GEO-ECONOMICS AND GEOPOLITICS OF CONTEMPORARY KAZAKHSTAN: AN ANALYTICAL SURVEY

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Without human beings and limited resources, there is no international politics. Therefore it is no surprise that the Kazakhstan's demographic and geographical situation has imprinted its foreign policy and strategic doctrines. This survey therefore begins with a brief outline of the country's economic and human resources.

Kazakhstan's Situation and the Framework for Analysis

Kazakhstan is the world's seventh-largest country by surface area, five times as large as metropolitan France; however, at independence in 1991 its population was barely 17 million, and these were scattered mainly along its periphery rather than concentrated in the centre of the country. Its international border is no less than 12,000 kilometres long, and its major cities are less than 400 kilometres from that border, half of which it shares with Russia. The rest of the border is shared more or less equally with Uzbekistan and China (not counting the Aral Sea and the Caspian Sea). With the exception of the Tien Shan mountains in the country's southeast, no natural frontier contributes to delimiting this international boundary.

There are dozens of different ethnic groups in Kazakhstan, thanks partly to Stalin's practice of using the territory as a dumping-ground for deported nationalities. The most prominent demographic transformation since independence is in the proportion of Russians to Kazakhs in the country. Due to consecutive historical waves of Russian colonization of Kazakh lands since the 17th century, at the time of independence each of these two ethnic groups each accounted for approximately about two-fifths of the new state's general population. Ten years later, at the beginning of the present century, Kazakhs had become a little more than half of the population and Russians about one-third. This demographic evolution was due in part to an exodus of Slavs from the country but also to the fact that Russians remaining in Kazakhstan tend to be older and therefore tend to have higher mortality rates. Today, Kazakhs represent nearly two-thirds of the population, while the Russians have fallen to about one quarter. The total population, after falling from nearly 17 million at the time of independence to 14.8 million in 2001, had reached an estimated 16.4 million by the beginning of 2011 with an annual increment estimated to approach one-quarter million.

A state asserts its "national interest" politically by mobilizing its economic and human resources. A state is also a sociological institution that builds national legal systems using those resources; however, that activity is constrained and influenced by the international system at large.³ Consequently, the government in power acts also as an intermediary between external actors and its domestic economic and human resources. Thus state endows

its population with a particular agency in the context of its geographic and demographic situation in space and time. That agency has four dimensions.

Those dimensions are defined by the two aspects of human agency, behaviour and cognition, which are asserted respectively through material instruments and symbolic instruments. The use of material instruments implies ownership: exercised over time, they appropriate as *economic* behaviour; exercised over space, as *military* conduct. The use of symbolic instruments involves communication: deployed over time, and abstracting from the economic dimension, they manifest in *financial* behaviour; deployed over in space, and abstracting from the military dimension, as *doctrinal* behaviour. Therefore, this survey is organized under those rubrics: first, economic and financial; then, military and doctrinal.⁴

Economic Resources and Financial System

The three main oil and gas fields at Tengiz, Kashagan, and Karachaganak continue to represent the most significant individual foreign investments in the country. The Tengiz field, in the northwest of the country, is estimated to have between six and nine billion barrels of reserves and produced almost 278 million barrels (equivalent to 761,000 barrels per day, bpd) in 2009. The Tengiz deposit also produced 42 billion cubic meters (bcm) of gas in 2008, a volume that may increase by half by the middle of the current decade. The product is exported to world markets from Russia's Black Sea port of Novorossiysk, which it reaches through pipeline of the Caspian Pipeline Consortium (CPC, entered into service in 2001) across southern Russia to Novorossiysk, a Russian port on the Black Sea. In 2009, it transported almost 750,000 barrels per day (bpd) of crude oil, of which 80 per cent was from the Tengiz and Karachaganak fields, with most of the rest being oil produced in Russia along the length of the pipeline. After years of discussion and promises, the CPC took a Final Investment Decision at the end of last year almost to double capacity, to 1.34 million bpd. This doubled capacity should enter into service in mid-2014.

Kazakhstan's offshore Kashagan oilfield in the north of the Caspian Sea is the largest discovery worldwide since Prudhoe Bay (Alaska) more than forty years ago. Recoverable reserves are currently estimated at 11 billion barrels. Originally scheduled to enter into production in 2005, this date has been continually pushed back because of technical challenges and quarrels over the nature of participation by KazMunaiGaz (KMG, the country's "national champion" in the energy sector). However, the often-cited date of 2014 for first production requires nuance. That is the date of the end of "experimental" production (defined as up to 450,000 bpd). "Industrial" production, however, is scheduled to begin at the end of 2012. It bears mentioning that Russia and Kazakhstan cooperate in developing several offshore fields, such as Kurmangazy, following their agreement on bilateral division of the seabed ten years ago. Kazakhstan is also home to several oil fields whose production is oriented towards the domestic and regional markets.

