

That said, the collapse of the Soviet Union and its command economy have had effects here dramatically worse than those associated with marketization in East Central Europe and similar to those experienced elsewhere in the former Soviet Union. National income declined 17.4 per cent, industrial output 16.2 per cent, and trade turnover 40.2 per cent in 1991-2. By 1993, national income had fallen to 1976 levels. Prices grew considerably more quickly than personal incomes in the same period. Inflation in prices exceeded personal income growth by 255 per cent in 1992.⁵

The deterioration continued in 1993, with gross domestic product dropping a further 20-25 per cent, industrial output 20-22 per cent, and retail trade 20 per cent. Overall inflation in 1993 was 142.6 per cent according to sources in Almaty. Between 1991 and mid-1993, investment declined 70 per cent, leading Nursultan Nazarbaev to conclude in a rather understated fashion at the end of 1993 that Kazakhstan had yet to experience any positive economic results from marketization.

The inflation problem worsened towards the end of 1993, when Kazakhstan refused the terms of Russia's proposed ruble zone (see below) and introduced its own currency, the tenge, which rapidly depreciated against the ruble and, *a fortiori*, against the dollar.⁶

The roots of the economic decline lie in the uncompetitive character of much of the Kazakh industrial base, lack of investment funds for modernization, the consequences of declining demand in the defence sector for heavy industrial goods, a tax system that heavily penalizes production as opposed to trading activity, and the rapid erosion of interrepublican trade in the former Soviet Union. The latter interfered with lines of supply of essential inputs while denying many Kazakh enterprises their traditional markets.

Particularly problematic was energy trade. Although, for example, Kazakh trade with Russia in oil and oil products tends to balance out (oil is exported from Western Kazakhstan to Orenburg and imported from the Western Siberian oil basin to refining centres in southeastern Kazakhstan), Russia has manipulated energy deliveries to Kazakhstan for political purposes. Currently, for example, Moscow has halted oil deliveries in order to pressure Kazakhstan into granting the right of dual citizenship to

⁵ Geonomics, *The Russian Economy in 1993: Forecasts and Annual Survey of 1992* (Middlebury, Vt.: Geonomics, 1993), p.39.

⁶ On November 15, a dollar was worth 4.68 tenge officially. The official rate of exchange had declined to 19.94 tenge to the dollar by March 31, 1994. The commercial bank rate of the tenge on November 18, 1993, was 5.5:1. On March 31, 1994, it was 25.5:1.