



Kazakhstan: Recent Developments and U.S. Interests

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Summary

Kazakhstan is an important power in Central Asia by virtue of its geographic location, large territory, ample natural resources, and economic growth, but it faces ethnic, political, and other challenges to stability. Kazakhstan gained independence at the end of 1991 after the break-up of the former Soviet Union. Kazakhstan's president at the time, Nursultan Nazarbayev, was one of the top leaders of the former Soviet Union and was instrumental in forming the successor Commonwealth of Independent States. He has been reelected President of Kazakhstan several times and in June 2010 was proclaimed the "Leader of the Nation" with lifetime ruling responsibilities and privileges. Kazakhstan's economy is the strongest in Central Asia, buoyed by oil exports. Its progress in democratization and respect for human rights has been halting, according to most observers. Nonetheless, Kazakhstan's pledges to reform convinced the Organization for Security and Cooperation in Europe to select the country's leadership for its 2010 presidency.

According to the Obama Administration, the United States' strategic aim in Kazakhstan is to help the country develop into a stable, secure, and democratic country that embraces free market competition and rule of law, and is a respected regional leader. Cumulative U.S. aid budgeted for Kazakhstan in fiscal years 1992 through 2008 was \$1.67 billion (all program and agency funds), with Kazakhstan ranking fifth in aid among the 12 Soviet successor states. A large part of U.S. aid has supported Comprehensive Threat Reduction (CTR) programs to prevent the proliferation of weapons of mass destruction. Budgeted aid for FY2009 was \$22.4 million and for FY2010 was \$22.7 million. Requested aid for FY2011 was \$18.3 million (country totals for foreign assistance for FY2011 under the continuing resolution, H.R. 1473/P.L. 112-10, signed into law on April 15, 2011, are being finalized) and for FY2012 is \$21.4 million. These latter amounts include foreign assistance listed in the *Congressional Budget Justification for Foreign Operations*, and exclude Defense and Energy Department funds. The Administration request for FY2012 emphasizes economic assistance to bolster U.S.-Kazakh trade, simplify business registration regulations, support Kazakhstan's bid to join the World Trade Organization, improve the regional electricity trade, and protect the environment. A second priority is security assistance to enhance border protection, combat the illegal trafficking of drugs and persons, counter terrorism, and support the development of professional, inter-operable military forces that respect human rights. Among congressional actions, foreign operations appropriations since FY2003 have forbade assistance to the government of Kazakhstan unless the Secretary of State determines and reports that Kazakhstan has significantly improved its human rights record. A waiver on national security grounds has been exercised in recent years.

Reportedly responding to a U.S. appeal, the Kazakh legislature in May 2003 approved sending military engineers to assist in coalition operations in Iraq. The 27 troops trained Iraqis in demining and water purification. They pulled out of Iraq in late 2008. Since 2009, Kazakhstan has permitted air and land transit for U.S. and NATO troops and equipment—as part of the Northern Distribution Network—to support stabilization operations in Afghanistan. In May 2011, the Kazakh legislature approved sending some officers to take part in non-combat missions in Afghanistan.

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Political Background

Kazakhstan's moves toward democracy have been halting. The 1995 constitution establishes strong presidential power. As further fleshed out by a presidential edict, the legislature can neither control the budget, initiate constitutional changes, or exercise oversight over the executive branch. Most bills are initiated by the president, and if the legislature fails within 30 days to pass one of his "urgent" bills, he may issue it by decree. The bicameral legislature consists of a popularly elected lower chamber, the Majilis, and an upper chamber, the Senate, whose members are indirectly elected by regional assemblies or by the president. A People's Assembly composed of cultural and ethnic leaders serves as a presidential forum.

On December 4, 2005, President Nazarbayev was reelected with 91.1% of 6.74 million votes cast in a five-man race. Many observers credited economic growth in the country and increases in pensions and state wages as bolstering Nazarbayev's popularity. He campaigned widely and pledged democratic reforms and poverty relief. Five pro-government parties formed a People's Coalition to back him. Many oppositionists supported a Movement for a Just Kazakhstan, which backed Zharmakhan Tuyakbay, the head of the Social Democratic Party. Another candidate, Alikhan Baymenov, had been nominated by the "moderate opposition" Ak Zhol Party. Observers from the Organization for Security and Cooperation in Europe (OSCE) and others assessed the election as progressive but still falling short of a free and fair race.

The legislature approved constitutional changes in May 2007 that President Nazarbayev claimed would increase legislative power and boost democratization. The changes included increasing the number of deputies in both legislative chambers, decreasing the president's term in office from seven to five years, and requiring a court order in case of detention or arrest. Seemingly non-reformist changes included a requirement for a two-thirds vote in each legislative chamber to override presidential alterations to approved bills, a provision that nine deputies of the Majilis (the lower legislative chamber) are appointed by the People's Assembly, and a change "initiated" by the legislature excluding Nazarbayev from term limits. Visiting U.S. Assistant Secretary of State Richard Boucher stated in June 2007 that "these constitutional amendments go in the right direction.... [and] point the way to a stable, democratic system."¹

Kazakhstan: Basic Facts

Area and Population: Land area is 1,049,200 sq. mi.; about four times the size of Texas. The population is 15,399,437 million (*The World Factbook*, mid-2010 est.).

Ethnicity: 53.4% are Kazakh and 30% are Russian (1999 *Kazakh census*). Other ethnic groups include Uzbeks, Tatars, Uighurs, and Germans.

Gross Domestic Product: \$181.9 billion; per capita GDP is about \$11,800 (*The World Factbook*, 2009 est., purchasing power parity).

Political Leaders: *President:* Nursultan Nazarbayev; *Chair of the Majilis:* Oral Mukhamedzhanov; *Chair of the Senate:* Kasymzhomart Tokayev; *Prime Minister:* Karim Masimov; *Foreign Minister:* Kanat Saudabayev; *Defense Minister:* Adilbek Dzhaksybekov.