The Karachaganak natural gas deposit, also in the country's northwest, contains nearly 500 bcm of gas and over two billion barrels of oil and condensate. The fate of this gas field is

illustrative of the subtleties of post-Soviet energy economy in the region. Developed during the Soviet era, Karachaganak gas was intended for treatment at Orenburg, just across the Russian border. After 1991, however, Karachaganak gas had to compete with Russian gas on the Russian market. Accordingly, the Orenburg treatment plant limited quantities that it would accept from Karachaganak. However, every time that Kazakhstan seem to find another potential customer for this gas, but which would require building another pipeline in a different direction, Orenburg found itself ready to expand its capacity in order to accept more Karachaganak, which project is consistently more economical because of the gas lines that already exist. But Orenburg's readiness for increased volumes of Karachaganak gas would then disappear after the foreign competitor for Karachaganak gas had disappeared, as if would be discovered that the funds required for expanding Orenburg's processing capacity for Karachaganak were no longer available. 10

Thus Kazakhstan has huge reserves of fossil fuels and abundant mineral deposits. While the extraction and processing of natural resources dominate the industrial sector, there is also a significant agricultural sector where crop growing is very important. The collapse of the USSR caused a significant contraction in heavy-industrial production as demand for from Kazakhstan by its historic markets fall. The calendar year 1994 experienced the strongest annual decline before the start of a slow recovery that grew in pace during the following years. ¹¹

From 1995 to 1997 the pace of the government's program of economic and administrative reform, including privatization, accelerated. The banking system reform notably sought to accommodate and restructure itself according to international standards. (Kazakhstan still aspires to become a regional financial center.) With the resumption of foreign investment in the energy sector, the economy grew by more than 10 per cent in 2000 and in 2001, followed by a rate more than 8 per cent annual growth from 2002 through 2007. This growth was due largely to the energy sector, but good agricultural yields also contributed; nevertheless, inflation jumped to over 10% in 2007. The section of the energy sector in 2007.

The national economy of Kazakhstan managed to survive the global financial crisis of 2007-08 fairly well, thanks to the degree of development of its national legal systems in finance and especially the resilience of its banking system. Despite some weaknesses, including the deterioration of the exchange rate of its currency, the tenge, Astana agreed in October 2009 with the creditors of Alliance Bank on the terms for restructuring the financial institution, thus further strengthening its banking system. By an innovative stroke, and for the first time anywhere, this agreement was concluded without the bank being placed under state protection. Also, the restructuring agreement required only the approval of two-thirds of all creditors (rather than unanimity) in order to enter into force for every creditor, while imposing significant "haircuts" for all concerned, including debt conversion into capital equity.¹³

In February 2010, a presidential decree criticizing the "ineffectiveness" of international experience in managing state aid to specialized banking sectors created a system for pursuing counter-cyclical financial strategies with additional state assistance. Tailored to

Kazakhstan's particular situation, it foresees promotion of increased competition within the financial sector and above all amongst the banking institutions in the post-crisis period. The growing participation by "national champions" of Kazakhstan's industry in several consortia managing the exploration and development of oil and gas fields has combined with the recovery of global demand for these products to furnish solid foundation for the continuing evolution of the national economy to meet the material needs of the population.

"Multi-vectorial" Doctrine and Military Situation

The ethnic-cultural psychology of the Kazakhs complements their geographical situation. Kazakhs lived a nomadic people until the 1930s, when Stalin forced them into collective farms and state farms. Since independence, Kazakhstan has sought to promote regional economic and political integration by pursuing a so-called "multi-vector" (not very different from tous azimuts) foreign policy strategy that seeks to maintain good relations with all neighbours, foreign powers and international institutions.

Soon after the heads of Belarus, Russia, and Ukraine agreed in early December 1991 to pull the rug out from under Mikhail Gorbachev's feet and declare their republics' independence from the USSR, it was Nazarbaev's insistence that transformed their nascent Slavic Union into the Commonwealth of Independent States (CIS) including the newly independent states of Central Asia. Kazakhstan also became a founding member of the CIS Collective Security Treaty Organization (CSTO). Given the strong economic dependence on Russia that Kazakhstan inherited from the Soviet period, it has consistently sought to multilateralize its bilateral relations with Russia by introducing them into various contexts involving other countries. Thus it was at Kazakhstan's initiative that the CIS Group of Four (including Belarus and Kyrgyzstan) was founded in the 1990s, subsequently converting itself (with the addition of Tajikistan) in to the stillborn CIS Customs Union and most recently into the Eurasian Economic Community.¹⁴

