

Applied research is key for development

Kazakhstan is rich in natural resources. Already famous for its vast oil and gas reserves on the Caspian Sea, Kazakhstan is also the world's largest producer of uranium, as well as a major exporter of chrome, copper, lead and zinc. Moreover, much of Kazakhstan's proven mineral reserves are still waiting to be developed. Kazakhstan plans on doubling its already substantial uranium production over the next 10 years and has the potential to become one of the top five oil producers in the world.

Mineral wealth has been both a blessing and a curse for many developing countries. While resource extraction is an easy source of foreign investment and helps build sovereign wealth funds, developing countries with such resources face considerable challenges in diversifying their economies outside of oil and mineral extraction.

Although Kazakhstan produces more than 1.5 million barrels of oil a day, it possesses only three refineries, which are capable of processing only a third of this production. Other industries are similarly underdeveloped, and the government has recently launched an ambitious development program to address this.

Kazakhstan's development program rests on the shoulders of its sovereign wealth fund, Samruk-Kazyna, and its ability to continue to tax resource extractors. But this is not without its challenges. Global demand for Kazakhstan's tenge rises with the price of oil, making the currency more costly and thus jeopardizing the country's fledgling sector for manufactured exports. On the other hand, heavily taxing extraction industries and subsidizing the industrial sector has a negative effect on the backbone of Kazakhstan's economy, which clearly diminishes Kazakhstan's ability to further industrialize.

Addressing this dilemma is no small task, and one that is further exacerbated by Kazakhstan's unique feature: it is both a commodity-rich and a transitional economy. There is a strong need for better understanding of both of these issues. Recent advances in development economics for transitional economies only partially help us understand the situation in Kazakhstan, and the same can be said about the current understanding of commodity-based economies. There is a great need for a synthesis of these two fields of research, especially for Kazakhstan, but for academia as well.

The Kazakhstan Institute of Management, Economics and Strategic Research (KIMEP), the university which I am proud to serve as president, will soon undertake an ambitious project to ensure that Kazakhstan will have thorough and innovative research to form its resource policy in the fu-

ture. The Commodities and Currency Research Center will be based on a broad consortium of international partners, and link Western European and Russian academic institutions with multinational companies and public institutions in Kazakhstan. While initially funded by grant money, the center will become self-sustaining by partnering with private and public organizations to deliver analysis catering to their needs.

The center will also enrich the classroom, providing crucial, relevant material for students to analyze. The establishment of the center will be followed by a project to establish a joint Ph.D. program between KIMEP and other European universities. Faculty trained under this program will possess the necessary skills to train future specialists in the field. Upon graduation, these young men and women will be fully equipped to guide and enact policy to ensure that Kazakhstan effectively uses its resource wealth to develop into a stronger, more vibrant country.

The center will also become a magnet for further interest in Kazakhstan and Central Asia, serving as the primary hub for any researcher interested in this part of the world. Publications in elite academic journals and international conferences will bring further attention to this nation, exposing this relatively unknown part of the world to the elite of academia.

Opportunities already exist for building an even broader collection of international partnerships. In 2004, Russia and Norway joined together to develop the International Institute for Energy Policy and Diplomacy, which uses a broad base of partners to deliver a master's degree in international business in the oil and gas sector. Both the University of Texas and Stanford University have also developed their own research centers focusing on energy management. In time, the work of these institutes can be developed to apply to Kazakhstan, and the research agenda at KIMEP can be used to enrich these institutions as well.

When looking at the future development of Kazakhstan, the importance of a robust research center that focuses on this country's most pressing issues cannot be overstated. The management of Kazakhstan's commodity wealth is only one of many issues facing this country, and these challenges will not solve themselves.

The Commodity and Currency Research Center will be followed by several other research centers, focusing on taxation, Eurasian integration, media issues and leadership development. I believe that it is eminently possible that these centers will be able to bring the brightest minds in the field to Kazakhstan, each making a significant contribution to the future development of this great nation. ■



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