Is Kazakhstan a Market Economy Yet? Getting warmer….

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2004

ABSTRACT:

Transition from planned to a market economy is an evolutionary process. Evolutions do not have finite beginning and ending points. We may look to the beginning of transition in 1991 when the Soviet Union broke up, or we may see it as beginning earlier, when the Soviet Union began to allow its firms to engage in private sales of output that exceeded state plans and to independently take part in international trade agreements. At what point do we say that transition is complete? Hence, it is quite difficult to say when any country begins and completes its transition.

The United States and the European Union have categorized Kazakhstan differently with regard to its degree of transition. The United States removed "non market economy" status from Kazakhstan, whereas the EU gave Kazakhstan an intermediate status.

The first question that this work asks is how do these political bodies rank a country's market orientation, and how did they arrive at different conclusions?

These results are then compared to what transitional economists have to say on the evolution from a planned to a market economy. The second question is, how do theoretical, academic economists differ in their analysis of the transition process? By creating unique criteria sets from several papers, can one say that, according to any set, Kazakhstan is a market economy?

We conclude that the reform process in Kazakhstan is still underway. The government and the economy have experienced many radical reforms, but none completely satisfies the necessary conditions for being categorized as a market economy.

There are some transition economies which everyone agrees have enjoyed great success in reverting to a market economy, such as Slovenia. Other countries, such as Turkmenistan, everyone agrees is neither a market economy nor a democracy. Other countries, such as Kazakhstan, are much more difficult to gauge. This paper looks at the conclusions from the USA, the EU, and work by theoretical economists, to answer whether or not Kazakhstan has become a market economy, as the U.S. government has declared it has. The conclusion is that it is "getting warmer," but cannot be said to satisfy the criteria sets for a market economy.

Kazakhstan began its gradual reform process in 1992. In many areas, such as its pension reform, which created a pay-as-you-go system, or in the development of its banking sector, Kazakhstan appears to be a model transition economy. Kazakhstan plans to privatize all land in 2007. However, an EU document states also that "structural and fiscal reform are still very much lagging behind, while corruption continues to be widespread."[1]

There is a difference between the criteria sets and the conclusions by the United States and by the European Union on Kazakhstan's market status. To the EU, Kazakhstan improved from non-market economy to "special status" (still not a market economy) in 2000. In 2002, Kazakhstan officially became a market economy to the American government.

Oddly enough, it is not economists, but politicians who make a decision about which country "is" and which country "is not" a market economy.[2] The Department of Commerce in the United States labels economies as "market economy" or "not market economy." The European Union assigns to a country "market economy status" when it publishes lists of those countries accused of permitting dumping.

In 2001, President Bush made the recommendation to Congress that Kazakhstan be taken of the Jackson Vanik List. In March 2002, the U.S. Department of Commerce officially

[1] European Union. 2001. *The EU's relations with Kazakhstan.*
[2] When the U.S. declared Russia to be a market economy, there was much speculation in the press that this result was politically-motivated.

revoked Kazakhstan's non-market economy status. Its finding was that Kazakhstan had been effectively a market economy since October 2001.[3]

In its August 2002 report on Bilateral Trade Relations,[4] the EU still considered Kazakhstan to be a "non-market economy regime."

In 1998, Kazakhstan is grouped with non-market economy countries in an EU regulation. Along with Kazakhstan were Albania, Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, North Korea, Kyrghyzstan, Moldavia, Mongolia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan, and Vietnam.

Within two years, this status changed. The EU has recognized that while Kazakhstan may not yet be a "market economy," it has made significant progress:

> The process of reform in the Ukraine, Vietnam and Kazakhstan has fundamentally altered the economies of those countries and has led to the emergence of firms for which market-economy conditions prevail. These three countries have as a result moved away from the economic circumstances that inspired the use of the analogue-country method.[5]

Kazakhstan was granted a "special market economy status" by the EU in 2000.[6] This is an intermediate category in between market economy and non-market economy status. Kyrghyzstan also has this special status.

These events beg two questions:

- Firstly, How is it that the USA and the EU have not come to the same conclusion regarding Kazakhstan's progress towards a market economy?
- Secondly, since it is political organizations, not economic ones, that assign "market economy" status, is Kazakhstan a market economy according to economists?

