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## IMPACT OF THE OIL SECTOR ON THE FINANCIAL SECURITY OF THE NATIONAL ECONOMY

This study examines aspects of the impact of the raw material orientation of the economy on maintaining its financial security in the short and long term. Relevance of this topic is given by crisis phenomena in the world and national economies, generated, first of all, by negative price conditions in the world raw materials market. It is precisely in the conditions of the crisis that all the problems existing in the state are most clearly manifested, the shortcomings of the system for ensuring the most important area of national security – financial, are revealed. During such periods, authorities should attach particular importance to the security issues of the state, organizations and citizens, develop effective tools to eliminate emerging threats or mitigate their consequences. The current state of the National Fund of the Republic of Kazakhstan activity has been analyzed in detail, since the dynamics of changes in the volumes of assets and the level of the fund's profitability reflect how effectively the government's work is organized in generation and using the state's raw materials income, that ensures financial security for the country with a raw material focus. It is concluded that the solution to the problem of financial security of the Republic of Kazakhstan can be achieved only by consistently pursuing a policy to diversify the economy, which will lead to a reorientation of income derived from commodity exports.

**Key words:** raw materials economy, commodity export orientation, financial security, diversification of the economy.

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### Мұнай секторының ұлттық экономиканың қаржылық қауіпсіздігіне әсері

Бұл зерттеу жұмысында экономиканың шикізаттық бағытының мемлекеттің қаржылық қауіпсіздігіне қысқа мерзімді және ұзақ мерзімді перспективада әсер ету аспектілері қарастырылған. Қазіргі таңда тақырыптың өзектілігі әлемдегі және ұлттық экономикалардағы дағдарыстық құбылыстардың кең таралуы, ең алдымен әлемдік шикізат нарығындағы жағымсыз баға шарттарының қалыптасу жағдайында күшейе түскен. Дағдарыс жағдайында мемлекеттегі барлық проблемалар айқын көрінеді, ұлттық қауіпсіздіктің ең маңызды бағыты – қаржылық жағынан қамтамасыз етудің кемшіліктері айқындалады. Мұндай кезеңдерде билік мемлекеттің, ұйымдар мен азаматтардың қауіпсіздік мәселелеріне ерекше назар аударуы керек, пайда болатын қауіптерді жоюдың немесе олардың салдарын азайтудың тиімді құралдарын жасауы керек. Шикізаттық тәуелділігі бар мемлекеттің қаржылық қауіпсіздігін қамтамасыз етуде Қазақстан Республикасының Ұлттық қорының активтерінің өзгеру динамикасы мен табыстылық деңгейі үкіметтің шикізаттық табыстарды қалыптастыру және пайдалану бойынша жұмысының қаншалықты тиімді жүргізілуінің негізгі көрсеткіші болып табылатындықтан, зерттеу жұмысында Ұлттық қор қызметінің қазіргі таңдағы жағдайы егжей-тегжейлі зерттелген. Мақаланың қорытындысы ретінде Қазақстан Республикасының қаржылық қауіпсіздігі мәселесін шешуге ұлттық экономиканы әртараптандыру саясатын дәйекті жүргізу арқылы ғана қол жеткізуге болатындығы айқындалған.

**Түйін сөздер:** шикізаттық экономика, шикізаттық-экспорттық бағыт, қаржылық қауіпсіздік, экономиканың әртараптандырылуы.

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### **Влияние нефтяного сектора на финансовую безопасность национальной экономики**

В данном исследовании рассмотрены аспекты влияния сырьевой направленности экономики на поддержание ее финансовой безопасности в краткосрочной и долгосрочной перспективах. Актуальности данной тематике придают кризисные явления в мировой и национальных экономиках, порожденные, прежде всего, негативной ценовой конъюнктурой на мировом рынке сырья. Именно в условиях кризиса наиболее наглядно проявляются все проблемы, существующие в государстве, вскрываются недостатки системы обеспечения важнейшего направления национальной безопасности – финансовой. В такие периоды органы власти должны придавать вопросам безопасности государства, организаций и граждан особую важность, разрабатывать эффективные инструменты ликвидации возникающих угроз или сглаживания их последствий. Подробно проанализировано текущее состояние деятельности Национального фонда Республики Казахстан, так как именно динамика изменения объемов по активам и уровень доходности фонда отражают, насколько эффективно проводится работа правительства по формированию и использованию сырьевых доходов государства, что обеспечивает финансовую безопасность для страны с сырьевой направленностью. Сделан вывод о том, что решение проблемы финансовой безопасности Республики Казахстан может быть достигнуто только при последовательном проведении политики по диверсификации экономики, которое приведет к переориентированию доходов, полученных от сырьевого экспорта.

