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## Changing politics in Central Asia: The Case of Kazakhstan

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**Zentrum für internationale Entwicklungs- und Umweltforschung der  
Justus-Liebig-Universität Gießen**

**Changing Politics in Central Asia  
The Case of Kazakhstan**

by

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No. 49

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# Changing Politics in Central Asia

## The Case of Kazakhstan

### 1. INTRODUCTION

During the last few years, global politics faced multiple changes affecting the current world political situation. This change of political strategies in foreign policy did not only occur in industrialized countries such as the USA or of the EU, and Russia, but also influenced the development of many developing countries. The power of the latter countries depends on their geopolitical location and allocation of natural resources. Since 2006/2007, the major topics of different political world summits mainly contained issues concerning oil and gas distribution. A war for independency and “democratic future” broke out within the battlefield of energy and power. Routes and maps were all about pipelines and the world political agenda almost exclusively focused on energy. An era of new politics had begun. The formation process of a new political climate lasted for almost three years, from 2006 to 2009 and still goes on. The world depends on the stability of the financial situation and on sufficient energy resources. Single players misused the power of having energy resources to manipulate other political systems or countries. There was no sanction to prevent such a policy or behavior. During these three years, the global economy had to face a worldwide financial crisis. European governments started to collaborate to find solutions for this tremendous issue. Further, this financial crisis revealed that oil and gas prices are important measures to demonstrate strength and power; for instance, European countries recognized their dependency from Russia, which forced them to search for other energy sources.

Countries affecting the world policy such as the US, Russia, and the European Union received new leaders, again influencing world politics. The former American foreign policy, regarded as ‘hard power’ ended with Barack Obama’s election victory when he became the first African American President in November 2008 (he took office in January 2009). Nowadays, being almost a year in office, Obama’s foreign policy still remains unclear and is a rather ‘soft’ policy of meetings and negotiations. On the other hand, the new Russian president Dmitry Medvedev, taking office in 2008 from former President Vladimir Putin, who had an indisputable political influence inside and outside of Russia and who gave Russian foreign policy a ‘strong’ power, continues his type of policy. Additionally, several member countries (MS) of the European Union had political changes. In 2005, Germany elected the new chancellor Angela Merkel. She is the first female German chancellor as well as the youngest German chancellor since the Second World War. Within her term, she established reforms that strengthened Germany’s voice inside and outside of the EU. Nicolas Sarkozy is new president in France. After taking office in May 2007, he promised strong reforms to revitalize the French economy. Dal Grybauskaitė became the first female head of state in Lithuania on July 12<sup>th</sup>, 2009. Beforehand,

she was serving as the Lithuania's Vice-Minister of Foreign Affairs, Finance Minister, and European Commissioner for Financial Programming and the Budget. The elections for the European Parliament in the 27 member states between 4<sup>th</sup> and 7<sup>th</sup> June 2009 were another political event. These elections represented the biggest trans-national elections in history and considered the EU as a single state for the first time.

Within the last few years of the media development, new communications started to play a bigger role in influencing policy, mostly on national level and in developing countries with authoritarian regime. The power of the new media and its fast speed of penetration and ability to reach a high amount of people to change things are demonstrated by Barack Obama's election campaign that attracted its auditorium mainly via twitter.com and facebook.com. It further helped to fundraise enough money for him and his candidates. Another example of the influence of the new mass media was obvious during the presidential elections in June 2009 held in Iran, where the attention of the world community to the intolerance and severity of existing power machine as well as unfair elections was attracted. In Moldova, the power of new media brought thousands of people on the streets to protest against communism and unfair elections and made the European Union to help establishing another election. All these events, among others, provoked governments to think about their foreign policy strategies and sometimes to undertake changes in their approaches to find the most stable way of growth and development. However, as history and analysis show, the different approaches cannot be seen as ultimate solutions.

Joseph Nye, co-founder of the neoliberalism, the international relations theory, the concept of asymmetrical and complex interdependence, and creator of the term 'soft power', which is often used by the current US administration, has written in his book "US Power and Strategy After Iraq": "Hard power will always remain crucial in a world of nation-states guarding their independence, but soft power will become increasingly important in dealing with the transnational issues that require multilateral cooperation for their solution" (NYE JR. 2003). He also writes that "world politic is changing in a way that makes it impossible for the strongest world power ... to achieve some of its most crucial international goals alone. On many of today's key issues, such as international financial stability, drug trafficking, the spread of diseases, and especially the new terrorism, military power alone simply cannot produce success. Instead, as the most powerful country, must mobilize international coalitions to address these shared threats and challenges" (NYE JR. 2003).

This paper examines how the policy of Kazakhstan changed during the last few years. It compares the foreign policy from the past with current changes regarding the influence of major external players such as the European Union. The paper also provides an analysis of foreign policy as well as a description of world critics and possible negative aspects. The author believes that complex relations based on 'smart soft power' may lead to win-win situations, but where stakes are too high using 'hard power' methods may be appropriate.

## **2. CENTRAL ASIA TODAY**

Central Asia emerged as a bridgehead for political actions on the world scene with the collapse of the Soviet Union in 1991. Several external world players tried to win the region over to profit from its potential (not stable governance, advantageous geostrategic placement, rich natural energy sources). "In spite of the majority expectations, today a geography will define the fate of Central Asia, but not its culture" (GOBL 1997), - resumed the deputy director for broadcasting of the "Radio Liberty/Free Europe", member of the editorial board of "Central Asia" magazine Paul A. Gobl. "After the reconstruction of own independency five Central Asian countries had to decide towards three different maps: old map, uniting them into ex-Soviet Union and to Moscow; own regional map, defining internal borders and lines of inner interactions; new map, resumes the relations with the rest of the world" (GOBL 1997).

To describe Central Asia, with a focus on Kazakhstan, and to precisely calculate the geopolitical situation, the following paragraphs will describe the region as well as define external and internal powers. Further, Kazakhstan will serve as an example to understand the main driving political forces in the region and to explain the change of power balance and strategies over the past years.

### **2.1 Regional Description**

"The idea of Central Asia as a distinct region of the world was introduced in 1843 by the geographer Alexander von Humboldt" (MANDELBAUM 1994). However, there is no clear definition from that time. Several textbooks call the area 'Turkestan' (as one Central Asian city), some refers to the Soviet name 'Middle Asia' which includes Uzbekistan, Turkmenistan, Tajikistan, and Kyrgyzstan. Kazakhstan was not part of Middle Asia because of its geographical location with one half in Asia and the other half in Europe. The term 'Central Asia' had a broader meaning. According to "the UNESCO general history of Central Asia, Central Asia includes Mongolia, Western China (including Tibet), Northeast Iran, Afghanistan and Western Pakistan, Central-East Russia south of the Taiga, and the former Central Asian Soviet Republics (the five "Stans" of the former Soviet Union), but also even the Punjab, Northern India and Pakistan" (MANDELBAUM 1994). Despite the geographical origin of this definition, the determination of Central Asia became more political and was narrowed down to five ex-Soviet republics after 1991. "The leaders of the five former Soviet Central Asian Republics met in Tashkent and declared that the definition of Central Asia should include Kazakhstan as well as the original four included countries by the Soviets. Since then, this became the most common definition of Central Asia" (MANDELBAUM 1994).

Central Asia has a huge territory, changing political regimes, transitional and developing economies, potential markets, and rich energy sources. It also has beneficial geostrategic location and, therefore, is a possible clash of interest of both external and internal players. Comparing the size of territory, economic and social development, as well as the strategic



location, together with the international political image and position of power, the Central Asian countries can be divided into two groups. Kazakhstan depicts one group, while the other four countries are the other group. Additionally, there are a number of other unifying and distinguishing factors. These factors can help external players to better understand regional behaviors, but also may lead to confusion.

### Population

Statistics show about 58 m. people living in Central Asia: in Kazakhstan (2005 - 14,825,000m.<sup>1</sup>), in Kyrgyzstan (July 2005 - 5,264,000m.<sup>2</sup>), in Tajikistan (July 2005 - 6,507,000m.<sup>3</sup>), in Turkmenistan (July 2005 - 4,833,000m.<sup>4</sup>), in Uzbekistan (July 2005 - 26,593,000m.<sup>5</sup>).