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[3] Department of Commerce (Office of Public Affairs). 2002. *FACT SHEET, Market Economy Analysis of Kazakhstan.* <http://www.ita.doc.gov> (22 February 2003)

[4] European Union. 2002. *Bilateral Trade Relations, Kazakhstan,* August.
European Union. 2000. "Council Regulation (EC) No. 2238/2000 9 October 2000," *Official Journal of the European Communities*. 11 October. L257: 2-3

[5] Vedrine,H., President of the EU Council. 2000. *Council Regulation (EC) No 2238/2000 of 9 October 2000 amending Regulation (EC) No 384/96 on protection against dumped imports from countries not members of the European Community.*

[6] Source is Tatiana Romon, of the European Union's Delegation of the European Commission in Kazakhstan.

Countries do not actually have to be market economies to be awarded this status. What they must do is to demonstrate that significant progress has been made and that the country's economy is following the path towards inevitably becoming a market economy.

In 2001, the official Department of Commerce view was that Kazakhstan was becoming a market economy:

> Kazakhstan is continuing its transition to a market economy. Key reforms underway include completing Kazakhstan's privatization program, nurturing the nascent securities market, consolidating gains in pension reform and the banking sector, improving the investment climate and continuing to modify the trade regime as part of Kazakhstan's efforts to join the World Trade Organization (WTO).[7]

That is not to say that the EU and the USA lack any set of criteria. There are conditions that must be met before a country is called a market economy by either.

	European Union Criteria	**U.S. Department of Commerce Criteria**
Market-determined prices	State interference must be minor.	Wage rates are established by the labor market.
Control of resources	Disappearance of undue state control over resources and production decisions. Law is transparent and non-discriminatory.	State-ownership of resources is minimal.
Accounting standards	International standards are followed. There are no holdovers from planned economy payment of debts, such as write-offs, barter, or payment through compensation of debts.	
Property Rights	Law is transparent and effective. Insolvent firms are forced into bankruptcy.	
Exchange Rates	Exchange rates are not fixed.	Currency is convertible.
Foreign Investment		There is potential for foreign investment.

Criteria set by the EU seem more restrictive than those of the USA. The former emphasizes liberalization of *all* prices, not just wages. Much is made of accounting standards, which do not appear to be emphasized by the USA. The EU underscored property

[7] Unites States Trade Representative. 2001. *Foreign Trade Barriers, Kazakhstan*. 30 March.

rights, whereas the USA put emphasis on opportunities for FDI. Both sets place stress upon removing currency controls and both emphasize private use of resources.

Many transition economies also wish to join the European Union. For these countries, there are additional requirements.[8] Democratic institutions, including the rule of law, respect for human rights, and protection of minorities, must be supported. The country must be willing to support the political, economic, and monetary aims of the union. The economy should be able to cope with added competition pressures that EU membership will bring. For those European countries such as Poland, Slovenia, Croatia, Latvia, etc. that hope for full integration into Europe's markets, political and economic requirements are stricter.

While Kazakhstan closely follows its big brother of Russia, Russia has satisfied the EU criteria, while Kazakhstan has not.

Economists have created conditions for accessing countries' progress towards becoming a market economy and for comparing the progress of transition economies. The well-known Hungarian, author of *Hiways and Byways,* Kornai (2000) is one.[9] Svejnar (2002) is another.[10] Also considered are Melo *et al* (1996),[11] Lavigne (1999),[12] and Frydman & Rapaczynski (1994).[13]

Kornai's conditions compare the differences between socialism and capitalism. They include factors such as state control of property and resources, as did the American and European criteria sets. However, Kornai also looks at political party attitudes and whether producers or consumers dominate the economic system.

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[8] European Union. *Enlargement.*
[9] Kornai, J. 2000a. What the Change of System from Socialism to Capitalism Does and Does Not Mean," *The Journal of Economic Perspectives.* 14(I): 27-42.
[10] Svejnar, J. 2002. "Transition Economies: Perfection and Challenges," *Journal of Economic Perspectives* 16(1) Winter: 3-28.
[11] De Melo, M.; Denizer, C.; & Gelb, A. 1996. *From Plan to Market, Patterns of Transition*. The World Bank Policy Research Department, Transition Economics Division. January. Working Paper No. 1564.
[12] Lavigne, M. 1999. *The Economics of Transition From Socialist Economy to Market Economy*. (London: Macmillan Press): 276.
[13] Frydman, R. & Rapaczynski, A. 1994. *Privatization in Eastern Europe: Is the State Withering Away?* (Oxford: Oxford University Press)

Table: Kornai's Classification

	SOCIALISM	CAPITALISM
1: Political Control	Central Party	Pro-private property party
2: Economic Control	State dominates the economy.	Private property interests dominate the economy.
3: Economic Coordination	Bureaucratic organization and coordination	Allocation and production decisions are market-based.
4: Resource Efficiencies	Soft budget constraints	Hard budget constraints
5: Market Efficiencies	Sellers market; goods' shortages; and labor short-age	Buyers' Market; no shortages, and unemployment

Kornai emphasized points 1-3: private property is protected and dominates the economy and private parties control resources. When this occurs, according to Kornai, the country is on the whole a market economy as transition is mostly complete.

