



CRS Report for Congress

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 Report RL33458, *Central Asia: Regional Developments and Implications for U.S. Interests*.

Policy

According to the Administration, “Kazakhstan is a key U.S. partner in Central Asia.” U.S. democratization goals include “maintain[ing] a multi-faceted and comprehensive set of programs that will effectively aid and encourage Kazakhstan’s efforts to reform its political culture.” U.S. economic assistance aims to spur “private sector competitiveness, small and medium-sized enterprise development, and reform of the trade and investment ... environment.” Assisting Kazakhstan to combat the proliferation of weapons of mass destruction (WMD) also is a “key area of cooperation.”¹



Source: Map Resources. Adapted by CRS. (08/02 M.Chin)

In a speech on U.S.-Kazakh relations in August 2006, Deputy Assistant Secretary of State Evan Feigenbaum stated that the United States “firmly supports” Kazakhstan’s efforts “to join the world’s fifty most competitive countries over the next decade [and] to create a modern, democratic society.” A joint statement by President Bush and visiting President Nazarbayev in September 2006 hailed progress in “advancing our strategic

¹ U.S. Department of State. *Congressional Presentation for Foreign Operations, FY2008*.

partnership.” The two leaders called for “deepen[ing] our cooperation in fighting international terrorism and the proliferation of WMD,... strengthen[ing] our cooperation to enhance regional security and economic integration,... expand[ing] our joint activities to ensure the development of energy resources,... supporting economic diversification and reform,... [and] accelerating Kazakhstan’s efforts to strengthen representative institutions.”²

During a February 2004 visit to Kazakhstan to discuss military cooperation and to thank it for supporting coalition efforts in Iraq (see below), then-Defense Secretary Donald Rumsfeld stressed that “... Caspian security ... is important for [the United States] and it is important to the world that security be assured in that area.”³ 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.

Cumulative U.S. aid budgeted for Kazakhstan in fiscal years 1992 through 2006 was estimated at \$1.294 billion (FREEDOM Support Act and other funding), with Kazakhstan ranking fifth in aid among the twelve former Soviet republics. Budgeted aid for FY2006 was \$50.43 million (FREEDOM Support Act and agency budgets). The Administration has requested \$24.3 million for FY2008 (FREEDOM Support Act and other foreign aid, excluding Defense and Energy Department funds). It proposes that much economic reform aid be phased out over four years, because of “Kazakhstan’s significant progress in reforming the business and agricultural environments and its increasing ability to attract foreign investment,” although some aid is planned to foster Central and South Asian energy links.⁴

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

Kazakhstan: Basic Facts

Area and Population: Land area is 1,049,200 sq. mi.; about four times the size of Texas. The population is 15.2 million (*CIA World Factbook*, mid-2006 est.).

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

Gross Domestic Product: \$138.7 billion; per capita GDP is about \$9,100 (*CIA World Factbook*, 2006 est., purchasing power parity).

Political Leaders: *President:* Nursultan Nazarbayev; *Chair of the Majilis:* Oral Mukhamed-zhanov; *Chair of the Senate:* Kasymzhomart Tokayev; *Prime Minister:* Karim Masimov; *Foreign Minister:* Marat Tazhin; *Defense Minister:* Danial Akhmetov.

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

² U.S. Department of State. *Kazakhstan and the United States in a Changed World*, Aug. 23, 2006. The White House. Office of the Press Secretary. *Joint Statement*, Sept. 29, 2006.

³ U.S. Department of Defense. *News Briefing*, Feb. 26, 2004.

⁴ *Congressional Presentation for Foreign Operations, FY2008*.

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 and FY2006, Secretary of State Condoleezza Rice reported to Congress 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

In June 2001, Nazarbayev had warned that Taliban actions in Afghanistan increasingly threatened regional security, and after September 11 he offered overflight rights and the use of airbases to the U.S.-led coalition, but did not offer troops. Kazakhstan also facilitated the transshipment of supplies to U.S. bases in Uzbekistan and Kyrgyzstan. 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 military cooperation agreement was signed to combat terrorism, develop peacekeeping forces, bolster air defense capabilities, enhance security in the Caspian Sea, and set up language training facilities.

Kazakhstan's then-Foreign Minister Kasymzhomart Tokayev on March 28, 2003, voiced general support for disarming Iraq. Tokayev later explained that Kazakhstan had decided to support the coalition because it feared that Saddam Hussein was building WMD. Reportedly responding to a U.S. appeal, the Kazakh legislature in May 2003 approved sending military engineers to Iraq. The 27 troops are training Iraqis in demining and water purification.

Kazakhstan long argued that there were few terrorists within the country but this stance began to change in late 2003 with the establishment of an Anti-Terrorist Center as part of the National Security Committee. Shocking many Kazakhs, it reported the apprehension in late 2004 of over a dozen members of the obscure Islamic Jihad Group of Uzbekistan (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 April 2006, ten terrorists with foreign ties reportedly were arrested in Almaty, and in November 2006, eleven "Wahhabi" terrorists of a "Stepnogorsk Jamaat" were arrested in Akmola Region, perhaps indicating an ongoing or increasing threat.