### Language

Two different major language groups can be identified, namely the native languages and the Russian language. Regarding the native languages, Central Asian countries belong to the Turkic language group. They differ, but have the same roots. Thus, "Turkmen, closely related to Turkish (they are both members of the Oghuz group of Turkic), is mainly spoken in Turkmenistan, Afghanistan, Iran, and Turkey. Kazakh, Kyrgyz and Tatar are related languages of the Kypchak group of Turkic languages, and are spoken throughout Kazakhstan, Kyrgyzstan and Tajikistan. Uzbek and Uighur are spoken in Uzbekistan, Tajikistan and Xinjiang"<sup>6</sup>. The own native languages unify the region. They are more spoken and have a bigger influence in the south of Kazakhstan and in the other four countries. The strongest predominance of the native languages can be noticed in villages and small towns in rural areas. Regarding the Russian language usage, Kazakhstan is the country with the highest usage ("The majority of modern Kazakhstanis are currently either ethnic Kazakhs (58%-60%) or Russians (25%-27%), with smaller Ukrainian, Uzbek, German, Uyghur, Koreans and other minorities totaling 15%-17%"<sup>7</sup>). The Russian group constitutes 25-27% with minorities (15-17%. In addition, at least half of the Kazakh group (mainly from Northern part) speaks Russian (30%). Thus, 70% of the people speak Russian. The native language usage of Central Asian countries makes Central Asia be closer to Islamic Asian countries in the East. The Russian language usage makes Central Asia

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<sup>1</sup> Mandelbaum 1994

<sup>2</sup> CIA World Factbook entry on Kyrgyzstan 2009

<sup>3</sup> CIA World Factbook entry on Tajikistan 2009

<sup>4</sup> CIA World Factbook entry on Turkmenistan 2009

<sup>5</sup> CIA World Factbook entry on Uzbekistan 2009

<sup>6</sup> ibid.

<sup>7</sup> CIA World Factbook entry on Kazakhstan 2009

be closer to Russia from a historical and language perspective (migration of people after 1991). Kazakhstan can be considered as a base for other foreign countries to start political conversations and actions in Central Asia – since most of the English speaking people live in Astana, Almaty, Atyrau (Kazakhstan).

### **Political regimes**

It could be assumed that according to the territory unification and the common language in Central Asia that these countries may seem to have similar political regimes. But, all five republics declare different types of political governance. However, they have a common political past by being ruled (till 2005) by Soviet diplomats who won the presidential elections in 1991. Only in Kyrgyzstan, after the ‘Tulip revolution’ in 2005, Kurmanbek Bakiev became the President after Askar Akaev (in 2009 re-elected for the second term). Theoretically, ‘Kazakhstan is a constitutional republic with a strong presidency. Kyrgyzstan defines the form of the government as a democratic republic. Tajikistan was plunged into a civil war, allegedly backed by Russia and Iran, fighting one another. In 1997, the war stopped and a central government began to shape with peaceful elections in 1999. Tajikistan is officially a republic and holds elections for the President and Parliament. Constitutionally, the Government of Uzbekistan provides democracy. Politics of Turkmenistan take place under a totalitarian dictatorship, whereby the President of Turkmenistan, Saparmurat Niyazov, retains absolute control over the country and no opposition is tolerated (author correction – this situation happened to be before 2006 while the president Niyazov was alive).”<sup>8</sup>. After the first president of the republic of Turkmenistan, Saparmurat Niyazov, died, the office was taken by Gurbanguly Berdymukhammedov, who was elected by the people. However, some political analysts write that “although the new Turkmen President, Gurbanguly Berdymukhammedov, has taken the initiative of transforming Turkmenistan from a closed dictatorial state to an open democracy, no significant substantial change has been seen so far” (SARA 2007). An indicative factor on how much democracy is happening, for example during the presidential elections, could be drawn from the importance, the country gives to external players, such as the US or EU. Most of the elections were seen by western observers as unfair, whereas Russian and CIS observers indicated ‘good reforms’. International observers still think that people in Central Asia are under a similar political pressure as during Soviet times. But, for instance, according to research done by the International Research Institute ‘InterMedia’ (Washington, DC) in Kazakhstan before the Presidential elections in December 2005, 71% of interviewees would have voted for the current President Nazarbayev because the life conditions met people’s needs. They think that the current policy would be stable and life conditions well enough (JETPYSPAYEVA 2005).

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<sup>8</sup> CIA World Factbook entry on Kazakhstan 2009

**Table 1. Central Asian Presidents**

<b>COUNTRY</b>	<b>LEADER</b>	<b>TERM</b>
Kazakhstan	Nursultan Nazarbayev	(2006-on) (1999-2006) (1991-1999)
Kyrgyzstan	Kurmanbek Bakiev Askar Akaev	(2009-on) (2005-2009) (1991-2005)
Tajikistan	Emomali Rahmon	(1994-on)
Turkmenistan	Gurbanguly Berdymukhammedov Saparmurat Niyazov	(2007-on) (1991-2006)
Uzbekistan	Islom Karimov	(1991-on)

### **Religion**

Central Asian countries are mostly Islamic. The second most religion is Orthodox Christian. Under the constitutional law, the church is separated from the state. Few years ago, when the US started the “War on Terror campaign” in Central Asia and stationed their army in Kyrgyzstan, some radical Islamic organizations such as Hizbut Tahrir appeared. But a major political scientists, such as Oleg Sidorov, the Advisor of the Director General, Central Asian Foundation for Democracy Development, think that “radical Islam is just a political game played by US to take physical place in Central Asia (military bases) and Central Asian countries to balance the power and have more than one trump card in political game” (SIDOROV 2006).

### **Economy**

After the collapse of the Soviet Union and the destruction of industrial and economic complex, the republics of Central Asia faced a crisis (1991). Using their natural resources and economic relations, the five Central Asian countries tried to establish new activities and reform their economy. They were declared as countries with a transition economy which highly depended on natural resource export (mainly oil, gas, minerals) and agriculture (especially republics located in the South – cotton, tobacco, sugar, wheat, etc.). “According to evaluation, the share of enterprises in private and mixed sectors of economy in late 90s in Kazakhstan fell about 77% of working force and 55% of GDP; in Kyrgyzstan - conformably 73 and 70%; in Tajikistan – 61-62 and 30-35%, in Turkmenistan – 59 and 25-30%; finally, in Uzbekistan – 69 and 45%”<sup>9</sup>.

<sup>9</sup> Occasional Paper, 183, 1999, pp. 2; 2000, p.41






**Natural resources**

“Natural resources are very abundant in Kazakhstan, not only in quantity of the specific resources, such as petroleum, but also in the abundance of different elements. Out of 110 chemical elements 99 are present, and 60 are being extracted. The deposits of oil, gas, titanium, magnesium, tin, uranium, and gold are some of the biggest in the world. Significant deposits of coal, iron, copper, zinc are also present. Kazakhstan holds 300 gold deposits and is the 6th largest supplier of gold in the world. The country is also an exporter of diamonds. Large deposits of chemicals are also present. Petroleum, natural gas, and mineral exports have attracted most of the over \$40 billion in foreign investment in Kazakhstan since 1993” (CIA WORLD FACTBOOK 2009, ENTRY ON KAZAKHSTAN). In Turkmenistan, there was a conflict about gas between the Ukraine and Russian ‘Gasprom’, depending on Turkmen natural resources: “it possesses the world’s fifth-largest reserves of natural gas as well as substantial oil resources”<sup>10</sup>.

**Regional political cooperation and alliances**

Since their independence, all Central Asian countries are involved in regional security and economic organizations with other CIS countries. They are in the United Economic Area, the Eurasian Economic Community, the Collective Security Treaty Organization, and the Shanghai Cooperation Organization.

**Figure 1**

INTEGRATIONAL COMMUNITIES OF CENTRAL ASIAN COUNTRIES					
COUNTRY	CIS	UNITED ECONOMIC AREA	EURASIAN ECONOMIC COMMUNITY	COLLECTIVE SECURITY AGREEMENT ORGANIZATION	SHANGHAI COOPERATION ORGANIZATION
 KAZAKHSTAN	X	X	X	X	X
 KYRGYZSTAN	X		X	X	X
 TAJIKISTAN	X		X	X	X
 TURKMENISTAN	X				
 UZBEKISTAN	X		X		X

<sup>10</sup> CIA World Factbook entry on Turkmenistan 2009

**Table 2. External Powers Interests In Central Asia**

<b>Power</b>	<b>Interest sphere</b>
<b>US</b>	<p><b>Military:</b> the base for military forces to support military operations in Afghanistan and War on Terror as well as to protect economic interest of US companies in the region.</p> <p><b>Economic:</b> export of natural resources, mainly oil; possible reserve base of oil till 2010.</p> <p><b>Geostrategic:</b> have an access to the East, Central Asia, Russian and Chinese borders, Caspian sea and be present in this region to maintain the political power.</p>
<b>EU</b>	<p><b>Economic:</b> mainly bilateral agreement relations between EU countries (Germany, UK mostly) and Central Asian countries were established. Since 2007, the EU adopted the common strategy on Central Asia that changes slightly the role of a 'peaceful observer' that EU played before 2007, but still the policy is mainly about helping to establish business relations and holding the political and economic negotiations.</p> <p><b>Geostrategic:</b> be present in every part of the world especially where US is also present.</p>
<b>Russia</b>	<p><b>Military:</b> holds bases in Kyrgyzstan and behaves as 'big brother' balancing the US. Tries to provide the military support of economic interest and holds good domestic relations (policy with Central Asia still viewed more as domestic than foreign).</p> <p><b>Economic:</b> export of natural resources (oil, gas), bilateral agreements on trade, main Kazakhstan's trading partner.</p> <p><b>Geostrategic:</b> protects its borders and be present in the region to balance power of the US and react to possible political actions.</p>
<b>China</b>	<p><b>Security:</b> protection of its borders (have one border with Kazakhstan, Kyrgyzstan, Tajikistan), cares about stability in Sinzhan Uighur Autonomous Region, NATO as a threat, fear of religious extremism.</p> <p><b>Economic:</b> export of natural resources, mainly oil.</p> <p><b>Geostrategic:</b> control of borders and balance the power of the US, observing the US actions and possibility to react on actions.</p>
<b>Iran, Turkey, India, etc.</b>	<p><b>Economic:</b> economic partnership and relations development, oil.</p> <p><b>Geostrategic:</b> be present in the region and react to changes.</p>
<b>Other CIS countries (Ukraine, etc.)</b>	<p><b>Economic:</b> trade interconnections, export/import, industrial complex relations, energy sources interest.</p> <p><b>Geostrategic:</b> cooperation within regional organizations, partnership.</p>

## **2.2. Power Focus**

The power balance and influence in the region of Central Asia can be divided into two main categories, i.e. internal and external development dimensions. Relations between Central Asian countries can be called internal dimension. Together with current problems such as visa regime negotiations, borders delimitations questions, common anti-criminal operations, migration, tourism, and business activities questions, which are solved on bilateral basis or under the roof of integrated communities, all countries seem to be equal.