Neoclassical economists, who advised transition economy leaders in the early 1990's, believed that market activity would spontaneously occur, once controls were lifted. Kornai also felt that by removing state controls, the barriers to capitalism were removed. So removal of politically created, economic barriers is a major component of transition.

Kornai does not argue that democracy is a necessary condition for capitalism, but that capitalism is a necessary condition for democracy.

Using Kornai's classification for what makes a "capitalist" economy, we see that efficiency is not a necessary condition. On the other hand, private property rights and price-coordination are. This is an institutionalist approach. In another piece by Kornai, he writes that, "the transition from socialism to capitalism has to be an organic development. It cannot be done otherwise. It is a curious amalgam of revolution and evolution."[14] The revolution began in 1991 when the Soviet Union dissolved. The evolution has been occurring since then.

Let us examine how well Kazakhstan has satisfied Kornai's criteria.

[14] Kornai, J. 2000b. "Ten Years After the Road to a Free Economy: The Author's Self Evaluation," *World Bank Annual Bank Conference on Development Economics*. April 18-20 2000.

- Does the dominant political party protect property rights? Kazakhstan has privatized all property except for land. There is currently a problematic land reform plan that is scheduled to begin in 2007. There are bankruptcy and property laws. However, problems in clarifying the legal code and high corruption cannot ensure the sanctity of property rights. Kazakhstan has mostly, but not fully satisfied Kornai's first criterion.
- Is the state's role in resource management and production decisions minimal? The largest sector in the Kazakhstani economy is oil and gas. The government controls oil and gas resources, and investment in this sector has led to the development of *new* large state-enterprises.

  The share of state-owned industrial production as a percentage of the total fell from 74.6 to 2.5 percent[15] between 1992 and 2000. However, 33.5 percent of farms were private, and 18.9 percent of rural land was privately owned in 2000.[16] (This is soon to be changed in 2007.)

  Kazakhstan plans to liberalize control of land resources, but there are no plans for liberalizing oil and gas resources.
- Who, or what, coordinates economic decisions? Decisions on what to produce and how to produce are mostly independent of government control. One key exception is restrictive labor laws (and no WTO "national treatment"), making it difficult to import specialized workers. Another is the control of oil and gas resources.
- Hard budget constraints appear to have replaced soft, thus satisfying the third criterion.
- The fourth issue is are resources allocated efficiently? Labor and capital markets are independent of government intervention.. There appears to be little state-directed

[15]Statistical Agency of the Republic of Kazakhstan. 2001. *Statisticheski Yezhagodnik Kazakhstan*. (Almaty: Statistical Agency of Kazakhstan): 248.
[16] *Ibid*: 255.

investment, and the minimum wage is so low as to appear non-binding upon private employers.[17] Land allocation will be changing in 2007.

- Is the economy efficient? Efficiency is usually indicated by normalization of prices. This is not the case in Kazakhstan, even within the same area. Inadequate infrastructure, especially in the rural sector, creates problems for rural producers.

  There is low official unemployment (10-11 percent), but high underemployment. Government salaries and pensions are very low. The former results in talented people leaving the public sector and encourages state capture.

  A strong indicator of economic efficiency, when governance issues are factored in, is the Index of Economic Freedom, which ranks countries from 1 (best) to 5 (worst). Kazakhstan began in 1998 with a rating of 4.28.[18] It has improved its ranking to 3.70 in 2002 and 2004 (economic freedom worsened in 2003). Kazakhstan was downgraded for its barriers to capital flows. The fiscal burden of the government, price and wage liberalization, and low government intervention were the country's best attributes.

Kornai's criteria require that a country has moved from the planned system to the market system, minimally with respect to points 1 to 3 in the table above. Point 3 is satisfied, but Kazakhstan has not yet moved from the planned to the market system in points 1 and 2. Kazakhstan is not yet a market economy.

