

Stress Tests for Kazakhstan

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I. Overview

Actions in Ukraine have altered how Kazakhstan views Russian intent in the former Soviet Union and increased its sense of vulnerability. In response, the administration of President Nursultan Nazarbayev has undertaken measures to strengthen government, protect economic stability and shut down speculation that a Ukrainian scenario could unfold in its northern provinces. A dwindling but still substantial ethnic Russian minority with many grievances faces inward migration in those provinces by ethnic Kazakhs encouraged by official policy to “balance” the region. While it is, for the moment at least, highly unlikely Russia could replicate there what it has done in Ukraine, and Russian diplomats insist it does not want to, Kazakhstan needs to do more to address its internal challenges while its aging president’s prestige and mandate are secure. Priority areas should include economic development, ethnic issues and orderly succession.

International sanctions against Russia, falling oil prices and technical problems at the Kashagan oil field have dulled Nazarbayev’s chief tool for national unity: economic growth. The snap presidential elections held on 26 April 2015 may have been called to ensure that the only president the country has had in a quarter century of independence and who will be 75 in July would obtain a new term while his popularity has not yet been dented by painful economic measures. But this was a short-term expedient; the medium-term outlook remains as Crisis Group described in 2013: Kazakhstan is institutionally weak, overly dependent on a leader with no clear succession plan and riven by uneven social and economic development. These internal problems were serious before the Ukraine crisis; now, they could also offer an entry point for external destabilisation.

Like other former Soviet regions, Kazakhstan had, on independence, a large ethnic-Russian population, a result of Tsarist and then Soviet settlement policies. The Russian language was promoted, and ethnic Russians enjoyed significant advantages. With independence, many, as they did elsewhere, left for Russia, whose government continues to encourage return and actively solicits the loyalty of diaspora Russians. Kazakhstan promoted a similar national ingathering, notably through its policy of attracting *Oralmans* (Kazakhs from outside its borders). They are encouraged to relocate in particular to the northern provinces that recently had Russian majorities.

The stated basis for much of Russia’s actions in Ukraine – the need to protect Russians suffering discrimination wherever they may be – would be difficult to make plausible in northern Kazakhstan but not impossible. Astana needs to recognise that national and ethnic unity since independence in 1991 has been a thin construction, far too dependent on fealty to Nazarbayev. The Assembly of Peoples of Kazakhstan

(APK), a representative body for ethnic minorities he created, should do more to shore up the state's multi-ethnic, multi-denominational character. Promoting a moderate Islamic identity among Kazakhs and other ethnic groups, while problematic for the Russian minority unless carefully handled, would also assist the fight against extremism, a trend in Central Asia to which Kazakhstan is not immune. Moscow and Astana share an interest in preserving regional stability. The situations of Kazakhstan's neighbours – Uzbekistan is a brittle regime; Kyrgyzstan is politically unstable – and its proximity to Afghanistan should reinforce the need for policies advancing that common interest.

The Ukraine crisis complicates and brings into sharper focus the task Kazakhstan has always faced: to maintain friendly ties with Russia while building its own national identity. Since it became acute in 2014, Astana has been trying to forge a foreign policy that differentiates it from but does not antagonise Moscow, while also reframing its relations with the West. Nazarbayev's mediation efforts on Ukraine are in part a survival strategy to underscore that Kazakhstan is an independent actor within the former Soviet Union. So are continued talks with the European Union (EU) and persistent efforts to depoliticise the Russian-led Eurasian Economic Union (of which Kazakhstan and Belarus are the other members). With a 7,951-km common border, a sizeable ethnic Russian population, and crucial economic ties with Russia, Kazakhstan must strike a delicate balance. Too much presently hinges on the president's personal leadership.

To navigate the changing international environment and ensure internal stability, Kazakhstan should:

- ❑ continue to chart a foreign policy with equal emphasis on Russia and the EU, as well as Iran and China, including emphasis on international bodies to which one or more belong, eg, the Organization for Security and Cooperation in Europe (OSCE, in which Russia and EU member states participate) and the Shanghai Cooperation Organisation (both Russia and China are members);
- ❑ take a recognisable role in the search for resolution of the Ukraine crisis; and in so doing contribute importantly to shaping relations between Russia and other members of the former Soviet Union, while building its prestige as a mediator;
- ❑ give senior figures other than Nazarbayev some time on the stage to dispel the perception that he works and leads alone;
- ❑ exercise restraint on sensitive language issues (such as substitution of Kazakh for Russian place names) and promote ethnic diversity at all layers of government; encourage Russians to integrate and learn Kazakh; increase the APK's visibility and work and create conditions for public discussion of ethnicity and citizenship lest these issues be hijacked by malcontents, Kazakh or Russians nationalists or outsiders; and
- ❑ prioritise economic development in the regions, not just in Astana.