**Ключевые слова:** сырьевая экономика, экспортно-сырьевая ориентация, финансовая безопасность, диверсификация экономики.

#### **Introduction**

The financial security of the country can be defined as the state of the economy, which ensures the formation of sufficient financial resources of the state in the volumes necessary to carry out its tasks and functions with appropriate control over their legal formation and expenditure. The most important element of the country's economic security is precisely its financial security, which is a prerequisite for the implementation of the state's financial and economic policy and the protection of the country's national interests. We believe that the stability of the financial system is one of the components of financial security, since it reflects the state and readiness of the state financial system to timely and reliable financial support of economic needs in amounts sufficient to maintain the necessary level of economic security of the country (Phan, 2020). Such financial support of economic needs in commodity countries comes largely from export revenues of the state's main raw materials, so for the study we determined the problem of the dependence of the national economy on the commodity sector, which poses a threat to the financial security of the country and set the goal to study aspects of the impact of export of raw materials focus on financial security.

Many countries that mainly export oil have long stated the need to diversify their economies from

hydrocarbons, despite the fact that no industry could compete with the ability of hydrocarbons to generate large and, consequently, quick revenues. This decision was also influenced by the latest fundamental changes that have covered energy markets around the world, the global demand for hydrocarbons, due to their exposure to price volatility. All this made politicians seriously doubt the stability of oil dependence and accelerate fiscal and structural reforms (Shehabi, 2019).

#### **Literature review**

In turn, the stability of the financial system in both commodity and non-commodity countries is determined by the level of budget deficit, price stability, normalization of financial flows and settlement relations, the stability of the banking system and national currency, the degree of protection of the interests of depositors, the securities market, and a decrease in external and domestic debt and balance of payments deficit, providing financial conditions for enhancing investment activity (Karatony, 2006).

Alsharif and Bhattacharya (2019) assess the role of oil in promoting or containing structural changes and diversifying exports. They find evidence that oil exports are not associated with exposure 8 years after the next hard work, but do not affect the em-

ployment structure in the resource and production sectors. They argue that the quality of political institutions and policies affects the relationship between oil wealth and structural change, with democratic and inclusive political institutions moderating the effect of oil discovery on exports, but not on the labor market. Djimeu and Omgba (2019) study barriers to export diversification in the oil economy using a sample of 134 countries. They find out to what extent the unforeseen oil consequences affect the diversification process, determine and follow the same pattern as the country's export structure before the oil boom. In the context of the MENA region, Javadi and Ftiti (2019) believe that diversifying the economy through equity investments has a positive and significant impact on the economy of Saudi Arabia, including stimulating the beneficial effects of oil on the real economy.

Matallah (2020) studies the effects of oil ren on economic growth and the main symptoms of the phenomenon of resource curse in the oil-rich MENA countries, and on the other, the role of governance in avoiding the resource curse and turning oil ren into an economic diversification tool in 11 oil exporting countries MENA (Algeria, Bahrain, Iran, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, United Arab Emirates and Yemen) during the 1996 period. –2017, using combined OLS, fixed effects, random effects and estimates of the generalized method of moments (GMM). Oil and gas exporting countries are regularly encouraged to diversify their economies in order to protect themselves from the volatility of commodity prices, create new jobs outside the resource sector, prepare for future resource depletion and a wider “resource curse” (Auty, 2001; Cherif et al, 2016).

At the present stage of the historical development of Kazakhstan, objectively there are real internal and external threats to the financial security of the state, the prevention or overcoming of which should become the most important element of the strategy for ensuring financial security. The identification of possible threats to financial security and the development of measures to prevent them or minimize negative consequences are of paramount importance in the system of ensuring the financial security of the country. The threat to financial security includes the potential for such a development of a situation in which, under the influence of internal or external factors (or their combination), there is a danger of the collapse of the key links of the financial system, its management system, damage to national wealth, and the undermining of the financial and credit and currency systems (Jalali-Nini, 2020).

Today, one of the main internal threats to the financial security of Kazakhstan, as well as other commodity countries, is the raw material orientation of the economy. It is obvious that the exclusively export-raw model of the economy faces serious risks and problems, primarily the country's dependence on world prices for oil and other raw materials.

It should be noted that some researchers do not see anything wrong with the commodity economy, believing that this specialization is not always leading to the country's technological backwardness: “the raw material sector of the economy, its mineral resource base and mineral resource potential is a national economic asset of long-term use, from which it is impossible to get rid of. This is a long-term source of income, including rental income” (Kimelman, 2010: 175).