Biography: Nazarbayev, born in 1940, moved up through the ranks of the Kazakh Communist Party (KCP), becoming its head in 1989. He also was appointed president by the legislature in 1990. He resigned from the KCP in 1991 and won an unopposed popular election as president in December 1991. A 1995 referendum extended his rule. He was reelected in 1999 and 2005. In 2000, legislation granted him some official powers for life, and in 2007 he was exempted from term limits.

¹ U.S. Embassy, Astana, Kazakhstan. *Interview by ... Richard A. Boucher with Aybek Aldabergenov of Era TV*, June 6, 2007.

An early Majilis election was called for August 18, 2007. As per constitutional amendments and election law changes, the size of the chamber was increased to 107 members. Ninety-eight members were to be elected by party lists and nine by the People's Assembly headed by the president. Seven parties were registered for the election, six of which were pro-government and one of which was an opposition party, the National Social Democratic Party. The ruling party, Nur-Otan (Fatherland's Ray of Light), reportedly received 88.05% of 8.87 million votes cast and won all 98 seats. The other parties were unable to clear a 7% threshold needed to win seats. Observers from the OSCE praised some positive aspects of the vote, but judged it as falling short of a free and fair race.² In 2009, the Azat (Freedom) Party and the National Social Democratic Party announced that they were merging to increase their electoral prospects, but the government has refused to register the new party. In May 2011, presidential advisor Yermukhamet Yertysbayev called for the Atameken business association—headed by the president's son-in-law—to become the party of “rich, wealthy and solvent people” that would compete with Nur-Otan in the next legislative election, scheduled for 2012.³

A bill approved by the legislature in May 2010 proclaimed Nazarbayev the “Leader of the Nation” (“El Basy”), providing him with significant lifetime political powers even if he retired from the presidency. The bill also conferred lifetime immunity from prosecution on the president and his family. Nazarbayev refused to sign the bill into law, stating that although he was honored by the designation, he did not need such “puffery,” and that his family should be covered by the same laws as everyone else. Despite these seeming protestations, he did not formally veto the bill, so under a law implementing the constitution,⁴ it went into effect in mid-June 2010. He explained that he did not veto the bill because he was certain the legislature would bow to the wishes of the people and over-ride a veto.

In late 2010, supporters of President Nazarbayev launched a petition drive to hold a referendum to approve extending his term in office until December 2020 (a similar referendum had been held in 1995 to extend his term to 1999). The United States and other countries and international organizations were critical of the proposed referendum. The Kazakh legislature quickly approved a bill to hold a referendum even before the petition drive was complete, but President Nazarbayev vetoed the legislation. The legislature overrode his veto (by this time, reportedly two-thirds of the electorate had signed the petition), but the Constitutional Council ruled at the end of January 2011 against the legitimacy of proposed constitutional changes necessary to hold the referendum. President Nazarbayev claimed that to gratify the petition-signers who had endorsed his presidency and to uphold democracy, he would move up the date of the next scheduled presidential election from 2012 to April 3, 2011.

Many opposition politicians decried the holding of a sudden presidential election. They claimed that they would not be able to mount adequate campaigns in only a few weeks, while Nazarbayev's supporters had already mobilized to carry out the petition drive. During a three-week registration period, three candidates besides the president were able to satisfy the many requirements necessary to run (two of these also had run in the 2005 presidential election), while other more well-known opposition politicians refused to run, were unable to satisfy the various

² OSCE, Office for Democratic Institutions and Human Rights, *Republic of Kazakhstan Parliamentary Elections, 18 August 2007: Election Observation Mission Report*, October 30, 2007.

³ Open Source Center, *Central Eurasia: Daily Report* (hereafter *CEDR*), May 11, 2011, Doc. No. CEP-950157.

⁴ Joanna Lillis, “Bill to Boost Nazarbayev's Powers in Kazakhstan Remains Theoretically Alive,” *Eurasianet*, June 9, 2010.

requirements, or were denied registration. All of the presidential candidates proclaimed that they wanted Nazarbayev to win, and one candidate announced on voting day that he had cast his ballot for the incumbent. The Kazakh Central Electoral Commission (CEC) reported that 89.99% of 9.3 million voters turned out and that Nazarbayev was reelected with 95.55% of the vote. According to OSCE monitors, “needed reforms for holding genuine democratic elections still have to materialize as this election revealed shortcomings similar to those” in previously monitored elections. The OSCE reported “serious irregularities” during voting, “including numerous instances of seemingly identical signatures on voter lists and cases of ballot box stuffing,” and judged vote counting as even more problematic.⁵ The U.S. Embassy in Astana, Kazakhstan, congratulated Nazarbayev on his reelection and “welcome[d] Kazakhstan’s commitments to further liberalize the political environment and believe[d] that continued improvements in the electoral process are critical components.”⁶

Human Rights

According to Human Rights Watch, Kazakhstan’s human rights record in 2010 “was marred by continued disappointments. Restrictive amendments to media and Internet laws remained, and a number of websites and weblogs were blocked.... The government punished activists for breaking restrictive rules on freedom of assembly. Several activists were put on trial [and] leading human rights defender Evgeniy Zhovtis remains in prison.”⁷ On March 2, 2011, the Kazakh Foreign Minister requested that Kazakhstan be considered for a seat on the U.N. Human Rights Council (UNHRC) in 2012-2015. He claimed that President Nazarbayev’s 2010 modernization initiative had emphasized the enhancement of social welfare, that Kazakhstan was “fully implementing” the recommendations of the UNHRC’s 2010 Universal Periodic Review of human rights conditions in Kazakhstan, and that Kazakhstan had championed human rights during its 2010 chairmanship of the OSCE.