II. Reverberations from Ukraine

The Ukraine crisis has strengthened President Nazarbayev, who is widely seen as needed to lead the country while that crisis remains unresolved. Only he is considered experienced enough to handle Russia and the political and economic fallout of its push against the West. But the perceived inability of any other politician to guide the country is a point of vulnerability and belies the idea that Kazakhstan has a functional political system rather than a personalised autocracy. The mechanisms used to keep Nazarbayev in office for a sixth term were dubious. Russia's actions in Ukraine provide both the justification and cover for resisting real change, even as Nazarbayev asserts that sweeping reforms are afoot.¹

A. Team Nazarbayev

Snap presidential elections are not unusual in Kazakhstan. In February 2015, the call to advance the vote by a year came from the Assembly of Peoples of Kazakhstan (APK), in a statement that said Nazarbayev “must be given a new mandate of national confidence in order for the country to successfully navigate a period of global travails”.² The APK represents some 800 ethnic associations. These nominate its 384 members, who in turn select nine members, without political party affiliation, who sit in parliament.³ In practice, the APK takes direction from the president.⁴

In August 2014, Vladimir Putin said Nazarbayev “has created a state on a territory where there has never been a state. The Kazakhs never had a state of their own, and he created it”.⁵ The Russian president not only questioned the legitimacy of the Kazakh state but spotlighted Nazarbayev's lack of a successor capable of similar leadership.⁶ Privately, Russian diplomats say Nazarbayev has created a stable state in an unstable region and is Russia's most valuable partner in Central Asia.⁷

¹ Crisis Group Asia Report N°250, *Kazakhstan: Waiting for Change*, 30 September 2013. “Современное государство для всех: пять институциональных реформ” [“Modern state for all: five institutionalised reforms”], *Kazakhstanskaya Pravda*, 31 March 2015.

² “Обращение членов совета Ассамблеи народов Казахстана” [“Appeal of the Board members of the [APK]”], 14 February 2015, <http://assembly.kz/ru/news/obrashchenie-chlenov-soveta-assamblei-naroda-kazahstana>. Nazarbayev created the APK in 1995 to represent the interests of all ethnicities in Kazakhstan. Its call for elections in 2015 was supported by the several political parties on 16 February, the parliament on 18 February and the senate on 19 February. The Constitutional Council ruled on 24 February that early elections could proceed. The previous presidential election was prompted by public calls in 2010 for a referendum that would allow Nazarbayev to rule until 2020. He rejected that but answered “the nationwide initiative of the majority of the voters” by holding elections in April 2011. Crisis Group Report, *Kazakhstan: Waiting for Change*, op. cit.

³ John C.K. Daly, “Opinion: Kazakhstan's Unique Assembly of People maintains Ethnic Harmony”, United Press International, 4 May 2015. Республики Казахстан от 20 “Закон Октября 2008 года N 70-IV “Об Ассамблее народа Казахстана” [“The Law of the Republic of Kazakhstan from 20 October 2008 N 70-IV “On the Assembly of People of Kazakhstan”], Adilet, “Legal information system of normative legal acts of the Republic of Kazakhstan”, <http://adilet.zan.kz/rus/docs/Z080000070>.

⁴ Alexey Vasilivetsky, “Why Did Nazarbayev Suddenly Call for Early Elections?”, Eurasia Outlook, Carnegie Moscow Center, 26 February 2015.

⁵ “Seliger 2014 National Youth Forum”, official website of Russian president, 29 August 2014, <http://en.kremlin.ru/events/president/news/46507>.

⁶ “Putin's remarks are a real problem for some Kazakh officials”. Crisis Group interview, European ambassador, Astana, April 2015.

⁷ Crisis Group interviews, Astana, April 2015 and Bishkek, September 2014.

