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. This report discusses U.S. policy and assistance. Basic facts and biographical data are provided. This report may be updated. Related products include CRS Issue Brief IB93108, Central Asia, updated regularly.

U.S. Policy

According to the Administration, “key U.S. interests” in Kazakhstan include assisting it in combating terrorism, preventing the proliferation of weapons of mass destruction and their components, building free markets and democracy, developing energy resources, diversifying energy export routes, providing a favorable investment climate for U.S. firms, securing its borders, and countering the smuggling of drugs produced in Afghanistan. (State Department, Congressional Presentation for Foreign Operations, FY2007).

Cumulative U.S. aid budgeted for Kazakhstan in fiscal years 1992 through 2005 was estimated at $1.244 billion (FREEDOM Support Act and other funding), with Kazakhstan ranking fifth in aid among the twelve former Soviet republics (by comparison, EU grants and loans amounted to about $205 million). Budgeted aid for FY2006 was an estimated $33.4 million, and the Administration has requested $28.95 million for FY2007 (FREEDOM Support Act and other foreign aid, excluding Defense and Energy

1 Sources for this report include the Foreign Broadcast Information Service (FBIS), Central Eurasia: Daily Report; Eurasia Insight; RFE/RL Central Asia Report; the State Department’s Washington File; and Reuters, Associated Press (AP), and other newswires.
Because of Kazakhstan’s progress in reforming its economy, the Administration has proposed phasing out FREEDOM Support Act-funded support for this sector by FY2009.

During a February 2004 visit to Kazakhstan to discuss military cooperation and to thank it for supporting coalition efforts in Iraq (see below), Defense Secretary Donald Rumsfeld stressed that “it is Caspian security ... that is important for [the United States] and it is important to the world that security be assured in that area.” U.S. support includes the Caspian Guard initiative, to coordinate various agency programs to bolster airspace and maritime surveillance and control, communications, and rapid reaction forces for counter-terrorism, counter-narcotics, counter-proliferation, and hydrocarbon security in and around the Caspian Sea.

Among congressional action, 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 condition was retained in Consolidated Appropriations for FY2004, including foreign operations (P.L. 108-199) and for FY2005 (P.L. 108-447, Section 578), and Foreign Operations Appropriations for FY2006 (P.L. 109-102) retained these conditions. The Secretary reported in FY2003 and FY2004 that Kazakhstan had made such progress, eliciting some criticism of these findings from Congress. In FY2005, Secretary of State Condoleezza Rice reported to Congress in May that Kazakhstan had failed to significantly improve its human rights record but that she had waived aid restrictions on national security grounds.

### Contributions to the Campaign Against Terrorism

According to the State Department, Kazakhstan’s strategic importance to the United States did not diminish after the terrorist attacks of September 11, 2001, although the U.S. focus did shift somewhat toward the basing support that Uzbekistan and Kyrgyzstan could provide for coalition action in Afghanistan. In June 2001, Nazarbayev had warned that Taliban influences increasingly threatened regional security, and after September 11 he offered overflight rights and the use of airbases, but did not offer troops for coalition actions in Afghanistan. Kazakhstan also facilitated the transshipment of supplies to U.S. forces in Uzbekistan and Kyrgyzstan. The United States and Kazakhstan signed a memorandum of understanding in July 2002 that permitted U.S. military aircraft to use Kazakhstan’s airport in Almaty for emergency military landings. A few days later,
another accord was signed providing increased U.S. military training and equipment for the Kazakh armed forces. In September 2003, a five-year agreement was signed envisaging military cooperation to combat terrorism, develop peacekeeping forces, bolster air defense capabilities, enhance security in Kazakhstan’s sector of the Caspian Sea, and set up language training facilities.

Kazakh Foreign Minister 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 nuclear and other mass destruction weapons. Reportedly responding to a U.S. appeal, Nazarbayev proposed and the legislature in May 2003 approved sending military engineers to Iraq. The 27 troops are engaged in de-mining and water purification duties.

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 Kazaks, it reported the apprehension in late 2004 of over a dozen members of the obscure Islamic Jihad Group of Uzbekistan (IJG; Jama’at al-Jihad al-Islami, reportedly an alias 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 March-April and July 2004. In February 2006, the Kazakh Foreign Ministry declared that there were no more terrorist training camps in the country, but in April 2006, the National Security Committee announced the arrest of ten Islamic extremists who allegedly were poised to carry out terrorist acts directed from abroad.