In its *Country Reports on Human Rights Practices for 2010*, the U.S. State Department did not report whether or not the Kazakh government’s human rights record had improved during the year, but did identify ongoing problems and progress. The police and prison officials regularly beat detainees, often to obtain confessions. The Prosecutor General's Office, the Presidential Human Rights Commission, and the human rights ombudsman acknowledged that some law enforcement officers engaged in torture. The government cooperated with international organizations and NGOs to provide limited law enforcement training courses aimed at decreasing human rights abuses. The government occasionally arrested and detained government opponents and critics, sometimes for minor infractions such as unsanctioned assembly. The judiciary was highly corrupt. Lawyers and human rights monitors alleged that judges, prosecutors, and other officials solicited bribes in exchange for favorable rulings in the majority of criminal cases. Lack of due process was a problem, particularly in a handful of trials involving protests by opposition activists and in cases when improper political or financial influence was alleged. Courts conducted over 200 jury trials for aggravated murder cases, but less than 10% of cases resulted in acquittal, reportedly linked to the influence of judges over jury deliberations. Local and

⁵ OSCE, Office for Democratic Institutions and Human Rights, *International Election Observation, Republic Of Kazakhstan, Early Presidential Election, 3 April 2011: Statement of Preliminary Findings and Conclusions*, April 4, 2011.

⁶ U.S. Embassy, Astana, Kazakhstan, *Press Release: U.S. Embassy Statement*, April 4, 2011.

⁷ “Kazakhstan,” *World Report 2011*, Human Rights Watch, January 24, 2011.

international human rights NGOs asserted that the prison sentence imposed on human rights advocate Yevgeniy Zhovtis amounted to political persecution.

The government used a variety of means, including laws, harassment, licensing regulations, Internet restrictions, and criminal and administrative charges to control the media and limit freedom of expression, according to the State Department. Judicial actions against journalists and media outlets, including civil and criminal libel suits filed by government officials, contributed to the suspension of some media outlets and to self-censorship. The government reported that about one-fifth of nearly 3,000 media outlets were government owned. The majority of broadcast media were government owned or owned by holding companies linked to the president or his supporters. Harassment of and violence against journalists remained a problem. During the year the NGO Adil Soz International Foundation for Protection of Freedom of Speech recorded eight attacks on newspaper offices and journalists, five threats to journalists, and three cases of forced suspension or discontinuance of a publication because of libel and tax judgments. Officials and others stepped up the filing of dozens of civil lawsuits under the restrictive libel and defamation provisions of a 2006 media law to constrain media outlets from publishing unflattering information. During the year five journalists were serving prison sentences.

The Kazakh government infringed on the secrecy of private communications and financial records as well as on the inviolability of the home under laws permitting wiretaps and the recording of communications without warrants, according to the State Department. There were significant restrictions on freedom of assembly, and police used force to disrupt peaceful demonstrations under a law that classifies unsanctioned gatherings, public meetings, marches, demonstrations, illegal picketing, and strikes that upset social and political stability as national security threats. NGOs reported that the NGO registration process was fairly straightforward, although corruption in the process was common. The presidentially appointed human rights ombudsman investigated complaints by citizens of violations of their rights by the government, although effectiveness was limited by constraints on investigating complaints concerning the president, heads of government agencies, the legislature, or the courts.⁸

Kazakhstan is a source, destination, and to a lesser extent, a transit country for trafficking in persons, specifically forced prostitution, and for forced labor. Despite significant efforts in some areas to eliminate trafficking, the government did not demonstrate significant efforts to identify and assist foreign victims or victims of forced labor and did not vigorously prosecute, convict, or criminally punish any officials for government complicity. Because of these problems, the State Department lowered the country's status by placing it on the Tier 2 Watch List (Tier 1 countries are viewed as complying with minimum standards for combating trafficking and Tier 3 countries are viewed as not complying and not making efforts to do so).⁹

Kazakhstan's Presidency of the Organization for Security and Cooperation in Europe

Kazakhstan lobbied extensively for holding the presidency of the Organization for Security and Cooperation in Europe (OSCE), and the 15th Ministerial Meeting of the OSCE in 2007 decided that Kazakhstan would hold the OSCE presidency in 2010 to give the country time to implement

⁸ U.S. Department of State. *Country Reports on Human Rights Practices for 2010*, April 8, 2011.

⁹ U.S. Department of State, *Trafficking in Persons Report 2010*, June 14, 2010.

democratic and human rights reforms. Then-Foreign Minister Marat Tazhin pledged at the meeting that suggestions made by ODIHR for changes to media, electoral, and political party laws would be submitted for consideration by the Kazakh legislature by the end of 2008. He stated that amendments to the media law would include reducing criminal penalties for libel by the media, setting up “media self-regulation mechanisms” to address libel issues, and easing the registration process for media. He also promised that in chairing the OSCE, Kazakhstan would ensure that ODIHR’s mandate is preserved. He argued that Kazakhstan’s chairmanship would be “a powerful catalyst of the reform process” in Kazakhstan.¹⁰ Addressing the Parliamentary Assembly of the OSCE in Astana in June 2008, President Nazarbayev stated that his country’s preparations for holding the chairmanship included the elaboration of a blueprint he termed “the path to Europe,” which envisages Kazakhstan’s integration into Europe in the areas of energy, transport, technology transfers, education, culture, and democratization.

In early February 2009, President Nazarbayev approved changes to laws on the media, elections, and political parties. Political parties that did not gain at least 7% of votes cast in a Majlis election were accorded the right to participate in some legislative affairs, the number of signatures necessary for registering a party for a Majlis election was reduced from 50,000 to 40,000, and requirements for registering media were eased. Critics termed the changes minor.¹¹ One positive sign was an action by the constitutional court in February 2009 to strike down a proposed law that would have tightened restrictions on religious freedom. In July 2009, controversial amendments to the media law were approved that restricted access to the Internet, barred media reporting that “interfere[s] with election campaigns,” and barred foreign broadcasts from “complicat[ing] or support[ing] the nomination or election” of candidates or parties.¹²

Kazakhstan assumed the chairmanship of the OSCE on January 1, 2010. It followed a varied agenda with emphasis on each of the military/security, democratic/human rights, and economic/environmental “dimensions” or “baskets” of activity of the OSCE. Kazakhstan stressed that it would emphasize several issues of concern to Kazakhstan, Central Asia, and Russia, among them bolstering nuclear disarmament; continuing the “Corfu Process” dialogue on the future of European security (including discussion of Russia’s draft European Security Treaty); appointing a Special Representative of the OSCE chairman to promote dialogue on protracted conflicts in the former Soviet Union; and supporting several initiatives regarding Afghanistan. The latter included bolstering cooperation between NATO and other regional security organizations; supporting better governance, cross-border trade, and law enforcement; and strengthening counter-narcotics efforts.