Likewise Kazakhstan has pursued a special series of generally unsuccessful efforts to create cooperative institutions amongst the Central Asian states themselves. The first of these was the initiative for a "Euro-Asiatic Union" that Nazarbaev promoted in the mid-1990s. This organization would have included all fifteen former Soviet republics except the three Baltic states and three countries then participating in militarized conflict (Armenia, Azerbaijan, and Tajikistan). However, Uzbekistan's president Islom Karimov of Uzbekistan rejected the idea in part because of a long rivalry between ethnic Uzbeks and Kazakhs that dates from the fifteenth century and still complicates relations between their modern national states. The greatest obstacle to the practical development of the every initiative to establish a Central Asian trading bloc, indeed to all multilateral economic cooperation amongst the Central Asian countries, has certainly been Uzbekistan's foreign-exchange controls and the inconvertibility of its national currency, the soum, for many years. 16

Diplomatic competition between Uzbekistan and Kazakhstan remains an important obstacle to any cooperation between Central Asian states. After rejecting Nazarbaev's idea of creating

a Euro-Asiatic Union, Karimov proposed the creation of a Central Asian Union. This was founded in 1994 with the participation of Kazakhstan and Kyrgyzstan alone. Both his proposal and Nazarbaev's were replies to the September 1993 failure by the CIS states to reach an agreement over foreign trade. As Uzbekistan sought to use the Central Asian Union to expand its sphere of influence in the region, Kazakhstan moved closer to Russia and China for both political and economic reasons. The Central Asian Union became the Central Asian Economic Community (CAEC) with the accession of Tajikistan in 1998 and then transformed itself in February 2002 into the Central Asian Cooperation Organization (CACO), with the same members. After Russia joined the CACO in October 2004, the CACO took the decision in October 2005 to integrate into the Eurasian Economic Community (EurAsEC), which includes Belarus. But this EurAsEC is merely another organizational transformation of the so-called "Group of Four" from the 1990s (Russia, Kazakhstan, Belarus, Kyrgyzstan) that was based in the attempt to create a CIS Customs Union. Given the relative economic insignificance of Belarus, Kyrgyzstan, and Tajikistan, the EurAsEC is again but a tool of Kazakhstan by which it seeks to its relations with Russia onto a multilateralized footing, to better manage it through the use additional counterweights.¹⁷

Kazakhstan also participates in the Shanghai Cooperation Organization (SCO, but whose secretariat was established in Beijing), although this seems no longer to be an institution with its own autonomous dynamic. The SCO, founded on the basis of a forum for sets of bilateral negotiations between China and four former Soviet republics (Russia, Kazakhstan, Kyrgyzstan, and Tajikistan) over the delimitation of post-Soviet international borders, promoted regular multilateral meetings that were actually *lieux de rencontre* for various bilateral diplomatic discussions and multilateral expert-level group meetings. (Uzbekistan joined the SCO at its formal institutional founding in 2001 but does not participate in all its activities.) The SCO served first as a tool for expanding Chinese influence in Central Asia, explaining the delicacy of Kazakhstan's endorsement of the initiative. Russia was more favourable to the initiative in the early going but later distanced itself, seeing its own advantage to lie more in the practice of bilateralism.¹⁸

Cooperation "against terrorism" (i.e. against Uyghurs for the Chinese) in the SCO is continuing on the basis of the Regional Anti-Terrorist Structure, which was founded in 2002 with headquarters planned for Bishkek but after years of delay finally established in Tashkent. The SCO organized joint military exercises with forces from the CIS CSTO in 2005 and 2007, but this sort of cooperation appears to be no longer pursued, despite a bilateral Sino-Russian military exercise in 2009. Kazakhstan has not participated in any of these exercises in any meaningful way.¹⁹

By contrast, Kazakhstan did participate the "CentrAzBat" (Central Asian Battalion) exercises organized by the United States with Uzbekistan and Kyrgyzstan in the mid- and late 1990s. These took place in the spirit but not in the framework of NATO's Partnership for Peace (PfP) program, to which Kazakhstan subscribed in 1994 and in which it continues to participate. In addition, Kazakhstan has since 2006 participated in an Individual Partnership Action Plan (IPAP) with NATO on a strictly bilateral level. Thus cooperation

has a counterinsurgency component, in which framework Kazakhstan participated in significant degree in exercises in 2006, 2007 and 2009, even playing once the role of host. Kazakhstan has also been a member of the North Atlantic Cooperation Council since 2002.²⁰