In the modern world there are many examples where states use the profit from the sale of resources to diversify their economy (Norway, the UAE, etc.). In this case, it is the state that assumes the responsibility of planning and regulating revenues from the primary sector of the economy, avoiding imbalances in their distribution in other equally important non-primary sectors.

Unfortunately, our country has chosen the easiest way in its development – the sale of energy resources, which was due to high oil prices. As a result of this, a significant structural bias has occurred in the country's economic sphere, associated with an underestimation of the development of the non-resource sector of the economy. The following development model has been formed in Kazakhstan: export of raw materials and import of everything necessary, from equipment and technologies to food (Zeldner, 2016: 30). Such an economic model jeopardizes the country's financial security, since the state's state budget depends solely on world oil prices.

In connection with the foregoing, we attempted to consider the influence of the raw material dependence of the national economy on the financial security of the country in the short and long term.

## Methodology

The research is conducted using a combination of methods of scientific knowledge, such as analysis, synthesis, induction, deduction, observation, comparison, classification, generalization. The research methods used are chosen in accordance with the objective of the article. Methods of analysis and synthesis allowed to reveal the essence, theoretical aspects of financial safety of an economy and to

determine the main characteristics of the financial stability of commodity exporting countries. These methods also contributed to the revealing the main problems of the financial stability system. The principle of classification and grouping helped to highlight the different characteristics of extractive and non-extractive countries in the process of analyzing their exporting activities. Induction and deduction methods are used to assess the effectiveness of the state system of raw material income management. The generalization method was useful in drawing general conclusions based on the research done. Comparative analysis of the reports of National fund of RK makes it possible to assess the financial condition taking into account critical changes in the analyzed periods.

Assessment of the impact of the oil grid is associated with the identification and analysis of real and potential threats to national financial security. To form a monitoring system for such threats, taking into account both the nature of the functioning of the economic mechanism of the national economy and permanently changing external conditions, a generally recognized methodological approach to the study of financial security indicators is needed, designed to reliably reflect existing and potential threats. Existing research in the field of indicative assessment of national financial security is often subjective and eclectic. This article attempts to comparatively analyze methodological approaches to identifying and assessing indicators of national financial security in order to determine the nature of the achievements and the existing problem field.

Note that in this way two important methodological problems were solved: 1) it was substantiated that it is possible to assess threats using the signaling system of indicators; 2) certain criteria were proposed for choosing among economic indicators of economic and including financial security.

## Results and Discussion

### *Short-term impact of raw material dependence*

In the short term, the export-commodity model of the economy affects the stability of the financial system through sharp, most often unexpected and unplanned, positive or negative jumps in oil prices. So, at present, we are witnessing the fact that a drop in oil and gas prices on world markets led to a significant deterioration of the situation in the social sphere of the country, associated with a budget deficit, tenge devaluation, rising inflation and a significant decrease in household incomes, which puts questioned the financial security of the state. Obvi-

ously, therefore, the need arose for recently taken measures by the Government of the Republic of Kazakhstan to clarify the forecast of the country's socio-economic development for 2020-2024 and the republican budget for 2020-2022.

The main factors for updating the forecast are the unstable foreign economic situation, the global recession that has been outlined due to the fact that since the beginning of 2020, oil prices have decreased by 65.7%, metals on average by 15.6%, and world stock indexes have decreased by an average of 20,9%. According to the report of the Ministry of Finance of the Republic of Kazakhstan dated April 2, 2020, as of April 1, 2020, oil quotes fell to \$ 22 per barrel. With this in mind, the average oil price for April-December of the current year is set at \$ 20 per barrel. The estimated dollar rate in Kazakhstan is taken at 440 tenge per dollar and annual inflation in the range of 9-11%. It is planned that exports will decrease by 16.3 billion dollars to 35.1 billion dollars. Imports will decline by \$ 7.5 billion to \$ 26.6 billion. The receipt of revenues from the export of raw materials that are lower than those planned by the government leads to a lack of financial resources, which entails underfunding of the most urgent needs in various sectors of the economy and thereby causes threats to financial security in these areas. Given the above factors, a decline in GDP of 0.9% is expected. Nominal GDP is estimated at 69.7 trillion tenge, which is 4.8 trillion tenge below the approved forecast (Ministry of Finance Report April 2, 2020).