Some observers alleged that Kazakhstan continued to commit human rights abuses during its chairmanship of the OSCE. In September 2010, the Committee to Protect Journalists, a non-governmental organization, alleged that the Kazakh government had “intensified its repressive practices.... Attacks on the press have continued unabated in this, the year of Kazakhstan’s chairmanship.”¹³

¹⁰ OSCE. 15th Ministerial Council Meeting. *Address of Marat Tazhin, Minister of Foreign Affairs of the Republic of Kazakhstan*, November 29, 2007.

¹¹ Human Rights Watch. *An Atmosphere of Quiet Repression: Freedom of Religion, Assembly and Expression in Kazakhstan*, December 2008.

¹² Human Rights Watch. *Human Rights in Kazakhstan: Seven Months before the OSCE Chairmanship*, Human Rights Watch Memorandum, May 20, 2009.

¹³ “CPJ Special Report: Disdaining Press Freedom, Kazakhstan Undermines OSCE,” Committee to Protect Journalists, (continued...)

At an informal OSCE foreign ministerial meeting in Almaty (Kazakhstan's largest city) in July 2010, an agreement was reached to hold an OSCE heads of state and government summit on December 1-2, 2010, in Astana (Kazakhstan's capital), the first since the Istanbul summit in 1999. Kazakhstan had strongly urged holding this summit to "modernize" the activities of the OSCE. The United States earlier had raised concerns about the necessity of holding such a summit, but received assurances from Kazakhstan and others that a summit would address substantive issues of U.S. interest.¹⁴

Attending a meeting of NGO representatives in Astana, Kazakhstan, on November 30, 2010 (on the eve of the Astana OSCE Summit, see below), Secretary Clinton hailed recent progress by the Kazakh government in respecting human rights, stating that "this government has made more progress than any other in the region and has committed itself to continuing that progress." However, she also qualified this praise by stating that "I know that there is still much more work to be done. I know that there are many issues that are not yet satisfying the people about what should be done in the human rights regime, in the democracy development." She urged a "balanced view of Kazakhstan's human rights status," stating "let us be proud of the positive success, let us be fair about the criticisms, and let us encourage the changes that will benefit the people of Kazakhstan in terms of democracy and human rights."¹⁵ At a meeting of the OSCE Permanent Council (the main decision-making body; it convenes weekly in Vienna) on November 15, 2010, Kazakh Foreign Minister and OSCE Chairman-in-Office Kanat Saudabayev asserted that Kazakhstan was successfully carrying out the goals it outlined at the beginning of its chairmanship and that the upcoming summit would further these goals. He called for the summit to "outline a strategic vision for the development of a Euro-Atlantic and Eurasian community of common and indivisible security and a way of improving the [OSCE]." Among the summit deliverables, he called for enhancing the OSCE's efforts in Afghanistan; bolstering early warning and conflict prevention mechanisms; reaffirming the rule of law and the role of civil society; promoting cooperation among international security organizations; and formulating an action plan to update the 1999 Vienna Document (provisions for confidence and security building, including the exchange and verification of information on armed forces, defense policies, and military activities).¹⁶

In response to Foreign Minister Saudabayev's November 15, 2010, speech, Ian Kelly, the U.S. Ambassador to the OSCE Permanent Council, stated that the United States viewed the upcoming summit "as an opportunity to revitalize the OSCE in [the military/security, democratic/human rights, and economic/environmental] dimensions and reinforce the development of the OSCE as a democratic and cooperative security community."¹⁷ Although Saudabayev had argued that Kazakhstan had "exceeded" its commitments to the OSCE to uphold democratization and human rights, the U.S. Mission to the OSCE criticized Kazakhstan's efforts to exclude some civil society

(...continued)

September 16, 2010.

¹⁴ Commission for Security and Cooperation in Europe, Articles, *OSCE 2010 Informal Ministerial: Kazakhstan Persistence Earns A Summit In Astana*, by Winsome Packer, November 1, 2010.

¹⁵ U.S. Department of State, Office of the Spokesman, *Town Hall on Empowering Civil Society for Central Asia's Future*, Eurasian University, Astana, Kazakhstan, November 30, 2010.

¹⁶ OSCE Permanent Council, *Countdown to the OSCE Summit: Statement by Mr. Kanat Saudabayev, Chairperson-in-Office of the OSCE and Secretary of State and Minister for Foreign Affairs*, November 15, 2010.

¹⁷ United States Mission to the OSCE, *Response to Kazakhstani Foreign Minister Kanat Saudabayev as delivered by Ambassador Ian Kelly to the Permanent Council*, November 15, 2010.

representatives from a Review Conference held in Warsaw, Poland, on September 30-October 8, 2010, to prepare the agenda for the summit.¹⁸ During three Review Conference meetings, the United States had stressed, in addition to the measures mentioned by Saudabayev, reestablishing an OSCE Mission in Georgia; empowering ODIHR to better monitor elections; and strengthening the powers of the OSCE Representative on Freedom of the Media, among other measures. At the same time, the United States reiterated that it did not see the need for new treaties or institutions to safeguard European security as urged by Russia.¹⁹

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According to many observers, the December 1-2, 2010, OSCE Summit accomplished a few of the goals set by Kazakhstan but fell short on most. Summit participants could not agree on an action plan, but issued the Astana Commemorative Declaration toward a Security Community. There appeared to be some progress in bolstering Afghanistan’s security and development and in reaffirming the centrality of democracy and human rights as core principles. The United States and Russia clashed over the issue of Georgia’s territorial integrity, including whether Russia had complied with ceasefire accords, and over Russia’s failure to carry out its pledge to withdraw troops from Moldova. Lack of progress in resolving the Armenia-Azerbaijan conflict over the breakaway Nagorno Karabakh also was mentioned by the United States as a reason the summit could not agree on an action plan (however, a statement was issued calling for a settlement of the conflict). Although the summit declaration called for building on the so-called Corfu process to further European security cooperation, the United States and some other members of the OSCE had objected to Russia’s call (supported by Kazakhstan) for a new European Security Treaty.