Svejnar looks at three classes of variables in comparing the success of transition economies: macroeconomic stabilization; microeconomic restructuring; and social indicators.[19] Judging success requires a somewhat deeper mode of analysis than deciding if an

[17] Minimum wager-earners are usually civil servants. For example, $50 is about the lowest wage for an unskilled worker who is privately hired. Public employees are often paid the legal minimum wage, which is less ($36 in March 2004).

[18] Miles, M., Feulner, Jr., E. & O'Grady, M. 2004. *Index of Economic Freedom*. (Washington D.C.: Heritage Foundation): 247. For comparison, this is the same rating that Bangladesh and Yemen received.

[19] Svejnar's criteria are almost exactly those suggested by the IMF (2000). The IMF's criteria include (i) liberalization; (ii) stabilization; (iii) restructuring of firms; and (iv) legal and institutional reform.

economy is or is not a market one. The analysis has changed from a bimodal one to a qualitative one.

The argument is that market economies are Pareto superior to planned economies, because they can improve quality of life the most. Since all transition economies are evolving towards, or have already become, market systems, those that are more successful should be more market-oriented. Anecdotal evidence supports this. Life in reformed Poland and Slovenia is significantly better than life in Russia which is less market oriented than they, which is still better than life in reform-resistant countries like Turkmenistan.

Svejnar judges that transition is complete when government monopoly ceases and economic growth is evident. "I would define the end of transition as a state when these economies replace central planning by a functioning market system and when they generate rapid and sustained rates of economic growth that enable them to interact with the more advanced market economies without major forms of protection."[20] In this 2002 work, Svejnar did not categorize FSU countries as nearly market economies, but did comment favorably upon Estonia, Poland, the Czech Republic, Hungary, Slovenia, and the Slovak Republic.

Can Kazakhstan satisfy Svejnar's standards?

- Has the macroeconomy stabilized? Kazakhstan currently has high growth in GDP, which is currently about 10 percent per annum. Growth rates increased between 1998 and 2000, from 5.1 to 14.9 to 18.8 percent. [21] However, growth in the Kazakhstani economy is more of a function of oil and gas prices, than it is of increased output. Inflation in the 2000's is in the teens. The government has done much, spending and investing little and saving much, to pay debts and maintain fiscal surpluses. The economy in 2004 appears to be continuing its trend of healthy growth.

[20] Svejnar, J. 2002. "Transition Economies: Perfection and Challenges," *Journal of Economic Perspectives* 16(1) Winter: 26.
[21] *Ibid*: 10.

- Have firms been restructured? Firms are mostly privately owned and are undergoing restructuring. Officially published statistics state that in 2001, 16.1 percent of all firms were state-owned.[22] Privatization statistics are presented in Table 4.

  State-owned firms are still most common for large-size firms (59%). Eighty-one percent of small-size firms are privately owned.[23]

  Foreign investment is allowed. Foreigners must control less than 50 percent of a firm, or a resident may create a local, Kazakhstani corporation. FDI in Kazakhstan is primarily in the oil and gas sector. From 1993 to 1999 Kazakhstan received almost 10 billion USD in direct investment from foreign investors. Total FDI per capita for 2000 was 2.75 billion USD of which 71 percent was in the "Mining Sector" (oil and gas).[24]

  Rural privatization through the Land Code was proposed in 2002, and approved by the Parliament in March 2003. This plan called for the privatization of 90 million hectares of land and for sales to be limited to citizens of Kazakhstan.[25] The program begins in 2007, when hectares of land will be sold at fixed prices: $100 to $400 per hectare of arable land and $400 to $1,600 per hectare of the best arable land.

  How are social indicators in Kazakhstan? Below are statistics from 1995 and 2001. Deaths are down moderately. Infant mortality and homicide statistics have been greatly improved. Both marriage and divorce rates are creased. The birth rate is down substantially. The third Svejnar criterion is the existence of favorable social indicators, as indicators of institutional development. From these indicators, there is room for progress, but life appears to be improving.

[22] Statistical Agency of the Republic of Kazakhstan (2002)
[23] *Ibid*.
[24] *Ibid*.
[25] Konstantinov, A. 2003. "Parliament pushing for private ownership of Kazakh agricultural land," *The Kazakhstan Monitor* 10(27), 14 March: 2.