Based on the adjusted macroeconomic forecast, the forecast of the parameters of the republican budget for 2020 has also been specified. According to the adopted adjustments, the republican budget revenues excluding transfers in 2020 are estimated at 6,414.1 billion tenge, which is 1,672.3 billion tenge less than the plan previously approved. It should be noted that the main decrease is expected with respect to value added tax, export customs duty on crude oil and revenues from the use of natural resources. To cover the expected shortfalls in budget revenues and financing the anti-crisis package of measures, it is proposed to increase the guaranteed transfer from the National Fund in 2020 by 2,070 billion tenge to 4,770 billion tenge, which is an extreme measure of the Government of the Republic of Kazakhstan in order to maintain financial stability in the country. The situation is aggravated by the fact that the National Fund of the Republic of Kazakhstan in recent years has not been distinguished by a high level of assets and the profitability of its investment activities.

Thus, the state is currently experiencing difficulties in neutralizing the effects of external price factors: all the country's macroeconomic indicators have rapidly declined and the government is forced to take extreme measures to use the savings of the National Fund of the Republic of Kazakhstan.

Meanwhile, an analysis of the data on the assets of the National Fund shows that according to the results of January-February 2020, revenues to the National Fund amounted to 363.2 billion tenge,

which is 37.8%, or 220.7 billion tenge, lower compared to the same period last year. Including tax revenues amounted to 358.0 billion tenge, decreasing by 37.1% compared with January-February 2019 (Table 1).

While maintaining the current dynamics of revenues, total tax payments in favor of the fund in 2020 may amount to 2,147.8 billion tenge. This amount is much lower than the previous year, as in 2019 the total tax revenue to the National Fund amounted to 2,837.2 billion tenge.

**Table 1** – Comparison of revenues to the National Fund of the Republic of Kazakhstan for January-February 2019-2020 (Reports on revenues of the National Fund of RK for January-February 2019 and 2020)

billion tenge	01.03. 2019	01.03. 2020	%	Abs.	2019	2020f*	%	Abs.	2 months 2020/19
Tax revenues									
CIT from legal entities-organizations of the oil sector	222,8	121,9	-45,3	-100,9	1243,2	731,6	-41,1	-511,5	9,8
Excess income tax from oil sector organizations	0,0	0,0			109,6	-0,1	-100,1	-109,8	0,0
Bonuses from oil sector organizations	-0,1	0,0			7,2	0,0	-99,4	-7,1	0,1
Mining tax from the oil sector	63,2	52,7	-16,7	-10,6	339,5	315,9	-7,0	-23,6	15,5
Rental tax on export of crude oil and gas. condensate	71,9	64,4	-10,4	-7,5	431,2	386,4	-10,4	-44,7	14,9
RK share on the division of products under the concluded contracts from organizations in the oil sector	211,4	119,0	-43,7	-92,4	706,6	713,9	1,0	7,4	16,8
TOTAL on taxes	569,2	358,0	-37,1	-211,2	2837,2	2147,8	-24,3	-689,4	12,6
Others excluding invest. income (fines, penalties, etc.)	14,8	5,3	-64,3	-9,5	46,2	31,6	-31,6	-14,6	11,4
TOTAL for all receipts	584,0	363,2	-37,8	-220,7	2883,4	2179,4	-24,4	-704,0	12,6
Note – compiled by authors									

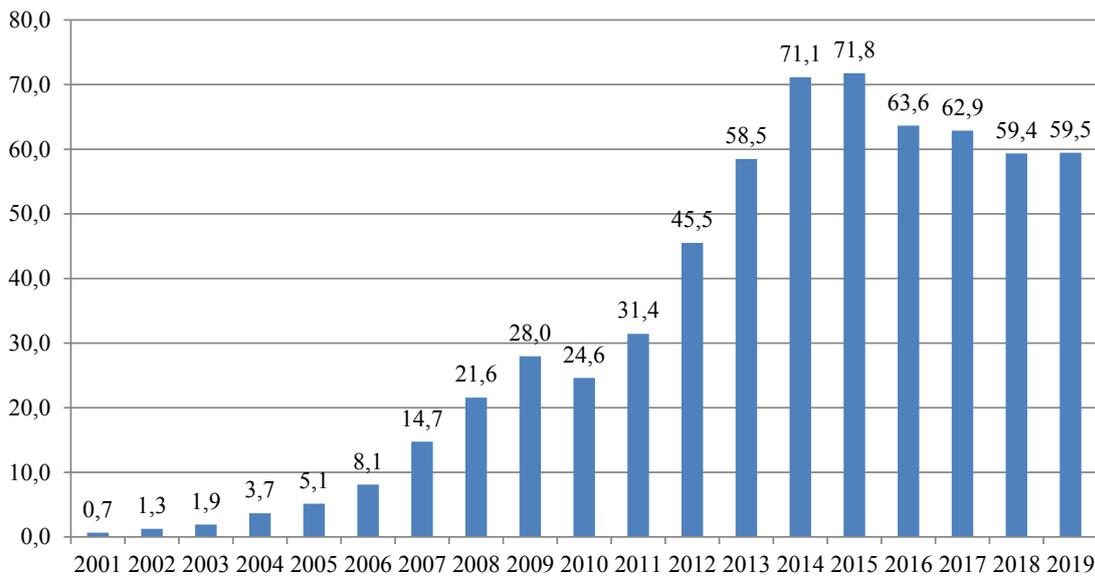
It must be emphasized that a decrease is noted in all types of tax payments. Thus, the volume of corporate income tax revenues for two months of the current year amounted to 121.9 billion tenge, which is 100.9 billion tenge, or 45.3%, lower compared to the same period last year. Revenues from the production division of organizations in the oil sector decreased by 43.7%, or 92.4 billion tenge, to 119.0 billion tenge. The mineral extraction tax this year is lower by 16.7%, and rental tax revenues are less by 10.4%. It should be noted that a significant decrease in oil exports in the reporting period was not observed. This means that the revenue side of the National Fund is suffering from a significant drop in oil prices.