Starting with a significant economic growth within the past few years, Kazakhstan increased its influence in the world and its perceived image. With this expanding business and political power, the country seems to begin to dominate in the Central Asia region. This sub-dimension appeared in 2006-2007 and slowed down due to the global financial crisis and the Kazakhstani banking system reforming process (Kazakhstani banking system was the best example among post-Soviet countries that together with oil and gas industry contributes to the main budget income. Kazakhstani banks successfully expanded their business in Russia, Ukraine, Georgia, and Kyrgyzstan, etc. In times of crisis, the government of Kazakhstan started to support banks to survive via partial nationalization. This process is not finished yet).

Looking on the region from an external perspective, there are several powers that 'crossed their swords' to gain influence in the region by trying to obtain physical presence (such as military contingent placement) or economic interactions (by the amount of trade-offs, contracts, volumes of import-export, number of companies presented by country, etc.). The Central Asian region has a multidimensional power situation. The most obvious questions of powers appear in military\security, economic, and geostrategic spheres. The influence of external power is shared between two major groups. Four major players practice an active policy to pursue their own national interests. The others have an observational role to be able to react in emergency case. The internal dimension shows the interaction between Central Asian republics with a more or less partnership between four equal players and Kazakhstan, where Kazakhstan acts as the main financial and energy investor and as an initiator of regional cooperation. Being the richest country in the region with a high potential of natural resources, Kazakhstan can be expected to gain more power in the nearest future.

### 2.3. Country Focus: Kazakhstan<sup>11</sup>

**Capital:** Astana, Largest city – Almaty

Official language(s): Kazakh (state language), Russian

Government: Democratic Republic declared under the Constitution

President: Nursultan Nazarbayev since 1991

Prime Minister: Karim Massimov

Independence from the Soviet Union: Declared December 16, 1991

Area: 2,717,300 km<sup>2</sup> (9th)

Population: 14,825,000 (62nd) (2005)

Population density: 5.6/km<sup>2</sup> (215th)

GDP (PPP): 2005 estimate, Total \$132.7 billion (56th), Per capita \$8,700 (70th)

Currency: Tenge (KZT)

Kazakhstan (officially: Republic of Kazakhstan) is the biggest country among the Central Asian republics and also the ninth largest country in the world by its territory, but only the 62nd by its population. Located in Central Asia, it is mostly part of Eastern Europe. It has borders with Russia, the People's Republic of China, and the Central Asian countries Kyrgyzstan, Uzbekistan and Turkmenistan, and a coastline on the Caspian Sea<sup>12</sup>.

**Positive description:** A positive description could be grounded on two main aspects as stated by the European Commission: “The first is the rich oil and natural gas reserves in the west of the country, and offshore in the Caspian Sea, which have attracted some \$34 billion in Foreign Direct Investment since 1991, and which have therefore inspired Kazakhstan’s recent economic boom. The second is the pragmatic manner in which President Nazarbayev has overseen the country’s transition towards a secular, capitalist society whilst maintaining a relatively high level of social cohesion”<sup>13</sup>. Kazakhstan is a fast growing economy mostly based on the export of oil. It is also very rich in minerals. After the collapse of Soviet economy, during last 15 years, Kazakhstan has demonstrated stable growth and a policy oriented, not only into export and usage of mineral and energy sources, but also into reconstruction of its production and industrial base. For instance, the oil processing complex was renovated in order to clean the oil from paraffin ‘at home’. The oil received a higher value and, thus, a higher price, which renovated the oil-based income.

“The government of Kazakhstan plans to double its GDP by 2008 and triple by 2015 compared to 2000. The GDP growth was stable in the last five years, and was higher than 9% (the second

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<sup>11</sup> CIA World Factbook entry on Kazakhstan 2009

<sup>12</sup> CIA World Factbook entry on Kazakhstan 2009

<sup>13</sup> DG External, EU relations with Kazakhstan 2008

fastest growing economy in the world in real terms). Analysts estimate a 9.3% growth rate for 2005”<sup>14</sup>. “Energy is the leading economic sector. Production of crude oil and natural gas condensate in Kazakhstan amounted to 51.2 million tons in 2003 (8.6% more than in 2002). Kazakhstan raised its oil and gas condensate exports to 44.3 million tons in 2003. Gas production in 2003 amounted to 13.9 billion cubic meters, including natural gas production of 7.3 billion cubic meters. Kazakhstan holds about 4 billion tons of proven recoverable oil reserves and 2,000 cubic kilometers of gas. Industry analysts believe that planned expansion of oil production, coupled with the development of new fields, will enable the country to produce as much as 3 million barrels per day by 2015, lifting Kazakhstan into the ranks of the world's top 10 oil-producing nations.”<sup>15</sup> By using the “black gold money” the country actively invests into the economy and establishes an attractive investment climate. Although, during last years, when the influence of Kazakhstan on the world stage grew as well as oil price, Kazakhstan started to toughen ecological laws obliging international oil and gas companies to utilize petroleum gas and to try increasing the utilization barrier by 100%. This shortens the oil extraction speed.

Kazakhstan is the first country among CIS members, which successfully introduced an accumulating pension system in 1998. Kazakhstani pension funds had a positive balance, were fast growing, and invested in the local and international stock market. Despite of the US dollar dependence export, the inflation rate demonstrated stability over last few years and hold on the 7% level (before the crisis happened summer-autumn 2008, when KZT fall down, and inflation rate grew up to 15%). Before the crisis in 2008, the banking system of Kazakhstan was the most stable and progressive among the CIS countries. In 1998, the country went through the bank crisis in Russia without any loses and was constantly growing. By 2008, it unified 34 banks of the second level, 14 of which consisted of foreign capital. “Banking sector of the country holds high growth rates. Today it could be established that the closest banking market – Russian – is filled with many Kazakhstani banks directly or indirectly. The share of Kazakhstani capital on Russian banking market will grow. Summary assets of Kazakhstani banks grew in 2005 on 68% from US \$14.6 billions to 24.6 billions. In comparison, aggregated income of Russian banks on 1<sup>st</sup> of July 2005 constitutes of US \$278.04 billions. Therefore, in Kazakhstan 45% of market share belongs to first two banks of second level, and in Russia - only 35%. The capitalization of Kazakhstani banks grew in first six month of 2005 comparing to first six month of 2004 on 62% from 1.5 billions of USD to 2.5 billions of USD. In Russia the capitalization of the market dwelled on 34.5 billions of USD according to data on 1<sup>st</sup> of July, 2005”<sup>16</sup>. Kazakhstan demonstrates stable economic growth and constant improvement of investment climate, which is proven by international audit agencies. In 2006, Kazakhstan launched its own satellite – KazSat. Kazakhstan demonstrated a peaceful image by neglecting to use military force in politics. The

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<sup>14</sup> CIA World Factbook entry on Kazakhstan 2009

<sup>15</sup> CIA World Factbook entry on Kazakhstan 2009

<sup>16</sup> Chetverikov 2005



country, with more than 100 different nationalities, has never experienced civil conflicts, rejected the use of nuclear weapons, and was granted to hold the presidency chair OSCE by 2010 – to show “the optimal system of cross-national harmony maintenance, the main principal of which is the dialogue between society and government” (NAZARBAYEV 2006). Kazakhstan is an active member of international organizations and regional communities. Analyzing the foreign press, one may find Kazakhstan is more often called as the main regional leader and investor in Central Asia. Additionally, the head of the European Commission in Kazakhstan, Adrian van der Meer, characterized the life conditions and economic level in the country as improving: “Kazakhstan will turn from transit country into country of arrival” (VAN DER MEER 2005).