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 1998 and 2002 they signed accords settling Caspian seabed resource claims, and in 2005 they signed a border delineation agreement. In late 2005, the Central Asian Cooperation Organization merged with the Eurasian Economic Community (Russia and Kazakhstan belonged to both), and since 2003, Kazakhstan has been a member of a floundering “Single Economic Space” (formed by Russia, Belarus, and Kazakhstan).

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), about 20,000 Internal Security (police) troops, and 2,500 presidential and government guards (*The Military Balance*, February 2007). In 1999, Kazakhstan reaffirmed a CIS Collective Security Treaty (CST) pledging the parties to provide military assistance in case of aggression against any one of them. Kazakhstan is also a member of the Shanghai Cooperation Organization, composed of Russia, China, and the Central Asian states (except Turkmenistan), which aims to combat terrorism and facilitate trade ties. In 1994, Kazakhstan joined NATO’s Partnership for Peace (PFP) and regularly takes part in PFP exercises, but states that it does not aim to join the Alliance. Kazakhstan inherited major Soviet-era stockpiles of weapons and produces small arms. Military reforms included naming a civilian defense minister in January 2007. A new national security strategy was approved in February 2007 on which a new military doctrine will be based. NATO has offered assistance in formulating the military doctrine, but the Kazakh defense minister has indicated interest in Russian support for reorganizing the armed forces, training personnel, and replacing equipment.

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. The U.S. Nuclear Risk Reduction Center works with Kazakhstan to facilitate verification and compliance with arms control and security agreements to enhance peace and prevent the proliferation of WMD.

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 some perceive “freedom as permissiveness,” necessitating “severe legal responsibility for breaking the law, for libel, bribe-taking, and violence.” At the same time, he asserted in early 2007 that free elections, free media, free political parties, and other human rights are upheld in Kazakhstan.⁵ The 1995 constitution establishes strong presidential power. As further fleshed out by a presidential edict, the legislature does not control the budget,

⁵ Open Source Center. *Central Eurasia: Daily Report*, Mar. 3, 2006, Doc. No. CEP-950048; *Frankfurter Allgemeine*, Jan. 31, 2007.

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 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 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 (which had split off from the unregistered opposition Democratic Choice Party or DCP). Prior to the 2004 legislative election, the DCP finally was registered, along with three pro-government parties, including Asar (led by Nazarbayev’s daughter), the Communist People’s Party, and Rukhaniyat. The DCP’s legality was revoked in January 2005 on the grounds that its members advocated armed revolution. Ak Zhol split in 2005, and the “Real Ak Zhol” wing was denied registration until March 2006. In July 2006, Asar merged with Otan (the main pro-government party, headed by Nazarbayev), and in November 2006, the Civic and Agrarian parties merged with Otan, which renamed itself Nur-Otan (the Fatherland’s Ray of Light). A new opposition Social Democratic Party, headed by Zharmakhan Tuyakbay, was formed in September 2006 and was registered in January 2007.

The most recent Majilis election on September 19, 2004 (with an October 2 runoff), resulted in all but one seat being won by pro-government parties or nominally independent candidates. A joint observer mission of the Organization for Security and Cooperation in Europe (OSCE) and the Council of Europe (COE) concluded that the election was not free and fair but was improved over past races. Nazarbayev prematurely dismissed the lame duck Majilis in November 2004 in an apparent effort to jettison the speaker, Zharmakhan Tuyakbay. Tuyakbay had denounced the election as fraudulent and stated that he would not accept his own re-election (although he was deputy head of Otan and headed its party list).

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. The 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.

The U.S. State Department concluded in its *Country Reports on Human Rights Practices for 2006* (released March 2007) that the Kazakh government’s human rights record had improved in some areas but remained poor in others. Problems included high

levels of corruption among police and the courts and controls over the media and expression (the harassment of journalists decreased during the year). A Kazakh Presidential Human Rights Commission report acknowledged that there were some arbitrary arrests and detentions and that police sometimes tortured detainees. Prison conditions remained unhealthy, but non-governmental organizations reported some cooperation by the Justice Ministry in addressing problems. The State Department argued that the Kazakh government arrested and detained a few oppositionists, “sometimes for minor infractions of the law ... and selectively prosecuted” them, but that “there were no allegations of prolonged detention for political offenses.” Legislation was enacted to tighten penalties for human trafficking and to provide victim protection.

Kazakhstan is the most economically developed of the former Soviet Central Asian republics. According to the *CIA World Factbook*, GDP grew about 8.5% in 2006, led by growing oil exports, and inflation was 8.6%. Up to 30% of GDP is generated by the oil and gas sector. Kazakhstan is the sixth largest producer of wheat in the world and a major exporter. Up to one-fifth of the population lives below the poverty level, but the government has increased social spending and reduced personal taxes, in part as a strategy to reduce popular discontent. In recent years, the government has boosted taxes and made other moves that discourage foreign investment. In January 2006, Nazarbayev launched 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 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 October 2006 estimated that there were 9 billion to 40 billion barrels of proven and possible oil reserves and 65 trillion to 100 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). The Kazakh government plans for production to reach 3.5 million bpd by 2015. In 2003, Kazakhstan became a net gas exporter.

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 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 two sections of pipeline. One is a 200,000 bpd oil pipeline from oil fields in Kazakhstan’s Aktobe Region to Atyrau on the Caspian seacoast. The other oil pipeline connects Atasu in central Kazakhstan to Alashankou in the Xinjiang Province of China and began delivering oil to China in mid-2006.