Thus, the state of assets of the National Fund of the Republic of Kazakhstan, which has not yet recovered after the oil crisis in 2014-2015 (Figure 1), is again subjected to a sharp decline against the background of the established situation in the world oil market through their active use to maintain the country's financial stability.

As can be seen from the graph, since the formation of the fund's assets have been growing steadily, only once, during the global financial crisis of 2008-2009, there was a short-term reduction in connection with the massive allocation of funds for anti-crisis measures. However, starting in 2015, the volume of assets of the National Fund began to decline, and this decline took on the character of a

stable trend, which lasted until 2018. Asset results for 2019 are also not positive, since taking into account inflationary processes, they have not changed. Since the main goal of the National Fund of the Republic of Kazakhstan is to reduce the dependence of the republican budget on world prices – the stabilization function, and also the National Fund of the Republic

of Kazakhstan performs a savings function by creating savings for future generations, its activity reflects the financial security of the country. Given the reduction in the volume of the National Fund, the task of increasing the efficiency of managing the funds accumulated in it, which currently amounts to almost 60 billion dollars, is even more urgent.



**Figure 1** – Dynamics of changes in the assets of the National Fund of the Republic of Kazakhstan, 2001-2019, billion US dollars

Note – compiled by authors based on Report of the National Bank of RK for 2019

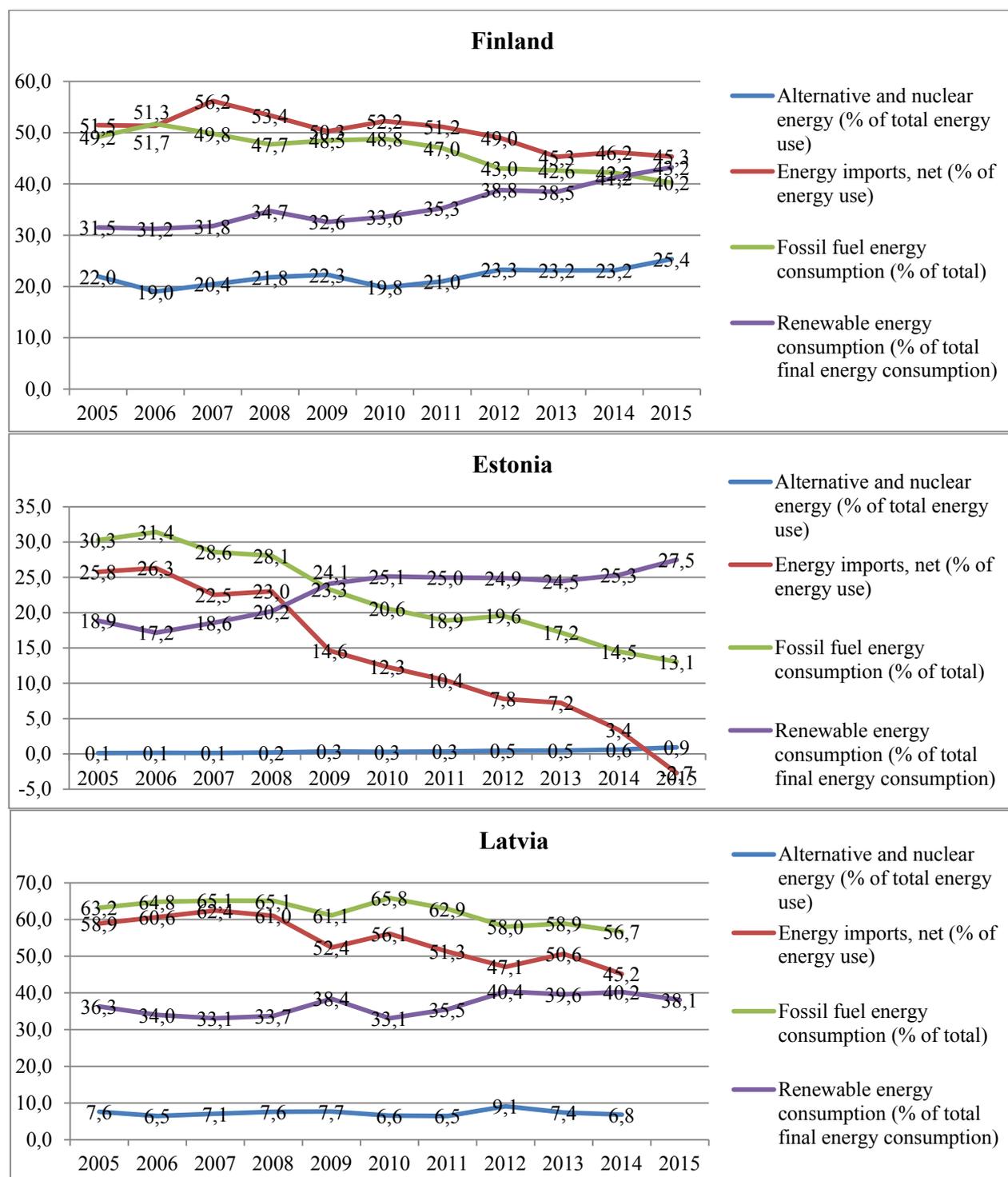
#### *Long-term impact of raw material dependence*