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 one million ethnic Kazakhs in China, and 300,000 ethnic Uighurs of China residing in Kazakhstan, who have 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 which they pledged to assist each other in the case of threats against each other, including by providing military support. They signed accords settling Caspian seabed resource claims in 1998 and 2002, and a border delineation agreement in January 2005. In late 2005, the Central Asian Cooperation Organization merged with the Eurasian Economic Community (Russia and Kazakhstan belonged to both), and since 2003, Kazakhstan has been a member of a floundering “Single Economic Space” (formed by Russia, Belarus, Kazakhstan, and Ukraine), but the members have not yet agreed on fundamental trade rules.

Kazakhstan still relies heavily on Russia for military training and equipment, but has expanded defense cooperation with other states. About 65,800 Kazakh troops serve in the ground force and air force. There are about 12,000 border guards (including 3,000 maritime border guards with patrol boats), about 20,000 Internal Security (police) troops, and 2,500 presidential and government guards (The Military Balance 2005-2006). Nazarbayev signed a decree in May 2003 to reform the Kazakh armed forces and has
boosted military spending. 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. CST members in May 2001 agreed to set up an anti-terrorism rapid reaction center composed largely of Russian military forces stationed in Tajikistan. Kazakhstan is also a member of the Shanghai Cooperation Organization, composed of Russia, China, and the Central Asian states (except Turkmenistan), which aims to combat regional terrorism and facilitate trade ties. In 1994, Kazakhstan joined NATO’s Partnership for Peace (PFP) and has taken part in PFP exercises since 1995, but states that it does not aim to join the Alliance. Kazakhstan inherited major Soviet-era stockpiles of weapons and produces small arms. Some arms sales to North Korea and other rogue states in the 1990s drew U.S. criticism.

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. In December 1993, the United States and Kazakhstan signed an umbrella agreement for the “safe and secure” dismantling of 104 SS-18s, the destruction of their silos, and related purposes. A U.S.-Kazakh Nuclear Risk Reduction Center in Almaty has been set up to facilitate verification and compliance with arms control and security agreements to enhance peace and prevent the proliferation of weapons of mass destruction.

**Political and Economic Developments**

Kazakhstan’s moves toward democracy have been halting. President Nazarbayev asserted in early 2006 that Kazakhs lack “deeply-set traditions of democratic culture” and that some Kazakhs perceive “freedom as permissiveness,” so his continued rule was necessary to ensure stability. He also called for Kazakh-style democracy to be protected by “severe legal responsibility for breaking the law, for libel, bribe-taking and violence.” Nazarbayev has deemed the year 1995 the most effective period of his rule, when he ruled by decree after dissolving a newly elected legislature that was challenging his power, according to some critics. At the end of the year, a referendum was held on a new constitution, and a new legislature was elected.

The 1995 constitution increases the president’s powers and places less emphasis on protecting human rights. As fleshed out by a presidential edict, the legislature does not control the budget, cannot 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 77-member lower chamber, the Majilis, and an upper chamber, the Senate, whose 39 members are indirectly elected by regional assemblies or (in case of seven deputies) by the president. An extra-constitutional 327-member People’s Assembly composed of cultural and ethnic leaders serves as a presidential propaganda forum (in January 2006, Nazarbayev called for enhancing the legal authority of this body).

In late 1998, the Kazakh legislature approved constitutional amendments that extended the president’s term from five to seven years and enabled Nazarbayev to call an early presidential race for January 1999. He won against three other candidates with
79.8% of about seven million votes cast. The U.S. State Department declared that the race set back democratization and impaired U.S.-Kazakh relations. In June 2000, the legislature voted that even after Nazarbayev leaves office he may still head the People’s Assembly, be a member of the Security Council, and enjoy immunity from prosecution.

In 2002, new registration requirements for political parties eliminated many parties and resulted in the successful re-registration of seven pro-government parties and the “moderate opposition” Ak Zhol party. The major opposition Democratic Choice Party (DCP) repeatedly had been denied registration, which perhaps spurred some members in 2002 to split off and form Ak Zhol. In addition to these eight parties, four more parties were registered prior to 2004 legislative elections, including the pro-government Asar (led by Nazarbayev’s daughter), Communist People’s Party, and Rukhniyaty, and the oppositionist DCP. A Kazakh court in January 2005 stripped DCP of its legality on the grounds that its members advocated armed revolution. In April 2005, some members of DCP launched a new party called “Forward DCP.” Both it and the Real Ak Zhol Party (which split from Ak Zhol in early 2005 and was co-chaired by Altynbek Sarsenbayev), have been denied registration.

