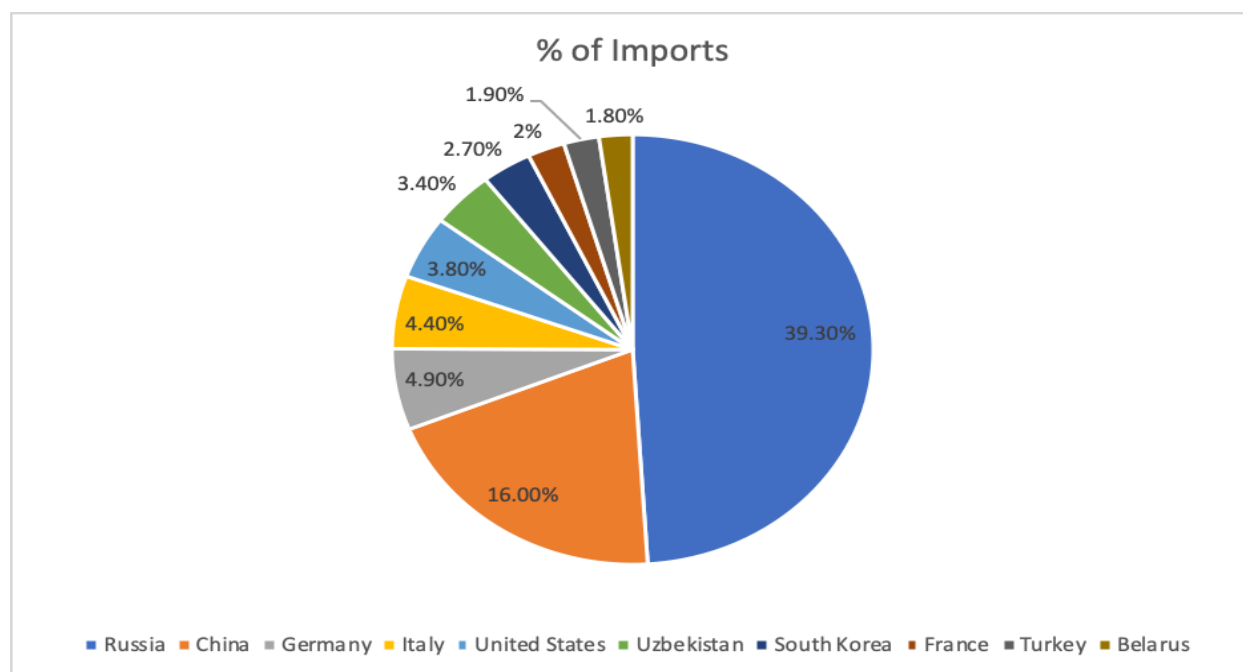


Figure : A3 (Top 10 importers as per 2019 )

On the basis of the research It can be inferred that Kazakhstan is important to world energy markets because it has significant oil and natural gas reserves. With sufficient export options, Kazakhstan could become one of the world's largest oil producers and exporters in the next decade. But Kazakhstan's strategic aspiration is to become a modern, diversified economy with a high value added and high-tech component, well integrated into the global economy.

## Current Events

As we have learned previously in this class, Kazakhstan is a member of The Organization of the Petroleum Exporting Countries (OPEC). This is important because lately, due to the worldwide pandemic occurring, OPEC has been enduring a lot of difficulties. Kazakhstan is currently trying to find new measures to cut costs due to oil prices coming to almost \$40 per barrel. While this doesn't sound crazy on its own, it is important to note that in the past three years, at its highest, we have seen it all the way up at \$77.41 per barrel, meaning it is currently at 51.7% of what it once was. According to Energy Minister Nurlan Nogayev, "We have budgeted oil prices at \$50-\$55 (per barrel). If it falls to \$40 and below, the government has a plan to optimize the costs and we are already working on it." While the situation overall is not good for them, I think it is at least a plus knowing that they are going to optimize costs, meaning they will be able to profit even more in the future.

Another important Kazakhstan and OPEC event has been the recent failure of OPEC coming to an agreement with Russia to cut oil production. This means that we will see the prices of oil continue to go down, which means we may see the issue discussed previously occur. According to Radio Free Europe, OPEC gathered for a meeting on March 6<sup>th</sup>, but were unable

to come to an agreement before its end. RFERL.org stated, “At the end of the day, there was the general painful decision of the joint conference to adjourn the meeting,’ [Russian OPEC Secretary General Mohammad] Barkindo said. The international benchmark for crude oil dropped by 10 percent after the meeting adjourned. The price has dropped by nearly one third since the start of the year.” One third is an incredible amount, especially when you consider the fact that Kazakhstan’s oil and gas production was about 90.5 million tons. This means it could cause the loss of tens of billions of dollars in revenue for their country alone. The 14 other countries in OPEC discussed cutting output by 1.5 million barrels per day in order to ease the dropping of the per barrel price. It is obvious by this action that they were trying to utilize the concept of supply and demand, thinking that if they lower the total output of oil, it would stop, or at least slow the decline in per barrel oil price. Russia, due to having a much higher GDP, is able to withstand lower prices better than some of the other countries, but still denied the cut because they were afraid to lower the output of their main revenue producing export. While both sides are understandable, OPEC was formed for a reason, so I hope that they will all be able to come to an agreement soon.