Regarding the nature of the impact of the raw material orientation of the economy on the stability of the financial system in the long term, at the moment the main problem of oil exporting countries is that oil importers such as Sweden, Finland, Denmark and Germany are systematically working to reduce their dependence on oil, thereby reducing demand for it. Imports from countries such as France, Italy and Spain are declining as a result of the global recession. The only regular consumer of hydrocarbons remains China, which is trying to control its growth rate and maintain its position as a key consumer of raw materials.

In turn, with the help of various economic programs, many countries of the Organization for Economic Commonwealth and Development have given green light to the development of technologies using renewable energy sources. Thus, over time, oil-exporting countries run the risk of remaining outside their main source of economic development

under the influence of technological progress and the development of environmental programs. This risk is proved by the tendency observed in many non-oil-producing countries to decrease dependence on energy imports (Figure 2). Judging by the performance of these countries, the share of modern renewable energy in the total global energy supply is growing. This means that most developed non-oil countries make their choice in favor of alternative energy and abandon fossil fuels, especially oil, which negatively affects the financial security of raw countries, whose main exported commodity is oil.

However, in a number of non-oil-producing countries, Japan and South Korea are exceptions. The reason is that after the strongest earthquake and tsunami in the history of Japan in 2011 and the subsequent accident at a nuclear power plant, the production of nuclear electricity decreased sharply and the import of fossil fuel to replace nuclear increased. Japan has faced problems such as declining self-sufficiency in energy and increasing energy costs.



**Figure 2** – Dynamics of energy imports and alternative energy consumption in non-oil countries: Finland, Estonia, Latvia  
 Note – compiled by authors based on data of The World Bank

As for the Republic of Korea, in this country the oil refining industry is represented by six oil refineries with a total capacity of 130 million tons per year (occupying 5th place in the world),

entirely working on imported oil. These are modern enterprises with well-developed oil refining processes. Two of them are among the five largest in the world. One of them in Ulsan with a capacity of

42 million tons per year is owned by SK Innovative (Wang, 2020). Among the refined products, jet fuel is distinguished, a significant part of which, like other petroleum products, is exported by South Korea (Figure 3). Meanwhile, due to the fact that South Korea processes crude oil into a finished product and exports it, it is in a preferential position compared to the commodity countries that export oil in the form of raw materials. Its priority position is explained by the following:

According to the theory of diminishing returns of E. Reinert, the investment of funds and labor in production associated with raw materials of natural origin will eventually lead to the production of an ever smaller number of products per unit of

expended capital or labor (Reinert, 2007). Thus, in a country specializing in the supply of raw materials, as production increases, the costs of producing each new unit of production will inevitably increase.

Moreover, according to another theory of competitive advantages of M. Porter, a country's competitiveness depends on its ability to develop non-resource exports, which is one of the most competitive group of goods (Porter, 1997: 15). At the same time, the country's competitiveness in this industry depends on the ability of a particular sector of the economy to constantly modernize and innovate in production, carry out deep processing of raw materials and build production chains with high added value.

