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The Concept «Curse of Natural Resources» and Prospect of Economic Development of the Republic of Kazakhstan

Abstract. The theoretical and practical analysis of the concept «the resource curse» was carried out, the characteristic of this concept was given with reference to the Kazakhstan economy. On the basis of this analysis of statistics the conclusions was made about presence of signs of «the resource curse» and the ways of its overcoming were given.

Key words: resource curse, economy, national currency, non-renewable resource, welfare.

Introduction

Considering the modern concepts of «the resource curse», it would be logical to refer to work of well-known economist D. Stieglitz «How to avoid resource curse» [1]. This work is devoted to the analysis of problems of economy with extracting branches, which have the chance to get or avoid «the resource curse». Certainly, the priority of any economy is to avoid resource curse. The theoretical analysis of tendencies of beginning of «resource curse» can help and problems connected with it. According to the opinions of different authors, «the resource curse» is defined as a poor development of the national economy, which have large supplies of natural resources [2;3;4;5]. The analysis of development of the African countries possessing such resources indicates the dependence of national economy from realization of available resources. The results of the analysis were not in favour of development of economy of these countries and were revealed certain factors of braking of economy with resource potential which are necessary for considering and in strategy of economic development of RK.

The aim of research is to define the extent of influence of «the resource curse» on the economy of Kazakhstan.

The results of research: on the basis of the analysis of problems in economy of Kazakhstan the dangers connected with a raw orientation and dependence on the world markets of natural resources were defined.

Conclusions: on the basis of the analysis of current state of economic indicators of development of

Kazakhstan the circles of the problems connected with «the resource curse» were revealed and defined prospects of economic development of RK.

Factors of braking of economy of the countries with high resource potential are caused by the economic and political reasons. They show us the depth of the tragedy of the countries which have the redundancy of the resources and globality of the problems connected with natural resources.

The first factor is the independence of extracting branch of national economy. The presence of the natural resource, its exploitation and development don't depend on state of the economy, it isn't influenced by opinion of citizens of the country, but it depends on the actions of government. There is a paradox inherent in many such countries: sold natural resources don't only bring the benefit to the country, but also cause civil excitements because of non-uniform distribution of the income of natural resources. Very often the government wants to have the fast income of the use of natural resources that conducts to pressure of officials upon the laws and taking measures which conduct to personal enrichment of officials. Besides, more natural resources are a non-renewable resource and don't give a profit at once. After long negotiations with economically developed countries about exploitation of fields are carried out contracts, are held works on production and realization. A lot of years are passing during which the country should live and continue to support economy. Very often, for this time the international loans on the security of natural resources which can lead to debt crisis in the future.

The second factor is that the part, buying natural resources, is considerably more informed on a resource and strategy of its realization, than the selling part. It conducts to misbalance of interests of two parts, and the selling part can incur losses from the signed contracts. The lack of information and lack of experience in such activity causes dependence of the country on the international corporations. The positive factor is competition which exists among corporations in the given branch. This problem can cause a temptation of corruption's development at the conclusion of contracts.

The third factor is the misbalance in the state: receipts from export of natural resources raise a rate of national currency that conducts to decrease the competition of other goods, which are delivered for export. The prices for them begin to grow and become unprofitable for sale that raises the level of import. Other branches begin to become weaker and lose competitiveness. Sometimes the proceeds from export of natural resources are spent on the buying of the goods for the country.

The fourth factor of negative influence of natural resources is rapid development of extracting branches and the branches which are not connected with export, and delay of growth of other branches of economy. In such situation the industry and agricultural stop to develop, that conducts to the import of the goods which are necessary for the country. Such development has one more problem: the extracting branch can settle the resource and not development of other branches will negatively affect to the future of all national economy.

The fifth factor is dependence of income's inflow on the sale of resources: there can be years when the income grows at the expense of price's rising or increasing of production, and in other years the income can go down. The increase in production demands big investments and existence of resources induces the countries to enter the international markets of loans under future income of resources' sale. It can lead to debt crises when the country must pay their debts and if at this moment the price for resources went down, there is no profitability. Besides, there is a labor outflow in extracting branches that creates employment problems in other branches.