Table: Social Indicators

Year	Births	Deaths	Infant	Homicide	Suicide	Marriage	Divorce
	/1000	/1000	Mortality	/100000	/100000	/1000	/1000
			/1000 Births				
1995	17,5	10,2	25,4	20,3	29,9	7,3	2,4
2001	14,6	10,0	19,6	15,6	29,7	6,3	2,0
95-01 Change	↓16,6%	↓2,3%	↓22,8%	↓23,2%	↓0,7%	↓13,7%	↓16,7%

Source: Statistical Agency of the Republic of Kazakhstan (1999, 2002)

The World Bank reported that longevity in Kazakhstan was the *lowest among all transition countries.*[26] The statistics from the Statistical Agency of Kazakhstan generally point in the direction of improved living standards, yet longevity remains low. The most recent statistic was 71.1 years for women and 60.2 years (less than the age of retirement) for men.[27] It is not known how much economic conditions (and the stress of change, unemployment, and poverty) and how much Kazakhstan's environmental problems[28] are at fault. Otherwise, the only negative indicators were a rural fertility rate, that fell substantially, and a slightly lower number of per capita marriages.

Using Svejnar's criteria, of macroeconomic stabilization, microeconomic restructuring, and social, health indicators, would suggest that Kazakhstan is, or is nearly, a market economy. The economy is growing and macroeconomic variables are about where expected. Inflation rates are high, but not excessively. Microeconomic restructuring results are mixed. Privatization has been limited thus far. There is a large discrepancy in incomes following independence. Unemployment and underemployment remain high. Kazakhstani firms in general are not attracting much foreign investment; FDI is concentrated in the oil and gas sector. Indicators of health have nearly all improved in recent years. Longevity statistics

[26] World Bank. 2003. *Europe and Central Asia: Regional data from the WDI database*.
[27] Statistical Agency of Kazakhstan. 2001. *Statisticheskii Yezhegodnik*. (Almaty: Statistical Agency of the RK).
[28] Kazakhstan has non-economic conditions that will decrease lifespan: urban pollution, Aral Sea environmental degradation, and radiation from former Soviet nuclear testing.

still hold Kazakhstan down Kazakhstan does not satisfy Svejnar's criteria perfectly, but it seems on the threshold of doing so.

Another well-known paper on the process of reform in transition countries is de Melo *et al* (1996).[29] This paper contrasts the economic differences between the planned, Soviet system and the transition stage. This is followed by the author's expected results after the transitional period has been completed and a nascent market economy is firmly in place.

Table: de Melo et al's Changes from Planned to Transitional Economies

	Planned System	**Transitional Period**
Macroeconomic balances	Balances are achieved through direct government supervision.	Destabilized.
Economic, political, and social decision-making	These are coordinated through the Party.	Coordinating mechanisms are disrupted.
Private ownership	Minimal.	Growth of private sector.
Relative prices	Distorted.	Structural reallocation of resources.

Let us pursue this evolution, to results that are expected when transition is completed, or mostly completed.

[29] De Melo, M.; Denizer, C.; & Gelb, A. 1996. *From Plan to Market, Patterns of Transition*. The World Bank Policy Research Department, Transition Economics Division. January. Working Paper No. 1564.

Table: Results of Changes when Transition is Complete

	Transition is complete.
Macroeconomic balances	Changes in GDP are not erratic; inflation and unemployment are within the bounds of a similar, non-transition economy.
Economic, political, and social decision-making	Private interests, rather than politicians, direct changes in the society. Citizens have an under-standing of how markets work, so that rational deci-sions can be made.
Private ownership	Registration of property is clear and rights are effectively, not nominally, protected by a court of law.
Relative prices	Market mechanisms are mostly able to prevent shortages and surpluses and information is available, so that relative prices are correct.

We use de Melo et al's conditions during reform to predict expected results when a country has evolved from a non-market to a market economy. Instabilities are replaced by the relative stability of a market economy. Ignorance of market operations is replaced with sufficient understanding to make seemingly rational decisions. Not only does private property exist, but also these rights are protected by a court and registration system that is efficient and fair.

Whether an economy is, or is not, a market economy does not depend on proclamations that private enterprise will happen or by privatization or by regaining lost output. Institutional development is necessary or a country will remain a transition economy and never fully mature. Changes in macroeconomic indicators will be erratic; decision making is impaired; property rights are not truly secure; and prices remain distorted. It is evident in Kazakhstan today that although it may be a "market economy" according to the USA, that it has not completed its transition, if one follows these criteria. Something more is

needed than simply stabilization, privatization and the recovery of growth rates. It requires basic economic literacy and savvy and decision making that is nearly free of political considerations.