**Negative description:** Analysts say that the image of the country of being a tolerant country executing a rather ‘soft’ foreign policy, holding rich mineral and energy resources, and being ruled by a rather ‘young’ government with whom it is easy to negotiate, is wrong. Being a very rich country in terms of mineral reserves, Kazakhstan is providing strong domestic and foreign policies with using the energy reserves as an instrument to gain or maintain a higher influence in any negotiations. Since 2006-2007, after getting more attention from international countries and companies and after adopting strategies by the EU and the increase of oil extraction volumes by foreign companies working in the republic, the country started to perform a policy, where the energy matter is used for the protection of own interests such as independence, stability, and peace. This kind of policy is seen as a possible negative outcome that may harm the country’s development.

Once the USSR collapsed, all industrial and economic ties were destroyed and the country faced problems with reforming the whole system. Kazakhstan needed to reform educational, medical, financial, military, and other systems. During the reforms, the country faced high rates of unemployment, low wage rates, and a growing social instability. All together, it caused a social damage including a growth of corruption, which still occurs. A declared free market economy started to develop itself. The imperfection of a legislation basis intensified this negative effect of the corruption level and being a ‘tasty morsel’<sup>17</sup>.

Kazakhstan attracted direct investments into extraction and production of natural resources and mining. The country depended on these investments and had no influence on the use of the resources which caused enormous problems for the ecological environment. Now, the country is trying to toughen the ecological legislation and oblige the investors to utilize the petroleum gas. At that time, the Kazakh economy needed stable investments that led to a 15 years lease of oil fields to foreign oil companies together with introducing soft ecological norms and conditions. With a free market economy, the country opened up to NGOs and international organizations. Since the iron curtain is down, the world became aware of a number of issues from inside the country. New media became a perfect tool for manipulating or hostage an informational war and

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<sup>17</sup> The term is usually used by foreign analytics and politics to describe a country’s rich economy and weak judicial systems.

a source to pressure the government. “In recent years, there have been a number of developments in the human rights situation in Kazakhstan. One of the most notable changes was the announcement of an open-ended moratorium on the death penalty at the end of December 2003. Reforms of the prison and judicial systems are also ongoing, whereas an independent Ombudsman’s office, with a mandate to work on economic and social rights, was established in 2002. Such positive developments have, however, often been overshadowed by well-publicized crackdowns on media outlets, opposition groups, and non-governmental bodies that have been critical of government policies and corruption”<sup>18</sup>.

Another reason for the international criticism is the third-term presidency of Nursultan Nazarbayev (although officially it is the second-term due to legislation change) which started in December 2005 with 90% of all votes. Some argue that Nazarbayev does not want to quit the office due to personal reasons and financial benefits. “The main opponent Zharmakhan Tuyakbai lead a movement called ‘For a Fair Kazakhstan’ and argued for an independent re-examination of the privatization deals, and contracts involving the country’s leading resource industries, which Nazarbayev contended, were illegally benefiting officials close to the President’s family, and thereby damaging the national economy”<sup>19</sup>. The elections were criticized by OSCE stating that “the election did not meet a number of OSCE commitment and other international standards for democratic elections”<sup>20</sup>.

Several independent interviews and research, done before the elections in Kazakhstan, show that people were satisfied with Nazarbayev because they liked his policy and thought the country’s situation would aggravate if he resigned. People could not see an opposition force that would have successfully ruled the country.

The opinions after the election can be divided into two groups. Even independent observers may have different opinions. Usually, observers from pro-Kazakhstani countries (CIS) declared the elections as fair while Western countries declared them as unfair. Such kind of pressure and battle between external players can be observed, when the country is considered as a ‘tasty morsel’. The interest in energy or other resources defines the policy of main external players in the region and, therefore, influences the foreign policy performed by the county itself and may affect even the society. Everybody who is involved, politicians, media, and citizens, are affected. The outcome of a politic action depends on the right tactic. If a country provides smart foreign policies it can gain politic allies, interests, attract money, get IMF loans. If the country does not make political decisions which are favored by foreign governments, it may be possible that the current government will be replaced. The country may even face a capture. Kazakhstan’s politics changed from year to year whiles changes were closely related to policies executed by

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<sup>18</sup> DG External, EU relations with Kazakhstan 2008

<sup>19</sup> *ibid.*

<sup>20</sup> *ibid.*

external players in the region. After the collapse of the USSR (early 1990s), Kazakhstan's economy was weak and the state expected Western investments. Therefore, it performed a "likeable policy" for investors including liberalization of the economy and a flexible ecological legislation needed for oil and gas producers. Kazakhstan used the incoming investments for the development of a reliable banking system, self-production, for a renovation of oil and gas production to separate oil from paraffin so its value increased as well did the price.

Kazakhstan became a country with a stable economy. Due to the denial of nuclear weapon, the world religions forum establishment and reforms, the country gained a positive image on the global scene and became a reliable partner and investor among CIS (ex-Soviet countries) and Central Asia. By 2005-2006, the country has established businesses across its own borders and invested in Russia, Kyrgyzstan, and Georgia and actively appeared on the global stage (proposed its candidate for the OSCE chairman position for 2009).

The country's behavior in foreign policy changed as well as its power and influence. The change was reflected by the improvement and toughening the oil and gas legislation, by a ecological measures change, by increasing governmental pressure on foreign companies dealing with oil and gas in Kazakhstan. The change of Kazakhstan in foreign politics influenced the world community to re-evaluate tactics as well. 2007 is considered as a starting-point for this change. That year, the world community addressed certain claims to Kazakhstan that should be considered and evaluated in order to gain the OSCE presidency chair. The new foreign policy was adopted; the behavior of the country had changed as well as the background rules.

### **3. EU POLICY TOWARDS KAZAKHSTAN**

#### **3.1. Before 2007**

There are many ways to describe the political approach of the European Union. Often, the approaches differ from the approaches of the US. The EU foreign policy approach can be considered as a 'soft power' approach using 'trading state perspective' and multilateral tools. "There are a number of issues over which the United States and Europe generally disagree. Some of these are cultural, such as Bush's stance on abortion or the U.S. use of death penalty, international issues such as the Middle East peace process, whilst many others are trade related. The current U.S. policies are often described as being unilateral in nature, whereas the European Union and Canada often take a more multilateral approach, relying more on the United Nations and other international institutions to help solve issues"<sup>21</sup>. The EU soft foreign policy refers to the EU perception as a trading state, where the main idea is: War Does Not Pay. The EU was established to promote common markets and support free trade for benefits of member states. The construct of the EU policy can be understood by the policies pillars. "Within

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<sup>21</sup> EU Commission External Relations 2009

each pillar, a different balance is struck between the supranational and intergovernmental principles”<sup>22</sup>. This explains why under the EU roof CFSP and its ESDP are of the second priority, while mainly domestic policies have the highest priority.

Setting up together a Union, member states were ready to give up power only, if they would benefit from it. Firstly, it was about a free market. There was no question about sovereignty or confederation. But later on, these questions became more relevant since not every country was ready to give up its sovereignty and maybe lose benefits. The question about equal rights is very sensitive. That is why the progress of forming a better EU is still going on. The progress can be seen on the pillars, where the first pillar shows operating policies without the Union would be a dead structure, but also which does not restrain all actions on a national level. The second and third pillars mostly show the time when the EU will be a confederation with all sensitive policies on supranational level. From the pillars scheme it is clear that policies including trade and social policies are in first pillar. CFSP are in the second pillar including only soft measures such as negotiations, conflict prevention, police, and peacekeeping operations or reconstruction services after military operations.

The EU foreign policy not only refers to the European perspective to be a trading state, but could be explained by the point of view of the governance system – supranationalism vs. intergovernmentalism: “Supranationalism is strongest in the first pillar. Its function generally corresponded at first to the three European Communities whose organizational structure had already been unified in the 1960s through the Merger Treaty. In the CFSP and PJCC pillars the powers of the European Parliament, the Commission and European Court of Justice with respect to the Council are significantly limited, without however being altogether eliminated. The balance struck in the first pillar is frequently referred to as the "community method", since it is that used by the European Community”<sup>23</sup>.

Talking about the trade policy of the EU, John Peterson and Alasdair Young wrote that “The Office of US Trade Representative is a weak bureaucratic player in Washington. The EU Trade Commissioner is one of the most formidable institutional actors in the entire EU: hard power that comes from being guardian of the EU’s massive market, serviceable system for decision-making on trade matters”<sup>24</sup>. This process of a free inner market took years. Outside of this inner market, the EU acts with a single voice, however, trying to promote the interests of every single member state.

Policies from the second and third pillars are still under construction and will take time as well as the will of the member states to complete them. Today, member states are willing to pay (main tasks of ESDP are “humanitarian and rescue tasks, peacekeeping tasks, tasks for combat

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<sup>22</sup> European Navigator 2009

<sup>23</sup> European Navigator 2009

<sup>24</sup> Peterson/Young 2005, p. 5

forces in crisis management, including peacemaking”)<sup>25</sup> approximately €160 billion from EU 25 stocks<sup>26</sup>, but not willing to vote for a Constitution Draft which contains such terms as “the EU Member States are constitutionally forbidden from pursuing an independent foreign policy and must conform to the superior EU foreign policy; all MS, including the neutrals, will be legally obliged to provide military resources to the EU and increase their military spending”<sup>27</sup>.