Methods

If we want to understand the question, how the abundance of the resource is reflected in economy of Kazakhstan, it is necessary to consider existence of these factors in Kazakhstan and ways of their overcoming. The statistical analysis which has been carried out by Agency on research of profitability and invest-

ments shows that «problems of the resource curse and «the Dutch illness» gain the increasing importance for economy of Kazakhstan» [6]. For basis of such conclusion we use data of GDP on the types of economic activity and interpretation on the industry.

Table 1. GDP on the kinds of activity for January – July, 2012 [7]

GDP	100%
Agriculture	2,4
Industry	33,3%
Building	5,5
Trade	14,1
Transport	6,9
Food services	0,8
Information and communication	2,0
Operations with real estate	8,8
Scientific activity	4,8
Activity in the field of administrative service	1,9
State management	2,1
Education	3,8
Health services	2,3
Art	0,7
And others	1,1

Main body

According to the first Table we can see that in the structure of GDP the greatest specific gravity occupies industrial production – 33,3 %, agricultural – only 2,4 %. At the first sight, it is a progressive structure, but we will look at structure of industrial production now.

Table 2 – Industrial production [7]

	January- July 2012	Specific grav- ity in total amount
Industry	101,3%	100%
Mining industry	100,7	63,1
Manufacturing industry	102,1	30,1
Electrical and gas supply	105,4	5,9
Water supply	95,8	0,9

From the second Table we can see that the mining industry is higher than manufacturing industry in two times that shows the raw orientation of industrial production. It is possible to tell that extracting branches will develop by bigger rates, than processing, and it can lead to delay in development of the last, to cause constant dependence of extracting branches from the world prices for natural resources when also profitability will change with sudden change of these prices. It is possible to tell this by investments into fixed capital.

Table 3 – The Investment into the fixed capital for January-July 2012.

In total	100%
Agricultural, forestry and fishery	2,6
Industry	54
Including:	
mining industry and development of open-cast mine	32,6
Manufacturing industry	10,7
Electrical supply	6,7
Water supply	4,0
Building	1,2
wholesale and retail trade	1,9
transport and warehousing	17,5
services in accommodation and food	0,6
information and communication	2,4
financial and insurance activity	0,7
operations with real estate	8,9
professional, scientific activity	1,7
activity in the field of administrative and support service	0,6
State management and defense	1
education	3,6
Health and social services	1,3
Art, entertainment and rest	1,8
And other services	0,2

According to the third Table it is possible to notice that investments into fixed capital of mining branches exceeds the investments of processing branches almost in 3 times. All these data say us

about considerable development of extracting industries with backlog of processing branches and other branches of economy. Hopes on the development of innovations and a science also didn't come true. If we consider the fulfillment of the 1st stage of the program of Innovative and industrial development, we can see the bad results, which are obvious.

Thus, the review of GDP by types of economic activity, structure of investments into fixed capital and distributions of the income of main types of the industry allows drawing the next conclusion: that the economy of Kazakhstan continues to develop on the raw sign. It can become the reason of the misbalance of economy on not extracting branches which do not get sufficient development and have weak economic potential. Many economists notice the danger of such development when resource abundance can lead to weakening of the economy which does not have their own industry and agricultural. All signs of underdevelopment of own productions are observed in the structure of sales when the main goods of consumption are delivered from abroad and the economy feels a shock because of the prices' increasing.

