

the Russian minority in the country. Kazakhstan has no means of transporting its own oil from producing areas in the northwest to consuming areas in the southeast.⁷

Finally, in 1993, the Kazakh economy was profoundly disrupted by the country's monetary connection to Russia. The ruble's status as the official currency of Kazakhstan until late in the year meant that Kazakhstan was a captive of Russian monetary policy. They also relied on Russian delivery of new notes to sustain the money supply in the inflationary environment. This tended to be increasingly unreliable over time, as the Russians themselves had trouble keeping up with the demand for notes within the Russian Federation. By mid-1993, many state sector workers in Kazakhstan had not been paid in several months owing to the shortage of currency, causing widespread strikes in the oil and non-ferrous metals sectors.

News of the monetary reform in Russia in July 1993 unleashed a rampage of panic buying in Almaty as people attempted to unload hoarded old notes. The ruble/dollar exchange rate plunged from 1000:1 to 3000:1 before dropping back under 2000 four days after the announcement.⁸ The currency crisis in July fed speculation that Kazakhstan was going to go the way of Kyrgyzstan in issuing its own currency. However, in the autumn, Kazakhstan and Uzbekistan initially agreed to stay in the ruble zone. Both states left the zone in mid-November when it became clear that Russian conditions for membership (and notably, the requirement that member states deposit substantial gold and foreign currency reserves at Russia's Central Bank) were unacceptable.

The immediate consequences of economic distress lie in rapidly increasing unemployment and underemployment. The official rate of unemployment in Kazakhstan in 1993 averaged 1.1 per cent. The real level of unemployment in October 1993 was 2.6 per cent. In January 1994, it had jumped to 9.6 per cent. The latter represents the beginnings of a conversion of hidden to open unemployment, as idle factories finally shed their workers. This is likely to continue and to worsen. In February 1994, it was estimated that 1194 enterprises, with a work force of over 500 000 had completely or partially ceased production and had shifted their workers to part-time status. This was an increase in one month of over 400 enterprises and 150 000 affected workers.

⁷ Kazakhstan has responded to Russian manipulation of energy supplies by building a pipeline from Aktyubinsk to Shymkent. It is due to be completed in July 1994.

⁸ Eric Rudenshiold, "Currency is a Tender Issue", *Central Asia White Paper* (Almaty: International Republican Institute, July 1993).