Similar to the supranationalism vs. intergovernmentalism debate is the explanation of active and passive foreign policy. This refers to Christopher Hill’s discussion, described in Rosamond’s book, about ‘actorness’ and ‘presence’ of the EU in global foreign policy where “actorness’ is about the delimitations of one unit from others, the autonomy of a unit to make its own laws and the possession of various structural prerequisites for action at international level and where ‘presence’ is about ‘reality of a cohesive European impact upon IR despite the messy way in which it is produced’<sup>28</sup>. The EU ‘presence’ on the international scene has two elements: “the EU exhibits distinctive forms of external behavior and the EU is perceived to be important by other actors within the global system”<sup>29</sup>. The EU is more an observer and balancer, while the US is an actor. However, the EU may limit actions of the US by its presence.

There is also a historical explanation on the different political philosophies of the EU and US: “The two continents (EU and US) can be the diverging political philosophies on both sides of the ocean. European countries do not seek traditional power. They perceive the old power politics as the source of the two world wars, which caused so much misery and devastated the economies of many countries. That is why European countries nowadays seek peace through multilateralism, the consent of multilateral organizations such as the United Nations. And not because they are military weak, as Kagan argues in his book. The European unification has been achieved by rejecting military power as an instrument of international affairs” (KNUDSEN 2005, P.22).

“The transatlantic debate over the appropriate responses to perceived threats is at the heart of current European-US tensions. The American view has been inclined towards the belief that its global strength can be used to defeat the threats posed by terrorism, whereas European views have tended to reject the use of force, claiming that threats can only be minimized over time, through multilateral efforts to control them at their source” (KNUDSEN 2005, P.22). Europe thinks that terror cannot be diminished from the world. “Many Europeans have in fact grown somehow used to living with terrorism and they believed from their own historical and colonial experiences that stabilizing a post-war Iraq would be nearly impossible. Therefore many Europeans

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<sup>25</sup> Assembly Fact Sheet No. 4 2009, p.1

<sup>26</sup> ibid.

<sup>27</sup> TEAM Fact Sheet No. 6, 2004

<sup>28</sup> ibid.

<sup>29</sup> Rosamond 2000, p.177

assumed that the risk of the invasion outweighed the benefits. The previous terror campaigns in Europe such as the Basque separatists in Spain, the Islamic extremist bombers in Paris, IRA in mainland Britain and political extremists in Germany and Italy (Haseler, 2004, p.39) - together with the memories of the Second World War, all prove that Europeans could not fully understand the sudden sense of American vulnerability or the American response to the new threats the worldwide “war on terror”. Europeans agreed with the United States that al-Qaeda and other groups posed serious threats, but they had reservations about the idea of a war on terror. According to Haseler, Europeans believed that terrorism could never be fully eradicated, it could only be limited and the best way of limiting it is by addressing the causes as well as using force” (KNUDSEN 2005, P.22).

All these explanations of internal and external factors which impact the foreign policy of the EU confirm the EU’s soft behavior in foreign affairs. Joseph Nye, author of “Europe’s Soft Power”, thinks that soft power of European policies could be strong and “can be used to help or hinder the United States achievements of its preferred outcomes” (NYE 2004). In terms of “music, internet usage and tourism, political asylum and birth expectancy, broad economic achievements, public diplomacy and cooperation” (NYE 2004). EU member states are close or even ahead of the US in number of achievements.

The European Union foreign policy dictates a defined way of action. In the world, the EU represents itself more as an international organization than a union that could be considered as one state.

The European Union republics maintain a political action in countries where they also do business. Usually, countries of the EU are represented in developing countries and trade partners (“The EU is represented in Kazakhstan by 11 Member State Embassies (Czech Republic, France, Germany, Greece, Hungary, Italy, Lithuania, Netherlands, Poland, Spain and United Kingdom, as well as a Commission Delegation accredited to Kazakhstan, the Kyrgyz Republic and Tajikistan. Belgium will have an embassy in Astana in the course of 2005”<sup>30</sup>).

Thus, talking about Kazakhstan, “from the EU’s perspective, Kazakhstan represents a reliable partner for promoting its objective of regional stability through regional cooperation in Central Asia. Indeed, it must form the cornerstone of any such initiative, given its relative economic strength (Kazakhstan accounts for two-thirds of the GDP for the whole central Asian region), and its leading position within the region”<sup>31</sup>. Between the EU and Kazakhstan there are a number of programs for development and maintenance of the regional stability under the EU roof, such as “The Partnership and Cooperation Agreement (PCA) with Kazakhstan, initially signed in January 1995.

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<sup>30</sup> DG External EU relations with Kazakhstan 2008

<sup>31</sup> *ibid.*

In 2002, the dialogue between the two sides was expanded by including energy and transport issues into the mandate of the existing Subcommittee on Trade and Investment. The Community's technical assistance program, TACIS, now focused explicitly on PCA implementation projects in Central Asia. With the EU major revision of cooperation instruments during 2007-2013, Kazakhstan should benefit from the Development Cooperation and Economic Cooperation Instrument (DCECI). To ensure continuity with the regional cooperation program 2000-2006 and the associated assistance under TACIS Regional Program, Kazakhstan also received fundings from the European Neighborhood Policy Instrument (ENPI) Eastern Regional Programs based on Art 27 of the ENPI Regulation.

Aside from the PCA, other bilateral agreements were undergoing between the EU and Kazakhstan. These include the Steel Agreement of 2002-2004. Autonomous measures were done in 2005. Nuclear Safety Agreement between EURATOM and Kazakhstan became operative in June 2003; Nuclear Fusion Cooperation agreement was signed in November 2002 and subsequently ratified as well as a Peaceful use of nuclear energy Cooperation agreement<sup>32</sup>.

Most of these agreements demonstrate the interest of the EU as an observer and stability keeper through negotiations and agreements that indirectly provide an improvement of trade climate and, at the same time, serve the EU member states' interests. The European Commission itself defines its partnership with Kazakhstan as "a Strong Partnership"<sup>33</sup> based on relations that started as a simple dialogue and expanded widely. "In the early years of cooperation this dialogue was initially focused on trade and investment, but since 2002 many important issues have been included, such as Energy, Transport, as well as Justice and Home Affairs. In parallel to the daily cooperation of the EU Delegation in Kazakhstan with national authorities, three annual events are the opportunity to strengthen this partnership: the Cooperation Council, Committee and Sub-Committees. These are important fora during which major issues of cooperation between Kazakhstan and the EU are discussed"<sup>34</sup>.

Together with growing economic relations, (EU stepped ahead with the initiative to support Kazakhstan's application to join the WTO) the EU relation's pattern started to become more objective-oriented. Finally, the EU, lead by Germany, supported the intention of Kazakhstan to become the OSCE chairman country as well as promoted the adoption of a new strategy for improved relations with Central Asia.

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<sup>32</sup> DG External, EU relations with Kazakhstan 2008

<sup>33</sup> EU Relations with Kazakhstan, the European Commission's Delegation to Kazakhstan, Kyrgyzstan and Tajikistan 2006-2007

<sup>34</sup> *ibid.*

### 3.2. After 2007

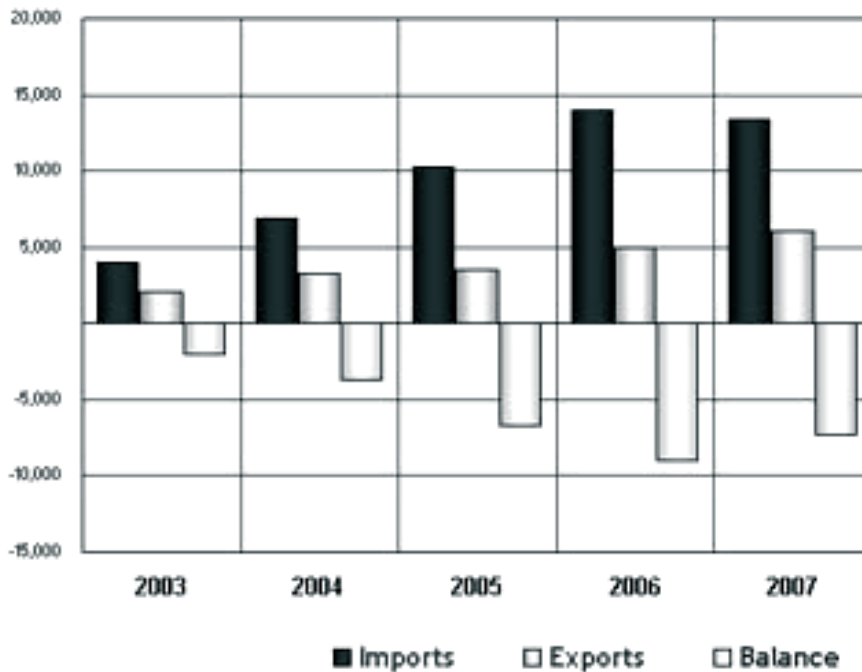
Before speaking about the adopted strategy, it is worth talk about the EU-Kazakhstan relations since 2007, considered as a “Strong Partnership”.