If we consider above-stated factors of «the resource curse» with reference to Kazakhstan, it is possible to see their obvious existence. Extracting branches, including oil sector, are independent of other spheres of economy and public institutes. These institutes aren't so developed that to influence on this «giant» of extracting branch therefore the oil sector acts as isolated and independent. Its resources are non-renewable and always depend on the world prices for oil. Realization of raw materials of extracting branches increases the influx of foreign currency that leads to the prices' increasing for other goods which can't compete to the goods from abroad and remain unclaimed. But influx of the foreign goods continues to grow, as well as their consumption. It conducts to disappearing of not export branches of economy. Though the Strategy of innovative and industrial development of RK was accepted, last years showed that in economy of Kazakhstan are obviously seen the signs of «the resource curse». The innovative sphere directed on development of the knowledge-intensive productions, practically isn't created, its share in GDP is very low and can't influence on the development of own production. Of course, we can see the obvious development of oil sector and the related productions, connected to them and also increasing the labor to this branch. Further development of these branches affects on all economy not in the best way.

The majority of the large enterprises of the mining, metallurgical, oil and gas industry became the

main ones. Besides, development of mineral raw material resources defines the development of all base branches of the economy of our country, promotes the creation of new workplaces, development of infrastructure and is a necessary condition for creation of a necessary strategic stock and potential, protection of the geopolitical interests of our country. However with the intensive growth of production, the stocks of subsoil decrease very fast, with all negative consequences, which usually appear from this situation. According to the Ministry of oil and gas of the Republic of Kazakhstan, the majority of fields of hydrocarbonic raw materials developed on the dry land, reached the stage of maximum level of annual production. First of all the further growth of production on the dry land is connected with development of fields of Tengiz and Karachaganak. These tendencies speak about not prospects of extracting branches already in a couple of tens years when not extracting branches are in an undeveloped condition. The great attention to extracting sector deprives of attention of other sectors of economy and leads to their degradation.

The economists, who develop the subject of «the resource curse», offered two instruments of prevention of this problem. These instruments are concerned to the creation of stabilization's funds and development of public institutes.

In Kazakhstan the National Fund was created, which had following purposes: to decrease the dependence of the republican budget from the state of the market of the world prices and formation of accumulation of the state for future generations. The formation of revenues of Fund is carried out with the help of the expense of the direct taxes from oil sale, also other operations connected with oil sector that should increase receipts to National Fund. Expenses of National Fund make transfers on development programs which are accepted by decisions of the Government of RK. Though were created all conditions for Fund's activity, nevertheless there is no «transparency» in functioning of this Fund, and actually the public has no reliable information about volumes of oil sale, the list of the companies which taxes come to Fund, there is no also information about Fund's expenses and the activity in Fund's investments.

Thus, Fund's creation doesn't solve a problem of resource dependence. The second tool is development of public institutes, democracies. The political

forces, which want to use economy in their purposes, do harm to social development of the country, and also to its political image.

There are two ways of spending of the raw material resources which are available in the country. The first is export in the raw; the second is deep processing of raw materials in the territory of the state. Such practice is used in developed countries:

The USA and Norway. In Norway is actively conducted development of the knowledge-intensive production complexes, capable to replace the future reduction of oil extraction. Such researches allow creating perspective productions instead of the extracting. Such experience is very important for Kazakhstan, because oil extraction on marketing forecasts of the World Bank will decrease considerably by 2020. Therefore it is important to reconsider the priorities of economy's development from resource-selling to the resource-saving already now. Reorientations of the general state programs and development of public institutes, democracies and expansion of «transparency» of National Fund are necessary for this purpose,

According to V. Polterovich, the active policy of stimulation of the growth is necessary, providing the redistribution of the superfluous export income [8]. For this purpose it is necessary to have the developed system of institutes of the industrial policy providing decision-making in the course of interaction of the state, business and society. Rather big set of effective investment projects should be prepared, which could be initiated at «surplus» of money. The extreme importance has loan of more effective technologies, investments into modernization of branches.

Conclusion

The main tools for avoidance of «the resource curse» are the developed economic, political and civil institutes and real development programs of hi-tech production complexes on which development there should be spent money from realization of resources. Such funds as National should be supervised not only by the state institutes, but also by civil, because it is the accumulation of future generations. And these accumulations should be put to hi-tech productions which will bring the income in the future, instead of saving as currency or securities. Such programs can provide economic growth now and in the future.

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