Economic Developments

Kazakhstan is the most economically developed of the former Soviet Central Asian republics. Up to one-third of GDP is generated by the oil and gas sector. Kazakhstan is the sixth-largest producer of wheat in the world and a major exporter. Up to one-fifth of the population, however, lives below the poverty level. In 1997, President Nazarbayev launched a plan to create an

¹⁸ United States Mission to the OSCE, OSCE Review Conference, Vienna, Austria, *As delivered by Julie Raschka*, October 25, 2010; Catherine Fitzpatrick, “Turkmen Activists Denied Entry to OSCE Review Conference in Warsaw,” *Eurasianet*, October 4, 2010.

¹⁹ United States Mission to the OSCE, *Opening Plenary Session at the OSCE Review Conference, Vienna, Austria, As delivered by Dr. Michael Haltzel, U.S. Head of Delegation, OSCE Review Conference*, October 18, 2010; *Closing Plenary Session of OSCE Review Conference in Vienna, Austria, As delivered by Dr. Michael Haltzel*, October 26, 2010.

²⁰ U.S. Department of State, Office of the Spokesman, *Town Hall on Empowering Civil Society for Central Asia’s Future*, Eurasian University, Astana, Kazakhstan, November 30, 2010.

economically developed, secure, healthy, and educated country by 2030. In late 2005, he called for bringing Kazakhstan into the ranks of the top 50 developed countries within 10 years. He urged revamping tax and budgetary policies and developing export-oriented manufacturing to reduce over-dependence on the energy sector as the engine of GDP growth. At the beginning of 2010, President Nazarbayev launched a five-year plan for industrial innovation in line with his goals for 2030.

In 2008, tightening credit contributed to the collapse of the real estate market, but high oil prices in the first part of the year partly cushioned the decline in GDP. In November 2008, President Nazarbayev launched a concerted anti-crisis plan that included lowering tax rates and drawing \$10 billion from a National Oil Fund (created in 2000 to stabilize the economy in the case of swings in world prices of oil, gas, and metals) to recapitalize banks that had non-performing loans and large foreign debt payments; to support Kazakhstan's currency, the tenge; and otherwise to boost the economy. Declining oil revenues and foreign debt repayments led the central bank to devalue the tenge by 20% against the U.S. dollar in February 2009. According to the Economist Intelligence Unit (EIU), GDP expanded by only 1.2% in 2009, the slowest pace of growth since 1998, and the budget deficit widened to 3.2% of GDP. The deficit would have been larger, but higher oil prices later in the year, cutbacks in government expenditures, and a budgetary infusion of \$7.4 billion from the oil fund helped reduce the deficit.²¹

The EIU reported that GDP expanded 7% in 2010, assisted by rising world oil and gas prices and a rebound in foreign demand for other minerals. Growth was constrained by a decline in agricultural production due to severe drought. Average annual inflation was 7.1% in 2010, up slightly from 6.2% in 2009. Rising food prices in late 2010-early 2011 may contribute to a higher rate of inflation in 2011. The EIU forecasts that gross domestic product (GDP) will grow by 5.4% in 2011, slightly less than in 2010, because of a temporary dip in the growth of energy production and in the growth of demand, although rising energy prices could alter this forecast. The budget deficit was 2.6% of GDP in 2010, according to the EIU, but appeared to move to a positive balance in the early months of 2011 after the country raised the oil export tax. According to the *CIA Factbook*, about 43% of Kazakhstan's GDP is derived from energy production, about 53% from services, and 5% from agriculture, although the latter sector employs over 28% of the country's workforce. The World Bank reported that the industrial innovation program had resulted in reforms in 2010 streamlining regulations covering business formation.²²

Energy

The U.S. Energy Department (DOE) reported in November 2010 that Kazakhstan possessed 30 billion barrels of proven oil reserves (comparable to Qatar). DOE also reported estimates of 85 trillion cubic feet (tcf) of proven gas reserves (comparable to the European Union countries). Kazakhstan's oil exports currently are about 1.3 million barrels per day (bpd). Kazakhstan has exported a small amount of gas to Russia for several years while at the same time importing gas from Turkmenistan and Uzbekistan. In 2009, Kazakhstan's rising gas production made it a net gas exporter, with small amounts reportedly exported to China as well as Russia. Until recently U.S. foreign direct investment (FDI) played a pre-eminent role in the development of Kazakhstani oil

²¹ *Kazakhstan: Country Report*, Economic Intelligence Unit, May 2011.