Most diplomats in Astana, albeit with some reservations, agree that Nazarbayev's continuance in office is important for maintaining the balance needed to sustain calm in Kazakhstan during the current delicate period. A senior Western diplomat said, "a year ago I would like to have seen Nazarbayev not contest the 2016 elections [and] take an elder statesman position, but that won't happen now; he will not devolve power".⁸ Another Western diplomat said:

Times have changed dramatically in twelve months, it's a completely different geopolitical world. ... [W]e do not want anybody else in that post. ... [W]e hold our noses, but it's not the first time we have done that for the sake of the broader good, or the broader not so good. With the exception of some NGOs, no one thinks it is a good idea to replace him.⁹

Nazarbayev won re-election against three nominal opponents with 97.7 per cent of the votes with turnout at 95.22 per cent.¹⁰ Keeping him in office is now framed as a matter of national survival, due to the apprehension with which regional and global developments are viewed in Astana. Both Kazakh and diplomatic observers wonder if Putin will "have less respect post-Nazarbayev" for Kazakh sovereignty.¹¹ There is growing concern that the postponed succession could be manipulated by outside powers, in particular Russia, if Nazarbayev does not take care of it himself.¹²

The Kazakh state is so dependent on a single figure because Nazarbayev has diminished the parliament's role and discouraged political plurality.¹³ Numerous constitutional amendments have progressively stripped the parliament of its powers and transferred them to the president.¹⁴ In their place, a complicated and brittle system of elites – powerful political and economic dynasties – has evolved to manage power and Kazakhstan's lucrative natural resources. Nazarbayev's less experienced eventual successor will have to grapple with this. It is not too late, though, for the president to initiate reforms and for international partners such as the EU to benchmark developments as part of a closer relationship. Following his most recent re-election, Nazarbayev identified five domestic areas to strengthen the state both economically and politically including job creation, tackling corruption and national unity. The process

⁸ Crisis Group interview, Astana, November 2014.

⁹ Crisis Group interview, Astana, November 2014.

¹⁰ "Preliminary Results of Early Election of the President of the Republic of Kazakhstan Held on 26 April 2015", Central Election Commission, 27 April 2015, http://election.kz/portal/page?_pageid=153,2281087&_dad=portal&_schema=PORTAL. In 2011, he received 95.5 per cent of the votes with 89.9 per cent turnout. A Western diplomat said, "he will remain ... in control. Kazakh people will be happy to see this; he's actually done a lot for the country. He makes people feel secure". Crisis Group interview, Astana, November 2014.

¹¹ Crisis Group interview, Western diplomat, Astana, November 2014.

¹² Crisis Group interviews, Kazakh and Russian political analysts, Almaty, January 2015; Western diplomats, Astana November 2014 and April 2015.

¹³ Crisis Group Report, *Kazakhstan: Waiting for Change*, op. cit., pp. 6-8. In 2014, Freedom House cautioned: "Under President Nazarbayev's rule, Kazakhstan has mastered the rhetoric of reform and democratization without demonstrating any genuine commitment to these processes ...". "Nations in Transit 2014: Kazakhstan", Freedom House.

¹⁴ Anthony Clive Bowyer, "Parliament and Political Parties in Kazakhstan", Central Asia-Caucasus Institute, Silk Road Paper, May 2008.

must begin by strengthening institutions such as the judiciary and state agencies, he said.¹⁵ Nazarbayev insists reforms are a priority, but the question is, does he mean it?

B. *To Russia, with Less Love*

The Ukraine crisis has prompted Kazakhstan to redefine its relationship with Russia and accelerate outward engagement. Moscow appears to be seeking to reassert dominance with regard to all states that were once in the former Soviet Union; its use of force and propaganda in Ukraine are red flags to Astana. At best, Russia is now viewed as dangerously unpredictable. Yet, it remains indispensable. Serik Seidumanov, a member of parliament, said:

The global situation is extreme in many ways. The economic and geopolitical crises are becoming more complex. We see it every day on the internet and TV. Now the threat of conflicts in the post-Soviet space is growing. There is a crisis unfolding right at our borders; we cannot exclude all sorts of provocations, the technological transfer of external problems to our territory.¹⁶

This argument is used not only to justify Nazarbayev's continued rule. It also drives Kazakhstan's foreign policy. The balancing act with Russia, the West and China is inherently delicate. Since Crimea was annexed, relations with Moscow have been troubled by a sense that Putin is bellicose and duplicitous.¹⁷ A Kazakh analyst said, "if previously Kazakhstan perceived Russia as a big brother that will come to help when needed, now that perception has changed. Kazakhstan is very sceptical. Events in Ukraine show you have to be prepared for anything".¹⁸