Main actions of the EU, regarding economic relations with Kazakhstan, were concentrated on direct investments and trade. By 2007, the EU became the number one foreign investor in Kazakhstan with “54% of the country's total Foreign Direct Investment”<sup>35</sup>.

Most of the funds were invested in mining, natural resources extraction, and in geological exploration of oil and gas. Small parts of the investment were deposited into a wide range of different sectors such as agriculture, food-processing, engineering, construction, services, and banking and transport<sup>36</sup>.

According to data published on the EU Commission Delegation to Kazakhstan, Kyrgyzstan and Tajikistan site, the EU is the first trading partner of Kazakhstan, and the trading volumes are increasing rapidly<sup>37</sup>. The EU export mainly consists of energy resources (over 75% of the total), exported for European oil and gas companies, machinery, vehicles, and chemicals.

**Table 3: European Union Trade with Kazakhstan (Mio. Euro)**



<sup>35</sup> ibid.

<sup>36</sup> EU Relations with Kazakhstan, the European Commission's Delegation to Kazakhstan, Kyrgyzstan and Tajikistan 2006-2007

<sup>37</sup> ibid.



In order to guarantee safe economic relations, the EU Council officially adopted the new strategy on Central Asia in the first half of 2007.

Sebastien Peyrouse in his "Business and Trade Relationships between the EU and Central Asia" published by EUCAM in June 2009 writes that the main idea under the adoption of the strategy was the idea to place the EU "in Central Asia in the face of a Chinese presence that is growing exponentially and a Russian influence that continues to be strong" (PEYROUSE 2009, P. 4). It is not only about the placement of the country itself, but also about the safety and security of already gained assets and energy issues.

Sebastien Peyrouse thinks that from the trade perspective, Central Asia is not the first priority of the EU. This is also confirmed by the fact that Kazakhstan holds place number 29 in the trade partner list of the EU.

Marat Yermukhanov, a Kazakh journalist, sums up the behavior of Germany published on Caucaz.com project: "Would German foreign minister Frank-Walter Steinmeier deign to come to wind-swept Astana if it were not for the gas row last year between Belarus, Ukraine and Russia that shattered Europe's illusion of energy security? That is the question most-asked by analysts in Kazakhstan these days. The popular opinion, which is zealously supported by pro-Russian officials, is that in the current difficult situation, European nations suffering energy shortages need Kazakhstan more than the other way around. EU member-countries' vulnerability to a looming energy crisis takes the wind out of Western sails in the long-running argument about human rights and democratic standards" (YERMUKHANOV 2007).

In order to achieve the goal of establishing a stable place in Central Asia and to encounter a growing influence of Russia, China and the US, the EU adopted the new strategy for 2007-2013 that should bring the change in foreign politics. "Since 2007 the EU has sought to speak with a more affirmative voice in Central Asia and has started to exert its economic influence; today, it is one of the main trading partners of the five states, and is striving to transform the bilateral economic relations of its member states into an overall strategy that would have a broader impact on Central Asian societies" (PEYROUSE 2009, P. 4).

"The Strategy for a New Partnership announces EU support for WTO accession for each of the four Central Asian states that are not yet members, as well as for improved access for Central Asian products to EU markets through the renewed EU Generalized System of Preferences (GSP – 2006/2015).<sup>1</sup> The strategy also aims to encourage exports, economic diversification and market-economic structures, in particular by developing public-private partnerships."

"The countries of Central Asia are growing more and more significant for Germany's and indeed the EU's energy security, and they increasingly play a role in the development of a transcontinental transport infrastructure linking Europe, Russia and Asia. The Federal Government used the German EU Presidency to provide impetus for more intensive cooperation between the European Union and Central Asia" (AUSWARTIGES AMT 2009). As the main driving force for the increased partnership, Germany did a lot to promote Central Asia within the agenda of German European Parliament rotating presidency started in the first half of

2007 and achieved success by official adoption of the document by the European Council during Brussel's summit on June 22<sup>nd</sup> 2007.

“From 30 October to 4 November 2006, during the preparations for Germany's presidency, Federal Foreign Minister Steinmeier traveled to the region, the first German foreign minister to visit all five countries in the Central Asian region: Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan und Kyrgyzstan. Germany is the only EU Member State with embassies in all these five former Soviet republics. In addition, in accordance with a German initiative, a foreign ministers meeting took place in Astana on 28 March between the EU Troika and the Central Asian countries, the first in this format and the very first at this senior level. The meeting in particular explored the priorities of the Central Asian countries and led to agreement on core areas of future cooperation. In parallel, numerous events were organized by the German Government during the first half of 2007 with participants from Central Asia; these also helped to prepare the Central Asia strategy” (AUSWARTIGES AMT 2009).

The adopted strategy on Central Asia was called the Regional Strategy Paper for Assistance to Central Asia<sup>38</sup> and was planned for a period of 5 years starting in 2007 and ending 2013. This strategy declared the goal to help Central Asian countries with stability and to pursue sustainable economic growth to combat poverty and to increase regional cooperation. The adopted strategy has a budget of €719 million.

The program itself has both regional and country related strategies consisting of the so-called Multi-Annual Indicative Programs identifying goals, objectives, and funding for each element. Programs are set for two periods: 2007-2010 and 2011-2013. There is an Annual Action Plan for each country supposed to start after a year of implementation. Kazakhstan has a budget of €44 million provided by the EU and available under certain programs to fulfill the reforms in the following areas: poverty reduction and raising living standards; regional and local community development; reforms in rural development and social sectors; good governance and economic reform.

The new strategy seems to differ a lot from the former EU policy EU towards Central Asia, where there was no clear interest of the EU in the region. Now the EU is interested to act in the region and to consolidate its power. The main driving force for the change was a overall geopolitic situation, where the EU started to lose power in the region: external players as well as the region itself and the country (Kazakhstan) started to gain more power in the world, when the fight about energy sources became more intensive and when energy recourses were concentrated more or less in 'one hand'.

According to Sebastien Peyrouse, “The number one European manufacturing power, the second-largest exporter in the world in terms of volume, and the fourth-largest economic power in the world, Germany is the key partner driving EU relations with Central Asia” (PEYROUSE

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<sup>38</sup> EU Aid Programs 2007-2013

2009, p. 6). The long-term relationship between Kazakhstan and Germany has historical roots connected to the German diaspora in the country that consisted of more than 1 million of people in early 90s. Until today, most of Kazakh Germans have left the country to go to Germany. Kazakhstan is also the third biggest German trade partner after Russia and Ukraine with a high share of small and medium business (according to data, presented by Peyrouse, 80% of economic activities of Germany are made by small and medium-sized companies that are interested in doing business with the region and are lobbying their interests).

With the help of Germany, the EU changed its acting on the global scene, at least, in the region of Central Asia, where the Union began to implement a new policy in 2007.

## **4. KAZAKHSTAN: CHANGING POWER**

### **4.1 Before 2007**

The Central Asian region is a region of low political stability. For instance, Uzbekistan was always considered as a country with the most repressive regime and low income economy. Kyrgyzstan is a country with low-income economy adopting politic strategies from Russia and the US. Gas-rich Turkmenistan is almost an authoritarian country with an international negative image that hinder new investments.

Three countries of the region have one border with Afghanistan, a country faced with war and terror. Central Asia is also known for having corrupt societies, violations of human rights, missing journalists and deporting diplomats and activists. This picture also hinders foreign investors to perform small or medium sized enterprises.

In the first years of the country's independence, Kazakhstan declared itself as a democratic republic aiming to build a free market economy and diverge from being a 'tasty morsel'. Once, the country gained its independence in 1991, it has taken multidimensional foreign policy approaches. Kazakhstan joined several international and regional cooperation organizations in order to secure it and to establish open external relations with its close neighbors as well as with foreign players based on negotiations.

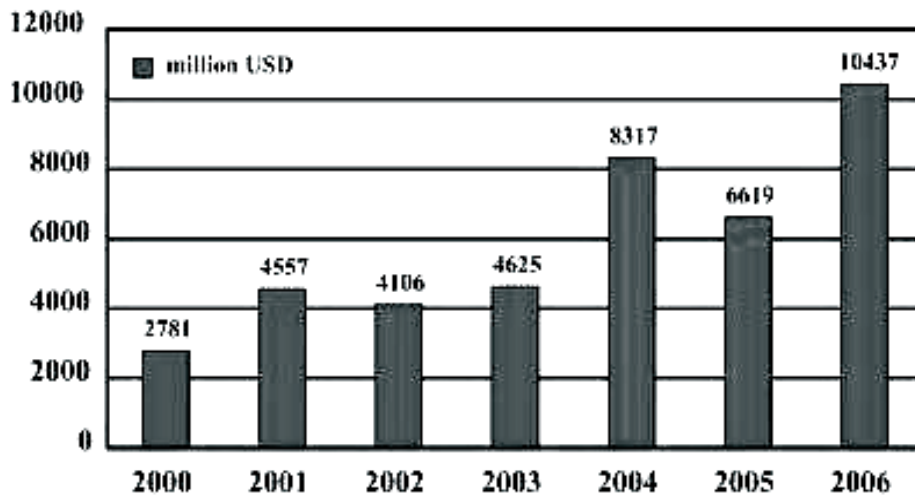
In December 1991, Kazakhstan joined the CIS. In May 1992, the Collective Security Treaty Organization rejected nuclear weapon usage and closed its polygons. Such decisions were highly welcomed in the West and immediately positively changed the view about the involved countries. Kazakhstan also signed all possible agreements about border regulations (with China, Kyrgyzstan, Uzbekistan, Russia, Turkmenistan) that helped the country to establish its sovereign borders and maintain its security.