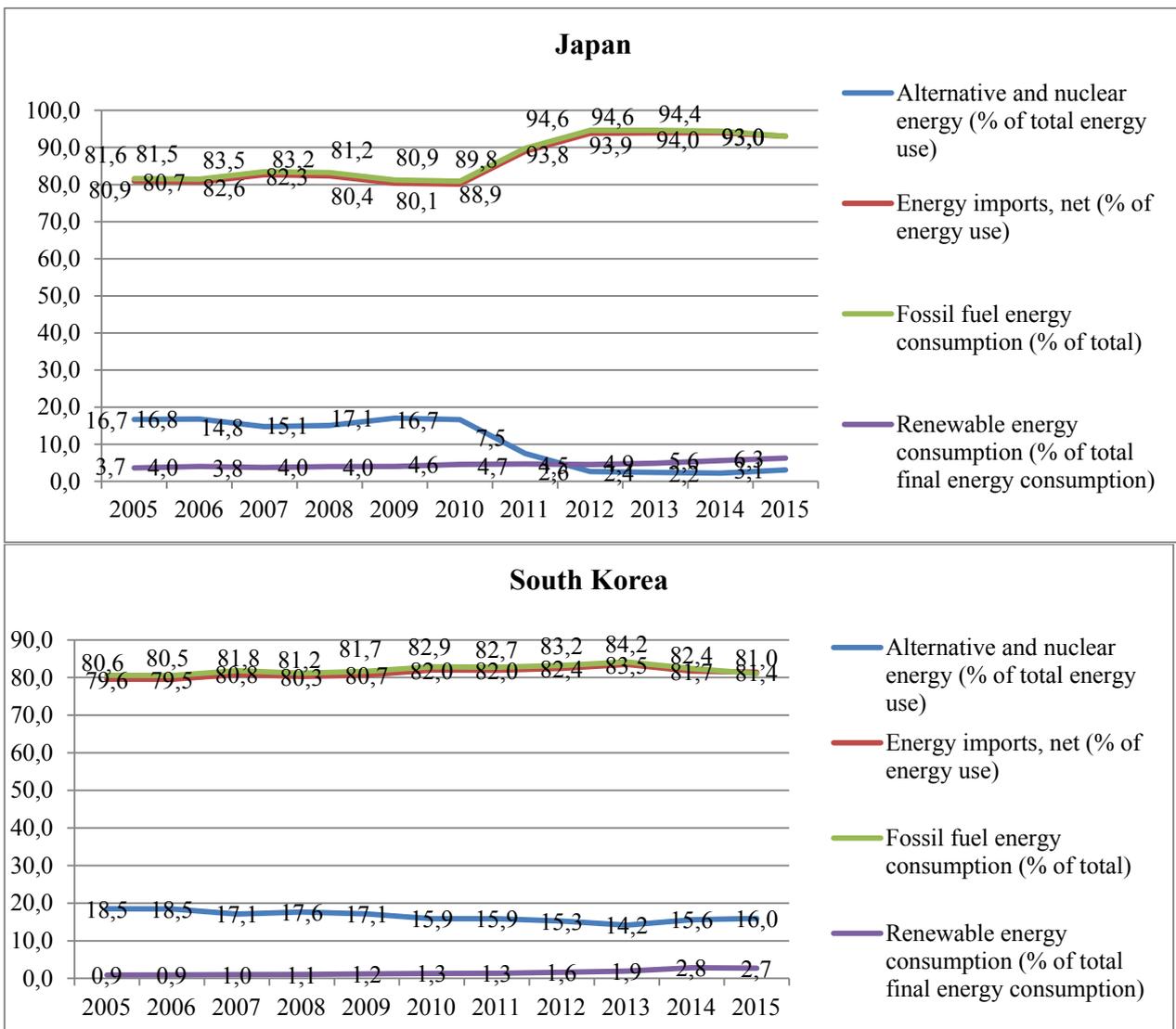


Figure 3 – Dynamics of energy imports and alternative energy consumption in non-oil countries: Japan, South Korea  
 Note – compiled by authors based on data of The World Bank

These theories confirm the conclusion that the role of public administration and regulation should, first of all, ensure the creation and modernization of non-primary production capacities, investing in their development revenues from raw materials exports, which will ensure the country's economic growth for the long term and a gradual transition to non-primary export-oriented the economy.