Astana has refrained from any public show of dissatisfaction, abstaining, for example, on the UN General Assembly's Crimea resolution in March 2014.¹⁹ Nazarbayev, however, has occasionally deviated from his foreign ministry's official line to deliver a more critical message.²⁰ His resistance to attempts to politicise the Eurasian Economic Union (EEU) the Russian-led trade bloc launched on 1 January 2015, despite

¹⁵ "Modern State for All", op. cit. "Inauguration of Kazakhstan's President Nursultan Nazarbayev held in Astana", Nur Otan, 29 April 2015, <http://nurotan.kz/en/news/9046>.

¹⁶ Quoted in Asemgul Kassenov, "Президентские выборы исключают провокации для Казахстана извне-мажилисимен" ["Presidential elections in Kazakhstan exclude provocations from outside –MP"], Tengri News, 18 February 2015.

¹⁷ Crisis Group interviews, Western diplomat, Bishkek, March 2014; Western diplomat, Astana November 2014.

¹⁸ Crisis Group interview, Almaty, January 2015.

¹⁹ "General Assembly Adopts Resolution Calling upon States Not to Recognize Changes in Status of Crimea Region", press release, UN General Assembly, 27 March 2014. Nazarbayev left a Collective Security Treaty Organisation (CSTO) session in Moscow to meet then U.S. Deputy Secretary of State, William J. Burns, in Astana. This was widely viewed as a snub to Putin. A Western diplomat said Nazarbayev had left in order to avoid a discussion about what role, if any, the CSTO would play in Ukraine. Crisis Group interview, Astana, April 2015.

²⁰ A foreign ministry press release following the Crimea referendum said, "the referendum held in Crimea is seen in Kazakhstan as a free expression of will of the Autonomous Republic's population while the decision of the Russian Federation under the existing circumstances is regarded with understanding". A few days later Nazarbayev called the affair a dangerous precedent. "Statement by the Ministry of Foreign Affairs of Kazakhstan on the referendum in Crimea", 18 March 2014; "Press-briefing following the official visit to ... the Netherlands and participation at the Nuclear Security Summit in The Hague", official website of the president, 25 March 2014, www.akorda.kz/en/page/page_216256_#page.

Russian attempts to expand its remit beyond economic integration has been relentless.²¹ Astana believes success of the EEU depends on this, but some observers say the political aspect is so ingrained in Russia's concept of the EEU that other members will be hard pressed to resist.²²

Western diplomats say Nazarbayev has developed a method of "bear management" that accommodates Russia's need for respect, while pursuing improved relationships elsewhere to offset its weight.²³ On 20 January 2015, Kazakhstan initialled an Enhanced Partnership and Cooperation Agreement with the EU, and it has not pulled back from cooperation with NATO or wavered on joining the World Trade Organisation (WTO).²⁴ This sends a message to the Kremlin, which, however, appears selectively deaf when it comes to Astana's concerns about mooted aspects of the EEU, for example currency integration.²⁵ Nazarbayev's desire to mediate between the West and Russia on Ukraine is part of this strategy. While the attempt to have the Normandy Format (Ukraine, Russia, Germany, France) negotiations held in Astana in early 2015 flopped, it is widely acknowledged that Nazarbayev is a valuable interlocutor.²⁶

China's importance in this balancing act will grow, though Beijing publicly eschews a political role in Central Asia. Kazakhstan's recent offer of its territory as a transit route for Russian gas to China is one instance of an expanding tripartite relationship. The Yiwu-to-Madrid freight train, which completed its first trip in December, crossed Kazakhstan as part of its 13,000-km run along the "New Silk Road".²⁷

²¹ "I have said it before and will say it again. Kazakhstan will not join organisations which are a threat to our independence. Independence is our main wealth". "Назарбаев напомним о праве Казахстана на выход из ЕАЭС" ["Nazarbayev reminds about the right of Kazakhstan to withdraw from the EEU"], Tengri News, 25 August 2014; Stephen Blank, "Kazakhstan increasingly concerned over Eurasian Economic Union", Central Asia-Caucasus Analyst, 27 November 2013. Armenia, Belarus, Kazakhstan and Russia are EEU members. Kyrgyzstan is expected to join in 2015, Tajikistan's inclusion is mooted.