Participating in regional cooperation organizations such as CIS or Shanghai Cooperation Organization, Kazakhstan acted mostly as an initiator and promoted the idea of regional cooperation. In 2002, Kazakhstan initiated regular summits dedicated to the idea of collaboration and trust measures in Asia including 20 participating countries. Continuing to

improve the international image of the country, Kazakhstan joined the Organization for Security and Cooperation in Europe in 1992.

Such foreign policy was considered as an improvement towards democracy and free market economy together with the establishment of auspicious business conditions leading to an improvement in economics' and investors' ratings (Fitch long-term credit ratings growth, Standard and Poor's Rating growth, etc.). Kazakhstan's country risk profile decreased, according to FITA, the Federation of International Trade Associations, to the risk value of 3 (10 = highest risk, 1=lowest risk).<sup>39</sup>

**Table 4: Foreign Direct Investment Inflow with Kazakhstan (Annual Dynamics)**<sup>40</sup>



In 2004-2006, foreign direct investments almost doubled their amount and continued to grow. The GDP per capita in 2006 also doubled and reached USD 5253 per capita. The inflation rate was low at 6.9%. The country's banking system was rated as the best and most profitable among CIS countries. The country started to develop service and construction spheres.

In 2006, the economic and political situation in Kazakhstan was promising which made Germany and the EU to rethink their relations with the country from just being an observational partner towards a more concrete trade partner. Additionally, German officials traveling to the region confirmed that Kazakhstan will play an important role in the EU energy security policy.

<sup>39</sup> FITA 2007

<sup>40</sup> Foreign direct investment (FDI) inflow in Kazakhstan 2007

## 4.2 After 2007

During the years of progress and policy-making towards a democracy and a sustainable economic growth, Kazakhstan proved to have the highest progress among the Central Asian countries. "To many outside government officials' efforts to reconcile age-old authoritarian rule with new democratic challenges may seem to be successful. Broadly speaking, in comparison with Uzbekistan which has been ostracized by the West for the Andijan massacre or turbulent Kyrgyzstan and impoverished Turkmenistan, Kazakhstan is a better place for democracy to prosper" (YERMUZHANOV 2007).

Kazakhstani politicians used fair dialogues and negotiated with the EU and convinced them that the country is important for the future of European energy companies. Therefore, "the EU attached much hope to some of the positive developments in Kazakhstan such as budding judicial reform, a comparatively good human rights records and efforts to amend the media law and to protect the rights of ethnic minorities (YERMUZHANOV 2007). Furthermore, EU officials promised to support Kazakhstan bid to WTO accession and supported its candidate for the OSCE chairman position. "The head of the German Foreign Affairs Ministry Frank-Walter Steinmeyer meeting the Minister of Foreign Affairs of Kazakhstan Kasymzhomart Tokayev even underlined that "the presidency of Kazakhstan will help the country to discover the potential of this international organization and give the additional impulse to the democratization processes in the country" (JETPYSPAYEVA 2006).

The EU fulfilled its promise and was even more dedicated to the idea of support the largest (and the energy richest) Central Asian republic, and to succeed in becoming an important political and economic partner who can actually influence the decision-making process. The EU even ignored obvious and serious claims by the world publicity about the Kazakhstani government, having "dirty hands" and not performing needed political reforms, during the OSCE Ministerial Council meeting in December 2006 in Brussels. As a result, Kazakhstan received one more year to fulfill the reforms and the OSCE residency chair for 2010.

"Holding only intergovernmental negotiations are not enough. If decided to hold the OSCE Presidency 2009, it is not so much time left for the reforms the country needs to carry out from inside. Political agreements and high level meetings when Kazakhstan declares high aims and intentions to achieve is one side of the coin. But when it is "supported" by such things as became traditional elections legislation violation which the international observers declare all the time. When the media and information law is changed in a way opposite to democratic. When the press is writing about the tragic struggle between people living in Shanyrak district of Almaty with a police to protect their houses from the local administration and court decision. Not mentioning the right-wheel cars ban on the eve of the WTO accession which leads to the car drivers' demonstrations all over Kazakhstan. The police block the streets and International Media reports how the guardians made people keep silence. Or the last but not least issue - destruction of the houses where the representatives of "Society of Krishna Perception" live and demand "to reject their religious belief and make in this case possible the legalization of

property as it happened before with the reps of other religious confessions" (as it is said in the document signed by two laborists and one liberal democrat on the eve of the Nursultan Nazarbayev's visit to the UK, reported by Newsru.com). These events became rather political and did not remind to a democratic state where everyone has a freedom of speech. This political behavior of different power levels in Kazakhstan shadowed the aim which the country declared saying "We need the OSCE Presidency" (JETPYSPAYEVA 2006).

Several Kazakhstani political observers, including Marat Yermukhanov, as well as Western journalists highly criticized the EU foreign policy behavior towards the region. Giving the OSCE chair position to a country such as Kazakhstan will confirm that the organization standards are not followed, if the position is given to an authoritarian regime, where human rights and freedoms are violated.

Political analysts expressed their negative opinions and skepticism during the round tables and conferences starting in 2007 in Kazakhstan and Europe by saying that during the presidency itself, Kazakhstan will be obliged to face all the violation it did before where the country always used a "country specific" excuse. Due to this excuse, the country prevented any external interference into domestic policy and kept its own issues unchanged, continuing to execute repressive reforms. For instance, the internet regulation law, adopted in June 2009, equaled all web-sources to mass media in legal terms and introduced a self-censorship for all Kazakhstani web-source to be banned based on court decision. Kazakhstani journalists together with legal activists and world community representatives including OSCE were having several round-tables nationally and internationally protest actions and internet campaigns, but did not succeed in changing anything. They all hoped the president himself, who was warned several times by the world community including OSCE high authorities that the country is not fulfilling the obligations, will veto the legislation as presiding under OSCE in 2010, but unfortunately he signed the law on July 11<sup>th</sup>, 2009. Kazakhstani authorities did express their anger that they did not want such political actions as in Moldova or Iran.

One may, of course, argue that the country cares about its security and stability which is good for an economic climate and investments, as well as for national and foreign companies including Europe, but in this case, the freedom of speech is violated as well as the Basic Law of the republic of Kazakhstan.

"It is hardly surprising that European democratic institutions carefully avoid harsh language when addressing Kazakh authorities even in cases of obvious violations of democratic norms. When independent journalist Kazis Toguzbayev was given two-year suspended sentence last January for allegedly infringing upon the honor of the president, the EU limited its protest to a mildly worded statement. The mysterious deaths of political figures and journalists Zamanbek Nurkadilov, Altynbek Sarsenbayev, Askhat Sharipzhanov, Batyrkhan Darimbet and Nuri Muftakh went almost unnoticed by the international community" (YERMUKHANOV 2007).

The EU continued the silent policy even after 2007, when all OSCE remarks have been suggested and the Kazakhstan policy remained unchanged and was getting to become even

more repressing. EU diplomats attempted to talk and discuss sensitive issues, such as human rights, and religious minorities' rights violation with international organization representatives and via mass media addressing Kazakhstan and other countries of the region. However, these attempts remained neglected.

"EU countries are among the leaders in supporting human rights programs in Central Asia and efforts in this area have produced some positive results. However, the EU has raised the issue of freedom of the media only partially in Kyrgyzstan but not in Kazakhstan and Tajikistan" (TORALIEVA 2009, P. 4). On the other hand, for instance, Anna Carlswriter, OSCE Advisor on Mass Media Freedom, during the round table held in Almaty, expressed several times that a 'filter' should be placed by each internet user himself, but not by the state or government because any filter policy both local and international is absolutely contradictory to a free flow of information principles (VOLKOV 2009, P. 2).

Politics are frostily because "the current EU engagement in Central Asia is shaped by the interests of large companies, mainly in the energy sector" (PEYROUSE 2009, P. 10), and they do not want to lose their influence. Even though, they try to make attempts or behave like they are trying, cooperation does not seem to be working with Central Asian leaders. "Central Asian countries know that Western policy makers put business before politics when it deals with the energy-rich region. Frank-Walter Steinmeier was no exception in that respect. His counterparts from Central Asia eagerly discussed energy cooperation, but his calls for human rights and rule of law in the region fell largely on deaf ears. Turkmenistan's foreign minister did not appear for the joint press-conference. Vladimir Norov, foreign minister of Uzbekistan could not conceal his irritation, saying that his country would not tolerate any outside interference" (PEYROUSE 2009, P. 10).