A joint observer mission of the Organization for Security and Cooperation in Europe (OSCE) and the Council of Europe (COE) concluded that the Majilis election on September 19, 2004, was not free and fair but was improved over past races. They criticized heavy state media and other administrative support for Otan (headed by Nazarbayev) and Asar, biased electoral commissions, possibly arbitrary candidate disqualifications, and ineffective complaint resolution. Nazarbayev prematurely dismissed the lame duck Majilis in November 2004 in an apparent effort to jettison the speaker, Zharmakhan Tuyakbay, who had denounced the election as fraudulent, stated that he would not accept his own re-election (although he was deputy head of Otan and headed its party list), and called on Nazarbayev to hold new elections. The new Majilis hurriedly convened and elected a new speaker (a former presidential advisor), who has asserted that the Majilis does not need political parties since every deputy votes his conscience.

On December 4, 2005, President Nazarbayev was re-elected 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 Tuyakbay. A split within Ak Zhol weakened its support for its candidate, Alikhan Baymenov. Observers from the OSCE, COE, and the European Parliament assessed the election as progressive but still falling short of a free and fair race. Problems included legal restrictions on campaigning (including libel laws protecting the “honor and dignity” of the candidates) and the harassment of opposition candidates. In February 2006, the chief of staff of the Senate allegedly confessed that he had paid commandos of the National Security Committee to kill Sarsenbayev because of a personal grievance. According to Nazarbayev’s daughter Dariga (head of Asar), the killers were unnamed corrupt officials (who control the National Security Committee) in league with wealthy oligarchs. This group aims to retain its power and privileges and is against reform, she asserts.

The U.S. State Department concluded in its Country Reports on Human Rights Practices for 2005 (released March 2006) that the Kazakh government’s human rights
record remained poor. Legislation enacted in 2005 encroached on political rights, freedom of the press, freedom of religion, and freedom of assembly. Problems included high levels of corruption among police and the courts; the arbitrary arrest and detention of government opponents; and the harassment of opposition newspapers. Trafficking in persons decreased during the year, and legislation was under consideration to tighten penalties for trafficking.

Kazakhstan is the most economically developed of the former Soviet Central Asian republics. According to the CIA World Factbook, GDP grew about 9% in 2005, led by increased world prices for oil, and inflation was 7.4%. About 15-25% 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. About one-fifth of the population lives below the poverty level, according to some estimates, but the government is increasing social spending and reducing personal taxes, in part as a strategy to reduce popular discontent. In recent years, the government has boosted taxes on foreign investment and imposed other regulations that discourage investors. In January 2006, Nazarbayev proposed economic reforms he claimed would bring Kazakhstan into the ranks of the top fifty developed countries by 2012. He called for finalizing efforts to join the World Trade Organization, revamping tax and budgetary policies, and developing export-oriented firms — in transport, machine building, metallurgy, chemistry, agriculture, biotechnology, and information technology — to reduce over-dependence on the energy sector as the engine of GDP growth.

Energy. Second to Russia, Kazakhstan has the largest oil and gas reserves of the Caspian Sea regional states, holding promise of large export revenues. The U.S. Energy Department in mid-2005 estimated that there were 9-29 billion barrels of proven and possible oil reserves and 65-70 trillion cubic feet (tcf) of proven gas reserves in Kazakhstan. Kazakhstan’s oil exports currently are slightly more than one million barrels per day (bpd). Some experts envision that Kazakhstan will produce over 4 million bpd in fifteen years, becoming one of the top ten world producers (although it would still only account for a tiny share of world oil supplies). Infrastructure development problems have limited gas production and even necessitated gas imports.

Russia seeks maximum influence over Kazakhstan’s energy resources by providing the primary pipeline export routes and by becoming involved in production. Russian shareholders have a controlling interest, 44%, in the Caspian pipeline consortium (CPC), which built a 980-mile oil pipeline from Kazakhstan to Russia’s Black Sea port of Novorossiysk that carries 560,000 bpd. President Bush stated that the CPC project “advances my Administration’s National Energy Policy by developing a network of multiple Caspian pipelines ... [that] help diversify U.S. energy supply and enhance our energy security.” Kazakhstan agreed with Azerbaijan in April 2005 that it will use an oil pipeline being built from Azerbaijan to Turkey as an export route to reduce dependence on routes through Russia. Kazakhstan currently transports about 100,000 bpd by rail and barge to Baku (more barges are being built, and the port at Aktau is being enlarged). China and Kazakhstan have constructed a 200,000 bpd oil pipeline from Atyrau on the Caspian seacoast to Alashankou on the Kazakh-China border, which may begin delivering oil to China in mid-2006.