In other news unrelated to OPEC, dozens of people were arrested by police in Kazakhstan after the death of an activist in jail caused an uproar and started anti-government rallies. This is very important for the country as a whole because any mass uproar/ anti-government movements by the people can pose a large threat to the future of that country. When the people don’t trust those in charge, they will be very reluctant to go along with anything they say because they don’t believe their leaders have the peoples’ best interest in mind. According to Aljazeera.com, “One man - who AFP correspondents saw bundled into a van full of detainees by black-clad police - appealed to ‘the lawmakers in the European parliament’, which sent a delegation to Kazakhstan last month. ‘My constitutional rights are being violated. This is

the 21st century' the man cried out as he was shoved into the vehicle. A few people shouted 'Wake up Kazakhstan' and 'Old man, go away' - an opposition slogan aimed at President Kassym-Jomart Tokayev's predecessor and patron, Nursultan Nazarbayev, who retains sweeping powers even after giving up the presidency a year ago." This quote is especially troubling given the situation for many reasons. First of all, if the citizens have an issue with something, I don't think shoving the protesters in vans against their wills is the best way to calm the issue. Also, while I personally don't know the whole situation, my guess is that the ex-president probably shouldn't hold as much power as he does, especially if the people are strongly against it. Either way, my opinion of the event isn't important, what is important is that this will leave a massive impact on the public, and government of Kazakhstan. The government will be seen as totalitarian, and the public will be in constant unrest and always have a negative outlook on their leaders. In order for a country to operate effectively, the people and the government can't be at war with each other. Hopefully we will see a resolution to this soon, and the country can return to normalcy.

## The Future and Conclusion

The Kazakhstan economic system is one of the most developed in the world. Kazakhstan's economic achievement can be attributed to the bold government policies as well as the country's wealth of natural sources that include arable land, minerals, and delightful scenery. As mentioned earlier, Kazakhstan is rich in land and resources. It is known to have significant deposits of a variety of minerals. Due to rapid economic growth and the increase in energy consumption in recent years, coal is seen to be necessary for the future of Kazakhstan. The Kazakh President aspires to propel Kazakhstan forward, making it one of the world's thirty

maximum evolved nations by 2050. It seems in all likelihood that coal will continue to maintain a major role in one of these transitions. The mineral resources that Kazakhstan has access to will provide the future economy with a great amount of advantage in coming years.

In Kazakhstan the oil production is the most vital part of the future of the economy. Kazakhstan government pins much hope on the increased production of all the major key deposits located off the Caspian Coast to shore up its finances and spur economic growth. According to the country, economic diversification remains an officially proclaimed priority and has been at the top of the domestic agenda for more than a decade. Economic diversification is the process of shifting the economy away from a single income source to add multiple sources from a growing range of sectors and markets. Traditionally, it has been applied as a strategy to encourage positive economic growth and development. Kazakhstan needs to diversify its economy in order to transform its growth model away from reliance on natural resource extraction. Diversification can lead to an increase in total exports, and does not mean that traditionally strong export sectors will become weaker in terms of global market share. The country will have a chance to grow and prosper if it has a diversified economy.

The Kazakh Khanate was founded in 1465 within the Zhetysu location of southeastern Kazakhstan by way of Janybek Khan and Kerey Khan. In the 13th century the land was invaded with the aid of the Mongol Empire and became territories of the Kazakh Khanate. This was an attempt to take Kazakhstan's agricultural primarily based economic system and industrialize it. In 1991 with the fall of the Soviet Union, Kazakhstan became an independent nation.

The Republic of Kazakhstan is a country that crosses two continents in Europe and Asia. The call of the United States comes from its important ethnic Kazakh. Until the early 18th century, the Russian Empire annexed Kazakhstan. Kazakhstan started to turn out to be a colony of the Russian Empire and normal European culture and Slavic customs. Its subculture is a

combination of Turkic lifestyle, Islamic way of life and Slavic subculture. It can be stated that Kazakhstan is in a cultural change domain, and the cultural collision of numerous nationalities subsequently gave delivery to this precise United States of America.

The major economic activities taking place is the extraction of natural resources and oil production. As of 2014, there are greater than ninety tested mineral deposits. In addition, the Caspian Sea area is rich in oil and gasoline resources. Benefiting from the abundant home oil and fuel resources, people's residing requirements have risen, employment has improved, and the danger of social unrest has been reduced. Although Kazakhstan is based heavily on energy and mineral earnings to support domestic financial development and finance, economic growth is deeply affected by power fee fluctuations, and oil and gas exports account for approximately 70% of average exports. If metals and ores are added, strength and mineral exports will reach 90%. Therefore, the Kazakh government is currently devoted to enhancing infrastructure, training and fitness care structures to sell financial diversification.

"The future depends on what we do in the present," are the words of Mahatma Gandhi. Due to the current pandemic, Kazakhstan is brainstorming to find ways to reduce costs because oil prices are almost \$40 a barrel when they are usually \$77.41 a barrel. This is the result of the Organization of the Petroleum Exporting Countries (OPEC), experiencing difficulties in which Kazakhstan is a devoted member. Although, the country has a plan to optimize the costs, meaning their profits will increase during the future. Unfortunately, OPEC has failed to come to an agreement with Russia to cut oil production. This means the prices of oil will continue to decrease and the plan to optimize costs will be put into place. Therefore, even with the country presently facing hardships, the leaders have plans in place to better the future of the economy. In conclusion, the great work and progress of Kazakhstan currently will affect the future economy in a positive way.

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