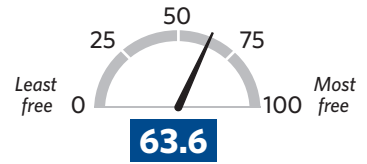


# KAZAKHSTAN

## Economic Freedom Score



World Rank: **65**

Regional Rank: **11**

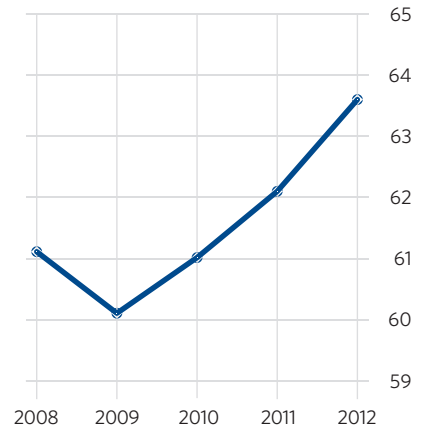
**K**azakhstan's economic freedom score is 63.6, making its economy the 65th freest in the 2012 *Index*. Its score is 1.5 points higher than last year, reflecting improvements in six of the 10 freedoms including property rights, freedom from corruption, and the control of public spending. Kazakhstan ranks 11th out of 41 countries in the Asia-Pacific region, and its overall score is above the world and regional averages. The country recorded one of the 20 largest score improvements in the 2012 *Index*.

Kazakhstan continues its positive trend of advancing economic freedom. The country has become one of the first to return to the path of steady economic expansion since 2009, partly because of ongoing policy reforms that have enhanced regulatory efficiency. Substantial oil revenues enable a high degree of fiscal freedom.

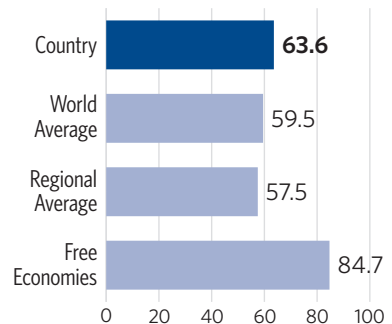
With growth progressing, strengthening the foundations of economic freedom has become even more critical to the country's long-term economic prospects. Institutional shortcomings such as a weak judicial system and widespread corruption hold down diversification and modernization.

**BACKGROUND:** Nominally a democratic republic, Kazakhstan has been ruled since independence by former Communist Party head Nursultan Nazarbayev, who has run virtually unopposed in elections that have been criticized by the Organization for Security and Co-operation in Europe. Kazakhstan is strategically located in Central Asia between Russia and China, and a customs union with Russia and Belarus came into effect in July 2010. Oil output is projected to reach 3.5 million barrels a day by 2020. Kazakhstan possesses an estimated 20 percent of world uranium reserves and remains the world's largest producer of uranium. Excessive dependence on raw commodity exports makes the economy particularly vulnerable to global price changes. Rising commodity prices and improved domestic conditions encouraged substantial economic growth in 2010 and 2011. Kazakhstan has an ambitious economic development program, but resource nationalism and corruption deter progress.

## Freedom Trend



## Country Comparisons



## Quick Facts

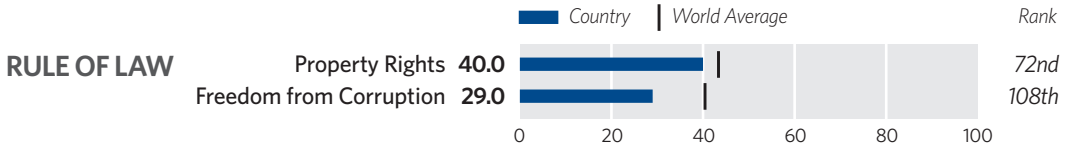
**Population:** 15.6 million  
**GDP (PPP):** \$196.4 billion  
 7.0% growth in 2010  
 5-year compound annual growth 6.1%  
 \$12,603 per capita  
**Unemployment:** 5.5%  
**Inflation (CPI):** 7.4%  
**FDI Inflow:** \$9.9 billion  
**Public Debt:** 10.7% of GDP

### How Do We Measure Economic Freedom?

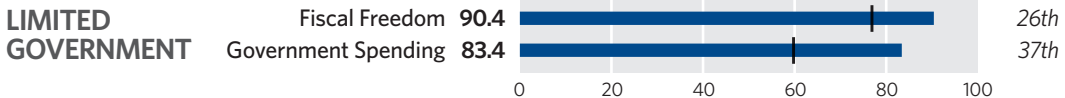
See page 455 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2010 data unless otherwise noted.  
 Data compiled as of September 2011.

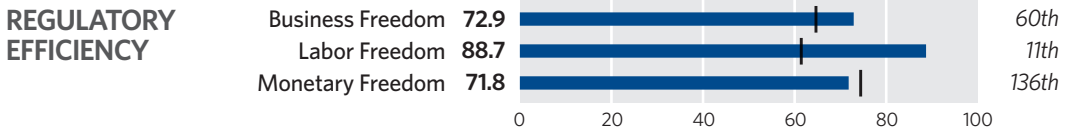
**THE TEN ECONOMIC FREEDOMS**



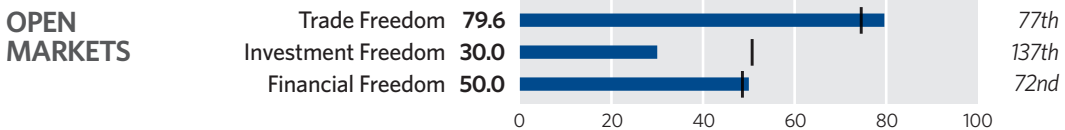
The legal framework remains inefficient and susceptible to political interference. The court system lacks the capacity to protect property rights effectively. Infringements of intellectual property rights are rife. Recent changes in the anti-corruption law instituted mandatory asset forfeitures and broadened the definition of corruption to include fraud by government officials. However, corruption remains endemic, eroding the rule of law.



The flat income tax rate is 10 percent, and the standard corporate tax rate is 20 percent. Other taxes include a value-added tax (VAT) and excise taxes, with the overall tax burden amounting to 21.5 percent of total domestic income. Government spending is equivalent to 23.5 percent of total domestic output. Large oil revenues have kept the budget balance positive, and public debt stands at less than 15 percent of GDP.



The regulatory framework has undergone a series of reforms. The procedures to establish a business have been streamlined in recent years, although they remain costly and lack effective enforcement. Labor regulations are relatively flexible, but enforcement of the labor code remains inefficient. Monetary stability is well maintained, but the government continues to exercise price control measures.



The trade weighted average tariff rate is about 3 percent. Import licensing requirements, non-transparent standards, and customs inefficiency add to the cost of trade. Foreign investment is officially welcome, but unclear legal codes, legislative favoritism toward Kazakh companies, and inconsistent application of regulations are deterrents. Troubled banks have been recapitalized, and the financial sector is stable. Capital markets remain underdeveloped.

**Score Changes**

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	<b>+5.0</b>	Fiscal Freedom	<b>+3.1</b>	Business Freedom	<b>-1.4</b>	Trade Freedom	<b>-1.3</b>
Freedom from Corruption	<b>+2.0</b>	Government Spending	<b>+4.9</b>	Labor Freedom	<b>+0.3</b>	Investment Freedom	<b>0</b>
				Monetary Freedom	<b>+1.9</b>	Financial Freedom	<b>0</b>