The behavior of the five Central Asian authoritarian regimes, including Kazakhstan, could be described from being 'just cool' to 'irritated' when they are reminded about sensitive issues or domestic policy. Local governments do everything to keep external power out from the domestic policies. At the same time, government officials welcome any negotiations, visits, and talks about business relations. For instance, "arriving with an attractive energy cooperation scheme including the Odessa-Brody-Gdansk oil pipeline project, Polish President Lech Kaczyński's visit to Astana in the wake of the EU Troika was more welcome than that of the German foreign minister. The visit was further sweetened by Polish support for Kazakhstan's coveted OSCE chairmanship in 2009 and a voiced intention to draw Kazakhstan into mediation between the EU and Russia" (PEYROUSE 2009, P. 10).

Kazakhstan declared its multidimensional foreign policy in the mid-90s, but ten years later, in 2006-2007, it started to perform a 'real' foreign policy behavior mostly concentrating on its economic sector. Starting in 2004, the government of Kazakhstan began to diversify its relations and contracts in oil and gas industry to gain more stability and power in the world. For instance, since 2004, it participates in Caspian Pipeline Consortium (CPC) that goes to the West through Russia. In 2005, Kazakhstan finished construction works on Kazakhstan-China Pipeline "Atasu-

Alashankou” to the East. The country also takes part in the South oil pipeline project called Baku-Tbilisi-Ceyhan (BTC) in Turkey since 2006, supported by the US, and is thinking about the European gas project – Nabucco.

From this part of the policy, Kazakhstan was participating in different projects to achieve democracy and using negotiations to reach goals. In 2007, Kazakhstan became an important and powerful regional leader and able to influence policy-making in the neighboring gas-rich country Turkmenistan. Further, it executed policy of friendship and neighborhood with Russia and the Far East.

It is also very important to mention why Europe became depended on Kazakhstan in the region. From 2006 on, relations between the EU and Russia faced a negative development. The gas conflict with the Ukraine, Baltics states, and Poland ended in a rejection to negotiate any energy deals connected to Russia. By 2008, the EU and Russian energy relations were at a point, where even Europe had no other measures left than issuing a document, regulating export duties and limitations for raw materials export, made by the European Commission and its Commissioner on Trade, Peter Mandelson. Together with other issues, this made the EU search for other ways of an energy supply and become active on promoting the Nabucco gas project.

Analysts say this was the real reason for the EU to adopt the new strategy on Central Asia and act as an active partner in the region. By the end of 2006 and beginning of 2007, the Kazakhstan foreign policy could not change dramatically, and even getting the OSCE presidency, did not stop the country from acting autonomously neglecting world mass media criticism and political pressure. The country continued to adopt domestic laws that contradict all democratic standards. Kazakhstan failed to show that it is going to serve as an example for other countries in reforming its political system towards democracy. It failed each criterion the OSCE suggested.

## **5. CONCLUSION AND POLICY RECOMMENDATIONS**

The main reason for blaming the EU for not watching the regional reforms more often is based on the idea that the EU has a chance to stimulate and positively influence developments in Central Asia and Kazakhstan and to provide a democratic social model.

Many analysts think the EU could use economic relations and business ties in the region for the sake of social development and vice versa arguing that social instability affects the EU business relations forcing Kazakhstani government to finally solve problems and execute necessary democratic reforms.

For instance, Sebastien Peyrouse sees the following behavior: “In theory, Europe could make use of its business potential to help spread the social model it incarnates. The EU could thus choose to privilege business relations that commit the participants to ensuring certain legal standards in economic activity and to strengthening the rule of law. This could be done, for



instance, by giving preference to Central Asian companies that are committed to respecting the rights of local workers, to fighting corruption, promoting fair competition and good corporate governance, and recognizing the importance of contracts. The long-term objective would be to increase the social responsibility of Central Asian companies – something that has indirect repercussions on the societies” (PEYROUSE 2009, P. 11). Nevertheless, he also doubts that it can be easily done because of possible accusations by using “its own doorstep to tax heavens – particularly in Luxembourg - where Central Asian heads of state, their families and the oligarchs close to them deposit money siphoned off from national wealth” (PEYROUSE 2009, P. 11).

However, the history of the EU as a welfare union of states is more powerful than the use of accusations. Therefore, European politicians may successfully use economic ties, contacts, and obligations in long-term trade relations to influence the government to provide better social reforms to secure stability, as well as strengthen the power of the EU as an external player in the region. In this case, the economic topic should serve as a basis for the European strategy in the region. “The EU therefore has every reason to implement forms of development assistance which, by helping European companies to establish themselves in the market, will play a key role in reducing Central Asia’s social vulnerability and will contribute to the fight against poverty, which is currently the main issue that needs to be addressed by the international community and by regional governments” (PEYROUSE 2009, P. 11).

Continuation of this strategy that will enforce Kazakhstani government to provide the society with necessary reforms will gain a positive image for the union both within the region and globally. This also may help the EU, as an external player, to further obtain influence on governmental decision-making processes. It is obvious that social stability is the key to decrease economical risk factors and to improve the investment climate to benefit the whole development of a country or union. In this case, the EU strategy will profit the EU itself. Chances for a successful realization of such a plan are relatively high.

Kazakhstan has been conducting fruitful business with EU Member States. According to the statistics, provided by the German Auswaertiges Amt, Germany takes place number eight in the list of Kazakhstan trading partners with a commodity turnover of EUR 5.7 billion in 2008, and it continues to grow (AUSWAERTIGES AMT 2009). “In this area, Kazakhstan does not hide its ambitions; its “Path to Europe” program clearly states its intention to become one of the main communications hubs between Asia and Europe” (PEYROUSE 2009, P. 9), according to Sebastien Peyrouse, who specialized on Central Asian trade and economic relations.

The program called “Path to Europe” was signed by the President in August 2008 and supposed to be implemented during 2009-2011. According to evaluations made by the EU and Kazakhstani political analysts, the program will help to intensify and deepen the political collaboration between Kazakhstan and the EU. The introduction of the program has 3 stages and the basis for implementation of the program was prepared carefully. First of all, the president addressed his hopes for future profitable relations with the EU beforehand, in his annual message to the people of Kazakhstan. This message was used by Kazakhstani officials

during political meetings to announce the future document. Finally, the document was signed and came into force in August 2008.

The program seemed to be very promising. For instance, in March 2008, during the conference in the Netherlands, organized with the help of the Kazakhstan embassy, the ambassador of the Republic of Kazakhstan, Mainura Murzamadiyeva, familiarized more than 70 representatives of political, informational, and business layers of the Netherlands with the President's message to the people of Kazakhstan, where he had announced the future program. Many of Dutch political scientists stated that the proposals the president made in his message will definitely intensify political cooperation between Kazakhstan and the EU, attract foreign investments, bring new technologies, and help to bring people of different regions close to each other.

Analyzing the program "Path to Europe" that is celebrating its first anniversary this August, since it was signed in 2008, the following objectives are performed by the government of the Republic of Kazakhstan:

- Cooperation with the EU countries;
- Creation of required conditions for technological cooperation;
- Energy cooperation development;
- Transport cooperation development;
- Technical regulation and metrology cooperation;
- Trade-economic relation strengthening and broadening;
- Small and medium-sized enterprises development;
- Living conditions improvement cooperation;
- Humanitarian cooperation;
- Kazakhstani legal base improvement and European experience application.

Kazakhstan clearly stated that it expects the level of a strategic partnership with leading European countries in political, economic, and humanitarian spheres and a trade commodity turnover increase by 10% per year as well as a high level of exchange visits. The country also expects the EU to help to promote Kazakhstan internationally which will improve the investment climate and, therefore, the economic situation.

However, priorities of the country remain unclear showing the country's reluctance to answer the questions on how to establish democracy and solve the following problems "continuation of efforts on creation of conditions for democracy institutions development on the OSCE territory; transport and transit potential development; Eurasian transcontinental transport corridors development; ecological problems solutions; trust measures and regional security strengthening; non-military aspects of safety development under the OSCE activities including

terror, extremism, drug trafficking, organized crime, weapons' and people's sale fighting and Afghanistan reconstruction"<sup>41</sup> .

To reach the declared goals and priorities, Kazakhstan needs the support of the EU and cooperation. Many political and business analysts provide recommendations suggesting to establish trade chambers and delegation sections related to trade and business that will monitor the activities, provide more legal support and consultations for small and medium-sized business in the region. Further, they suggest establishing more exchange programs for Kazakhstani businessmen to bring more business culture and experience. To monitor and evaluate the progress, the EU can establish clear and visible rating systems with distinct conditions and deadlines. In this case, evaluation committees and reports with full transparency are crucial.

However, the first step, the EU should fulfill, is to admit that the time of 'soft power' has ended and finally declare a clear political dimension. Without a distinctive view and goal, the EU will not succeed in representing a strong power and will not improve the policy that has been executing in Kazakhstan since signing the Partnership and Cooperation Agreement in 1992.

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<sup>41</sup> Path to Europe program for 2009-2011

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