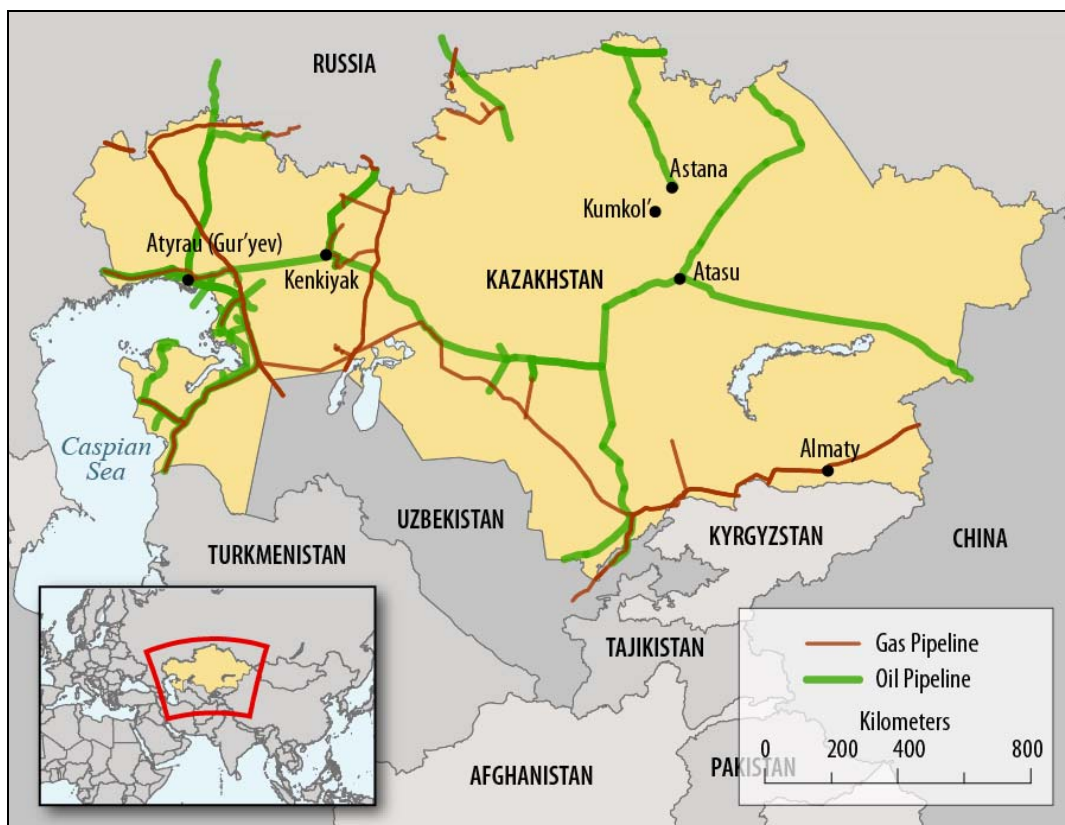
²² *Doing Business 2011: Making a Difference for Entrepreneurs*, The World Bank and International Finance Corporation, 2010, p. 5. See also *Republic of Kazakhstan-2011 Article IV Consultation Concluding Statement of the IMF Mission*, International Monetary Fund, May 6, 2011.

and gas resources, amounting to about \$29 billion in Kazakhstan (over one-third of all FDI in the country) from 1993-2010.²³ According to some reports, China has provided billions of dollars of loans and investment pledges to Kazakhstan's energy sector in recent years. During President Nazarbayev's February 2011 China visit, Beijing reportedly agreed to provide significant funding for Kazakh energy projects, including a joint venture to develop the Urikhtau gas field to supply gas for a planned pipeline that will be linked to the Turkmen-China gas pipeline. Some U.S. energy firms and other private foreign investors have become discouraged in recent years by harsher Kazakh government terms, taxes, and fines that some allege reflect corruption within the ruling elite.

Russia seeks to maintain maximum influence over Kazakhstan's energy resources by providing pipeline export routes and by becoming involved in production. Russian shareholders have a controlling interest in the Caspian Pipeline Consortium (CPC), which built a 980-mile oil pipeline from Kazakhstan to Russia's Black Sea port of Novorossiysk that carried over 700,000 barrels per day (bpd) of oil in 2010. Kazakhstan's dependence on Russian export routes has been lessened by the 2006 opening of an oil pipeline from Atasu in central Kazakhstan to the Xinjiang region of China. In October 2009, work was completed to extend this pipeline to Kazakhstan's Caspian Sea border. Reportedly, 200,000 bpd are transported to China along this pipeline route. See **Figure 1**. Kazakhstan also transports over 100,000 bpd of oil by rail and barge to Baku, Azerbaijan.

²³ U.S. Department of State. *Robert O. Blake, Jr., Assistant Secretary, Bureau of South and Central Asian Affairs: Remarks Before the Washington International Business Council*, February 24, 2010; *Country-Data, Foreign Payments Kazakhstan, April 2011*, EIU, April 2, 2011.

Figure 1. Map of Kazakhstan with Gas and Oil Pipelines



Source: CRS.

Foreign Policy and Defense

Nazarbayev has stated that the geographic location of Kazakhstan and its ethnic makeup dictate its “multipolar orientation toward both West and East.” He has pursued close ties with Turkey, trade links with Iran, and better relations with China, which many Kazakhs have traditionally viewed as a security threat. There are over 1 million ethnic Kazakhs in China, and 300,000 ethnic Uighurs of China residing in Kazakhstan, who have contributed to complicated relations between the two states. While seeking to protect Kazakh independence, Nazarbayev has pursued close relations with Russia and other Commonwealth of Independent States (CIS) members for economic and security reasons. In 1998, Kazakhstan and Russia signed a friendship treaty; in 1998 and 2002, they signed accords settling Caspian seabed resource claims; and in 2005, they signed a border delineation agreement. In late 2005, the Central Asian Cooperation Organization merged with the Eurasian Economic Community (Eurasec; Russia and Kazakhstan belonged to both). Eurasec members Russia, Belarus, and Kazakhstan launched a Customs Union in July 2010. On April 4, 2011, just after his reelection, President Nazarbayev stated that “our foreign policy targets will remain as before. We have close relations with Russia and China, the EU, and the United States, and other states of the region are our big partners.” In regard to the latter, he

hailed increasing trade and other integration within the Customs Union of Kazakhstan, Russia, and Belarus.²⁴