As for the European Union, Kazakhstan concluded a Partnership and Co-operation Agreement with the EU 1999 and received assistance under the TACIS program from 2002 to 2006, when the two sides signed a Memorandum of Understanding on co-operation in the field of energy. Thereafter, Kazakhstan was included in the EU's regional Strategy for Central Asia implemented in 2007 and in force through 2013. Kazakhstan has increased its profile in other European multilateral organizations, including the Organization for Security and Cooperation in Europe, becoming chairman-in-office of the organization and presiding at the end of 2010 in Astana its first meeting at the level of heads of state for eleven years. ²¹

Conclusion

It is useful to return in conclusion to the question of Kazakhstan's internal situation, for this deepens the understanding of the delicate balance that its president has sought to maintain, internationally and as well as domestically, over the past twenty years. Kazakhstan has three major regions. Large parts of the west are desert or swamp; the population density generally very low, and the development of energy resources has encouraged local elites to explore the margins of their autonomy vis-à-vis the political centre. The southern provinces of the country have now almost half of its population and account for over two-thirds the estimated annual population increase. A large part of the south is desert, but there is also rich farmland. Finally, the provinces of central and northern Kazakhstan are more complex. A north-central sub-region known as the "polygon" is the area exposed to fallout from Soviet-era nuclear testing at Semei (Semipalatinsk). It overlaps the area of Khrushchev's campaign "Virgin Lands" and the tsarist agricultural and industrial colonization.

This overlap remains crucial to maintaining economic integration and political cohesion between the northern and central Kazakhstan. That turn necessary is in turn necessary to insure the integration of the western and southern regions with the rest of the country. The north-central region is the largest of the three and represents the only *pôle d'attraction* likely to integrate the south as a whole. The need to ensure the unity amongst these three regions, complicated by the relative absence of physical communication links (roads, waterways, etc.) is one of the main reasons for the decision to move the country's capital from Almaty to Astana. ²² In addition, the city is only about 160 kilometres from Temirtau, where Nazarbaev began his career almost 45 years ago.

If from the north the Russian bear threatens to suffocate Kazakhstan, then from the east it is menaced by the Chinese dragon. Nazarbaev suppressed Uyghur organizations in the 1990s, and he has been known even to sent Uyghur refugees back to almost certain death in Xinjiang upon China's unyielding insistence. More recently, Astana bowed to pressure from Beijing to grant long-term leases for agricultural land for Chinese to settle in Kazakhstan to cultivate grain for food export to China: an extremely sensitive issue, given the attachment

of the historically nomadic Kazakh ethnic group to its lands, their way in which the Russian Empire sought to enclose them off, and Stalin's expropriation of them through collectivizing the Kazakhs, which is the only thing that finally turned them into a sedentary people.

To avoid Kazakhstan's being too squeezed betwixt China and Russia, not only has Nazarbaev motivated the country to join various European organizations as noted above, but also he has promoted his own vision of a Conference on Interaction and Confidence-Building Measures in Asia (CICA), which has held summit meetings in 2002, 2006 and 2010. Comprising twenty members from Israel and Egypt to South Korea and Vietnam, it has become an institutional framework for the development and discussion of various modest initiatives. Kazakhstan provides the secretariat and most of the CICA annual budget. By all these means, Kazakhstan thus tries to maintain a balance between Asia and Europe, between China and Russia, and between these two powers and others, while multilateralizing its international conduct so as to preserve as much room for diplomatic manœuvre as possible, all while developing its national economy until its actual material means equal the level of its aspirations.

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- ⁷ Игорь Воротной, "KTK: большой нефти большие мощности" (Astana: KazMunaiGaz, 24 December 2010), http://kmg.kz/press/market_news/analytics/4857.
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- ¹⁰ Shamil Midkhatovich Yenikeyeff, *Kazakhstan's Gas: Export Markets and Export Routes* (Oxford: Oxford Institute for Energy Studies, November 2008), pp. 23-25.
- ¹¹ Jürgen Wandel and Botagoz Kozbagarova, *Kazakhstan: Economic Transformation and Autocratic Power*, Mercatus Policy Series, Country Brief 4 (Arlington, Va.: George Mason University, Mercatus Center, July 2009), pp. 7-9.
 - ¹² Ibid., pp. 9-11.
- 13 For details, see: Bureau of Economic, Energy and Business Affairs, Department of State, United States Government, "2010 Investment Climate Statement Kazakhstan" (March 2010), http://www.state.gov/e/eeb/rls/othr/ics/2010/138091.htm.
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 - ¹⁵ Author's interviews and fieldwork in the 1990s.
- ¹⁶ Martin D. Spechler, *The Political Economy of Reform in Central Asia: Uzbekistan under Authoritarianism* (Oxford: Routledge, 2008), pp. 44-61.
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