A high level of diversification of the economies of non-primary countries implies the provision of state budget revenues from diverse sources. This significantly reduces the risk of budget deficits, since with a decrease in income from one industry, other sectors of the economy are able to compensate for the existing shortage. That is, the diversification of the economy makes it more resistant to inflationary processes.

Thus, non-oil-producing countries in the short term minimize the risks associated with financial instability due to the strong diversification of the economy and increased exports of refining and innovative sectors, while in the long run they reduce their dependence on oil imports, switching to alternative energy sources.

If we talk about the practice of economic development of the Republic of Kazakhstan at this stage, we can state that it is precisely the lack of diversification of the economy in the face of lower world energy prices that is a serious threat to the economic and financial security of the country.

Moreover, in fairness, it must be emphasized that the importance of developing and implementing a competent policy on export diversification in countries that supply gas and oil to the foreign market and are completely dependent on the sale of another type of raw material has been discussed for the past 50 years. The key challenges for such countries are the development of the manufacturing industry, the reorientation of revenues from commodity exports, the creation of competitive products, and the stabilization of export revenues (Ross, 2019: 793). For example, already in the 1950s. UNCTAD Secretary-General Raul Prebisch put forward a hypothesis based on empirical evidence that in the long run, export prices for commodities fall relative to import prices for imported finished industrial products. The ratio of export prices for raw materials and import prices for finished goods changes in favor of finished goods and there is a stable deterioration in the terms of trade in raw materials (Mikhailova, 2016). Because of this, the economic situation of countries exporting raw materials, especially those that do not have well-organized macro- and microeconomic policies, is gradually deteriorating,

and in the period of price collapse in the world market it is on the verge of survival.

Moreover, a commodity export orientation closes the country's ability to develop in other sectors and concentrates resources on the extractive sector. Due to the high volatility of raw material prices and the instability of export earnings, countries end up suffering losses. Macroeconomic instability negatively affects the country's investment image and the number of ongoing investment projects with foreign investors.

If we look at the economic situation in Kazakhstan and pursuing a diversification policy, the prospects for this process remain unclear. The issue of the dependence of the country's economy on oil has been widely discussed for a long time, various state programs are being developed aimed at improving the manufacturing industry, attracting knowledge and technologies, improving the competitiveness of domestic production (Bayramov, 2017: 152). However, in a period of high oil prices, the Government continues to rely on the profitability of the oil sector, while the situation is becoming more complicated and oil prices are rapidly declining, the problem of diversification is turning into a strategic task of ensuring the functioning of the economy. Meanwhile, export diversification is a very long and laborious process that requires fundamental, systemic and consistent reforms (Djimeu, 2019: 506).

First of all, in the Republic of Kazakhstan it is necessary to solve the problems of underfunding of manufacturing industries, the absence or insignificant amount of investment in human capital. A very important component of the diversification process is the development of high-tech production, starting with the import of capital-intensive products and the transition to its gradual replacement with domestic counterparts that are not inferior in quality to foreign originals. However, we are not talking about the application of any protectionist measures of trade policy, which, as international experience shows, have been ineffective. The emphasis is on creating favorable conditions for the development of the export potential of small and medium-sized enterprises, on stimulating investment activity not only from foreign investors, but also from national ones.

## Conclusion

Thus, despite the fact that the export-raw material orientation of the economy of Kazakhstan for many years supported the financial security of

the country, making it possible to ensure a positive trend of economic growth through financing the expenditures of the state budget, today in the conditions of high volatility of world resource markets, it becomes obvious that a similar model has exhausted itself. A commodity economy cannot provide either high growth rates of the people's well-being, exchange rate stability, international competitiveness, or the country's financial security. Moreover, the energy and raw material structure of reproduction of the economy of Kazakhstan is compounded by the inefficient use of fixed assets (which increases the already high production costs), large-scale capital outflows from the country (which affects the investment potential of the republic). Under these conditions, the national economy is forced to operate in a mode of deficit of investment resources and "consumption" of fixed capital in the form of accumulated assets of the National Fund.

Given the characteristic raw material dependence of the economy of Kazakhstan, the problem of the country's financial security will be smoothed out due to the possibility of using the savings of the National Fund of the Republic of Kazakhstan during periods of economic crisis. But if we refer to the current situation, which portends the beginning of the economic recession, both nationally and globally, it becomes obvious that maintaining national financial security by using the assets of the National Fund puts the economy at even greater risk.

Thus, the solution to the financial security of the Republic of Kazakhstan can only be achieved by consistently pursuing a policy of diversifying the economy, which will lead to the development of the manufacturing industry and high-tech sectors, the reorientation of revenues from commodity exports, the creation of competitive products and the stabilization of export revenues.

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