Kazakhstan still relies heavily on Russia for military training and equipment, but has expanded defense cooperation with other states. About 49,000 Kazakh troops serve in the ground force, air force, and navy. Among other equipment, the ground force possesses nearly 1,000 tanks, 1,800 reconnaissance and fighting vehicles, nearly 400 armored personnel carriers, and about 1,500 artillery pieces; the air force possesses 162 aircraft, over 40 helicopters, and nearly 150 or more surface-to-air missile batteries; and the navy possesses 17 patrol boats. There are about 9,000 border guards, about 20,000 Internal Security (police) troops, and 2,500 presidential and government guards.²⁵ In 1999, Kazakhstan reaffirmed a CIS Collective Security Treaty (CST) pledging the parties to provide military assistance in case of aggression against any one of them. Kazakhstan is also a member of the Shanghai Cooperation Organization (SCO), composed of Russia, China, and the Central Asian states (except Turkmenistan), which aims to combat terrorism and facilitate trade ties. In 1994, Kazakhstan joined NATO's Partnership for Peace (PFP) and regularly takes part in PFP exercises, but states that it does not aim to join the alliance. A new military doctrine adopted in March 2007 calls for eventually creating volunteer armed forces. Reforms include the transition to a brigade-based organizational and staff structure, the creation of the Shokan Ualikhanov Cadet Corps school for non-commissioned officers, and other elements of a hierarchy of military educational institutions. In mid-2009, efforts were announced to boost declining salaries and other social support for troops. Defense Minister Adilbek Dzhaksybekov reported that he had completed reforming the high commands of the ground forces, air force, and navy in 2009 as part of the goal of creating a "small, mobile, truly combat-capable army." A new concept for military procurement calls for modernizing defense industries; purchasing foreign weaponry; seeking foreign technical assistance for upgrading existing equipment; and focusing more on command, control, and communications technologies. The Spassk Combat Training and Combat Use Center was opened in 2010 to train junior officers and to train civilians to form a mobilization reserve.²⁶

After the Soviet breakup, Kazakhstan was on paper a major nuclear weapons power (in reality Russia controlled these weapons). All bombers and their air-launched cruise missiles were removed to Russia by late February 1994. On April 21, 1995, the last of about 1,040 nuclear warheads had been removed from the SS-18 missiles and transferred to Russia, and Kazakhstan announced that it was nuclear weapons-free. U.S. Comprehensive Threat Reduction (CTR) assistance was used for these efforts, and for subsequent control and elimination of nuclear materials and former chemical and biological warfare facilities. The U.S. Nuclear Risk Reduction Center works with Kazakhstan to facilitate verification and compliance with arms control and security agreements to enhance peace and prevent the proliferation of WMD. Among recent cooperation, ground was broken in March 2010 on a Central Laboratory to help secure Kazakhstan's collection of especially dangerous pathogens. Cumulative U.S. CTR assistance to Kazakhstan was about \$341 million from FY1992 through FY2008, which was over 40% of all U.S. assistance to the country.

²⁴ *Central Eurasia: Daily Report*, Open Source Center, April 5, 2011, Doc. No. CEP-950102.

²⁵ *The Military Balance*, International Institute of Strategic Studies, March 7, 2011.

²⁶ *CEDR*, September 23, 2010, Doc. No. CEP-677004; June 4, 2010, Doc. No. CEP-37008.

U.S. Policy

According to the Obama Administration's *Congressional Budget Justification for Foreign Operations*, the U.S. "strategic aim in Kazakhstan is to ensure and maintain the development of the country as a stable, secure, democratic, and prosperous partner." The Administration avers that Kazakhstan has made significant progress—with U.S. support—over the period since it gained independence in late 1991 to reach these goals. For FY2012, U.S. government aid aims to strengthen Kazakhstan as a "strategic partner."²⁷

During President Nazarbayev's 1994 U.S. visit, he and then-President Clinton signed a Charter on Democratic Partnership, which recognized Kazakhstan's commitments to the rule of law, respect for human rights, and economic reform. During his December 2001 and September 2006 visits, Nazarbayev repeated these pledges in joint statements with then-President Bush. The Obama Administration launched annual bilateral consultations on economic and political issues with Kazakhstan, with the first meeting taking place in Washington, DC, in March 2010 and the second in Astana (Kazakhstan's capital) in late March 2011. In April 2010, President Nazarbayev met with President Obama at a U.S. nuclear security summit. In a joint statement, the two leaders pledged to strengthen the strategic partnership, including by continuing "close cooperation ... and success in reducing nuclear threats in Kazakhstan and around the world." President Obama expressed appreciation for Kazakhstan's humanitarian and economic assistance to Afghanistan and Kazakhstan's agreement to permit U.S. cargo flights across Kazakhstan in support of the Afghanistan mission. The two leaders also discussed other ways "to enhance Kazakhstan's critical role in the Northern Distribution Network" of transport routes to Afghanistan. President Obama also pledged to "continue to support the Kazakhstan Government's efforts to liberalize its media and democratize its political system, including through legal reform."²⁸ Further signaling the Obama Administration's interest in Kazakhstan, a Consulate General was opened in Almaty (the former capital and the business center)—the first such post in Central Asia—and the first consul general arrived in August 2010.

Cumulative U.S. aid budgeted for Kazakhstan in fiscal years 1992 through 2008 was \$1.67 billion (all-agency funding), with Kazakhstan ranking fifth in aid among the twelve Soviet successor states. A large part of this U.S. aid has supported Comprehensive Threat Reduction (CTR) programs to prevent the proliferation of weapons of mass destruction. Budgeted aid for FY2009 was \$22.4 million and for FY2010 was \$22.7 million. Requested aid for FY2011 was \$18.3 million (country totals for foreign assistance for FY2011 under the continuing resolution, H.R. 1473; P.L. 112-10, signed into law on April 15, 2011, are being finalized) and for FY2012 is \$21.4 million (these amounts include foreign assistance listed in the *Congressional Budget Justification for Foreign Operations*, and exclude Defense and Energy Department funds). The Administration request for FY2012 emphasizes economic assistance to bolster U.S.-Kazakh trade, simplify business registration regulations, support Kazakhstan's bid to join the World Trade Organization, improve the regional electricity trade, and protect the environment. A second priority is security assistance to enhance border protection, combat the illegal trafficking of drugs and persons, counter terrorism, and support the development of professional, inter-operable military forces that respect human rights.