Lavigne (1999) goes farther by writing that a when we are no longer constantly reminded that an economy was once a planned economy, then transition is complete. Using these criteria, few FSU countries would pass this test and countries such as Slovenia would easily pass them. Lavigne also uses EU accession eligibility for European transition economies as a robust test for completion of a country's transition.

Frydman & Rapaczynski (1994)[30] described "transition" as a period of state withdrawal from its central position. Following this line of thought, we can conclude that transition is complete when the government no longer can sets prices and controls resources.

In Kazakhstan, government mostly does not set prices, although its national wealth of oil and gas reserves are controlled by the government. This, however, is not dissimilar to many socialist, developed countries. Investment in oil and gas has even encouraged many large, new state enterprises to be created. It is not clear, if the government,[31] which is largely controlled by a strong president, has withdrawn from economic decision making.

However, Frydman & Rapaczynski also point out that market decisions are frequently made through institutions, such as corporations, rather than individuals making independent decisions. The processes of obtaining information, dissemination, analysis, and decision making are created by cooperating individuals. Managers control the flow of information while government regulators maintain the interests of the general society. Managers must understand market signals, know where to find information, and how to respond to it. If this is absent, then command-and-control management could be more efficient than private

[30] Frydman, R. & Rapaczynski, A. 1994. *Privatization in Eastern Europe: Is the State Withering Away?* Central European University Privatization Project 1994 (Oxford: Oxford University Press)

[31] The government consists of a strong president who dominates the courts and Parliament. Government is still centralized with local government leaders answering to those in the capital of Astana.

management. In the early 1990s, the belief was that decentralization would release productive energies. This is not evident in all transition economies. One explanation for this is the institutional type explanation, such as Frydman & Rapaczynski's.

It is clear in Kazakhstan that dissemination of information is a mess. This is particularly the case when it comes to governance issues. The rules are quite strict, but ways to adhere to the rules are not commonly known, which creates opportunities for corruption. Laws are not well understood and courts implement them in a free manner. Statistical data for the republic is quite good. Little is known about consumers.

As has been suggested here, institutions are needed to support a fair and efficient economic system. These institutions are partly cultural. Fair market practices may be understood, but completely ignored, because the culture does not yet support them. In other cases, market economic behavior is learned, and people are learning this more slowly than economists imagined.

Linz (2000) asked, "are Russians really ready for capitalism?" She found deviations in Russian students' attitudes from American ones, that she felt would undermine market development. So long as beliefs needed for market institutions are weak, the institutions cannot exist. So long as necessary economic institutions are absent, transition cannot be complete.

Without survey data, it is difficult to answer if Kazakhstanis are ready for capitalism. It seems that they are certainly ready for the wealth that foreign investment and exploitation of natural resources have delivered, not to mention rent-seeking activities in the early years of independence. However, many people look fondly upon the days of Soviet order and egalitarianism. What is also evident is that Kazakhstanis are not ready in the sense that basic understanding of such issues as supply-and-demand, service-mentality, and the sanctity of contracts are lacking.

Conclusion

The initial questions were: how did the USA and the EU arrive at different decisions concerning Kazakhstan's market status and do analyses by economists differ from the findings of the EU and USA?

The answers to these questions lie partly in the nature of the criteria set and partly in the fact that political agencies, as opposed to academic economists, are making these decisions. Independent, academic economists are less likely to be swayed by political considerations, such as a gratitude for Kazakhstan's giving up nuclear weapons or the desire for Kazakhstan's oil and gas reserves, or for its pro-western stance in international politics. Secondly, we see that both criteria sets are limited, the USA's more so than the EU's. Their criteria are binomial: yes or no. Those of economists are more qualitative. Svejnar includes welfare factors; Lavigne includes perceptions. Here we also emphasize knowledge of basic business and economics by the citizenry, the rapid evolution of which was taken for granted in the early 1990's.

Having discussed several academic works on the subject, we see that Kazakhstan is not yet a market economy. This conclusion is based upon the fact that it does not fully satisfy any of the criteria sets that can be created from the work of theoretical economists. Kazakhstan does, however, satisfy many of these criteria. Hence, it is more likely that academic economists would be more in agreement with the conclusions of the EU than with the U.S. Department of Commerce.

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