²⁷ U.S. Department of State. *Congressional Budget Justification for Foreign Operations, FY2012*, March 2011.

²⁸ The White House. Office of the Press Secretary. *Joint Statement on the meeting between President Obama and Kazakhstan President Nazarbayev*, April 11, 2010.

Among congressional actions, Omnibus Appropriations for FY2003 (P.L. 108-7) forbade assistance to the government of Kazakhstan unless the Secretary of State determined and reported that Kazakhstan had significantly improved its human rights record during the preceding six-month period. The Secretary could, however, waive this prohibition on national security grounds. This language has been continued in yearly appropriations acts. In FY2005 and thereafter, the Secretary of State (or the designee) has reported to Congress that Kazakhstan has failed to significantly improve its human rights record, but that aid restrictions have been waived on national security grounds.

Counter-Terrorism Support

With regard to Iraq, Kazakhstan's then-Foreign Minister Kasymzhomart Tokayev on March 28, 2003, voiced general support for disarming Iraq. Tokayev later explained that Kazakhstan had decided to support the coalition because it feared that Saddam Hussein was building weapons of mass destruction. Reportedly responding to a U.S. appeal, the Kazakh legislature in May 2003 approved sending military engineers to Iraq. The 27 troops trained Iraqis in de-mining and water purification. Kazakh troops withdrew from Iraq in late 2008.

With regard to Afghanistan, President Nazarbayev warned in June 2001 that Taliban actions in Afghanistan increasingly threatened regional security, and after September 11 he offered overflight rights and the use of airbases to the U.S.-led coalition, but did not offer troops. Kazakhstan also facilitated the transshipment of supplies to U.S. bases in Uzbekistan and Kyrgyzstan. A U.S.-Kazakh memorandum of understanding was signed in July 2002 that permitted U.S. military aircraft to use Kazakhstan's Almaty airport for emergency military landings. In September 2003, a five-year military cooperation agreement was signed to combat terrorism, develop peacekeeping forces, bolster air defense capabilities, and enhance security in the Caspian Sea. In February 2008, the accord was extended to 2012. After receiving Kazakhstan's permission, in early 2009 NATO countries began rail shipments of nonlethal supplies to support the operations of the International Security Assistance Force (ISAF) in Afghanistan. A U.S.-Kazakh accord on over-flight rights for military equipment and personnel was brokered in April 2010. In April 2010, General David Petraeus, Commander, U.S. Central Command, stated that the United States had purchased over \$62 million of locally produced lumber, cement, bottled water, and other Kazakh products to ship to Afghanistan.²⁹

In October 2010, Kazakhstan announced that it would detail a few officers to ISAF headquarters, and the Kazakh legislature in May 2011 approved the deployment of four officers for "non-combat" duties. Just after the approval, the Taliban allegedly stated that the country should not send Muslim troops to "join the ranks of the Jews and Christians [that] fight their Muslim brothers in Afghanistan," and warned that the deployment would be regarded as "disloyal" and damaging to Kazakh-Taliban relations.³⁰ Just before the Majlis approved the deployment, a suicide bombing took place in the city of Aktobe outside a security forces building, reportedly

²⁹ U.S. Embassy Astana. *General David H. Petraeus, Commander, U.S. Central Command and Richard E. Hoagland, U.S. Ambassador to Kazakhstan: Media Roundtable*, April 5, 2010; U.S. Department of Commerce. U.S. Commercial Service. *Kazakhstan: Northern Distribution Network*, April 23, 2010. Section 801 of the National Defense Authorization Act for FY2010 (P.L. 111-84) provides temporary authority to limit competition to, or provide a preference for, products and services that are from countries along the Northern Distribution Network in support of operations in Afghanistan when it is determined that it is in the national security interest of the United States. Other goals include bolstering the economies of the Central Asian states and regional integration.

³⁰ Open Source Center, *South Asia: Daily Report*, May 21, 2011, Doc. No. SAP-950023.

injuring two security personnel, and after the approval a car bomb detonated in Astana, similarly outside a security forces building, killing two people in the car. No one took immediate responsibility for the bombings, and it was unclear if they were linked to the Majlis action.

Kazakhstan long argued that there were few terrorists within the country but this stance began to change in late 2003 with the establishment of an Anti-Terrorist Center as part of the National Security Committee. Shocking many Kazakhs, it reported the apprehension in late 2004 of over a dozen members of the obscure Islamic Jihad Group/Union of Uzbekistan (reportedly an offshoot of the Islamic Movement of Uzbekistan). It alleged that the group had ties to Al Qaeda; had cells in Kyrgyzstan, Uzbekistan, and Russia; and had been involved in attacks in Uzbekistan. In mid-2006, authorities detained 15-30 members of the banned Hizb ut-Tahrir group. In April 2007, 16 alleged terrorists were arrested on charges of planning attacks against security and police forces. In February 2008, security forces arrested five members of an alleged Salafi Jihadi Jamaat, whose leader had received training in Syria. In September 2009, six alleged terrorists were sentenced to 12-17 years in prison for planning to attack foreign oil companies and non-Muslims. In late 2009, the Kazakh National Security Committee reported that the government had prevented four terrorist attacks in 2008 and three in 2009. In May 2011, apparent terrorist attacks occurred in Aktobe and Astana (see above). In February 2011, Kazakh political analyst Dosym Satpayev speculated that while terrorist group members occasionally are arrested in Kazakhstan, the level of terrorism in the country has been low in part because regional groups regard Kazakhstan as a safe haven. He also argued that the Kazakh security services have been effective in combating terrorism, so that small groups in various regions of the country have not been able to expand their activities. He warned, however, that disadvantaged youth increasingly are being drawn to Islamic fundamentalism.³¹ There are some indications that some Kazakh youth increasingly are participating in terrorist actions in Russia's North Caucasus area.

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³¹ *CEDR*, February 14, 2011, Doc. No. CEP-46023.