²² "Power and Change in the New Great Game: An Interview with Alexander Cooley", Steppe Dispatches, 2 March 2015. Crisis Group interview, academic, Helsinki, February 2015. Assel Satubaldina, "Kazakhstan May Leave EEU If Its Interests Are Infringed: Nazarbayev", Tengri News, 27 August 2014.

²³ "Kazakhstan does not like the precedent of grabbing chunks [of territory], inciting ethnic Russians; look at [its] vulnerabilities. Kazakhstan also has no military ability to slow down, never mind stop, Russia's military. [It] needs to be strategic. Russia wants respect with big capital letters; it gets it here". Crisis Group interview, Western diplomat, Astana, November 2014.

²⁴ "EU and Kazakhstan initial Enhanced Partnership and Cooperation Agreement", press release, European External Action Service (EU), 20 January 2015. Crisis Group interview, Brussels, NATO official, January 2015. A Kazakh official called the WTO vital to offset the EEU. A European diplomat remarked Kazakhstan had "busted a gut" trying to join the WTO but added that EEU membership complicates its application. Crisis Group interviews, Astana, November and April 2015.

²⁵ "Kazakhstan is against this. Its position is clear, [but] Putin [continues to say] it is an important move; this is disdain for Kazakhstan". Crisis Group interview, European ambassador, Astana, April 2015.

²⁶ Crisis Group interview, political analyst, Almaty, January 2015. Vladimir Socor, "Russia seeks political influence on Ukraine via the 'Normandy' group", Jamestown, Eurasia Daily Monitor, 23 January 2015. Kazakhstan hosted talks about Iran in 2013 that did not achieve much progress but emphasised its ambitions as a mediator in global politics. Crisis Group Middle East Report N°138, *Spider Web: The Making and Unmaking of Iran Sanctions*, 25 February 2013.

²⁷ Crisis Group Asia Report N°244, *China's Central Asia Problem*, 27 February 2013. "Kazakhstan offers Russia alternative gas transit route to China via its territory", TASS, 24 March 2015. Ishaan Tharoor, "Map: The world's longest train journey now begins in China", *The Washington Post*, 21 November 2014.

Though Kazakhstan will continue to make itself useful to as many powers and institutions as possible in order to gain leverage and support, it will also seek to maintain good relations with Moscow. A Russian diplomat described Nazarbayev as a “proven friend”, albeit one with the “mentality of an Oriental bazaar”.²⁸ Both governments have concerns about regional security and Afghanistan, and Kazakhstan delivers practical security cooperation.²⁹

Russia believes it can strike mutually acceptable accommodations with Kazakhstan in a way it could not with Ukraine. This sentiment is shared by Kazakh officials, but it is now recognised that a more mature, equal relationship must be built.³⁰ Meanwhile, the challenge for Kazakhstan’s Western partners will be to distinguish between spin, “hyper-diplomacy” and genuine engagement.³¹ It took less than a year following Kazakhstan’s chairmanship of the OSCE in 2010, for example, for it to flip-flop on shared commitments such as reform of its electoral and criminal systems.³²

III. Economic and Ethnic Challenges

Events in Ukraine amplify Kazakhstan’s economic and social vulnerabilities. The economy has been the means by which Nazarbayev demonstrates good rule. It also is the glue binding the wealthy to the president. If it falters, political cohesion may be undermined. The government’s focus is on short- to medium-term stability and continuity, but it remains to be seen if it is prepared to instigate the institutional and economic reforms that might buffer it against setbacks. Ethnic issues also take on pronounced importance given Moscow’s declared duty to protect Russian speakers wherever they may be. The Kazakh state should address what are, for now, low-level misgivings and so pre-empt exploitation of the issue. Steps taken to date are a good start, but realism about how some ethnic minorities feel sidelined by the Kazakh majority is needed, as is an approach that tempers the excesses of Kazakh nationalism and religious radicalisation.³³

²⁸ Kazakhstan, he added, “is a player with a good hand”; he dismissed the idea that Russia had designs on Kazakh territory. Crisis Group interview, September 2014.

²⁹ “... supporting security forces in responding to future domestic crises remains a core focus, as does enhancing forces assigned to the CSTO [Collective Security Treaty Organisation, created in 1992 by Russia and of which Kazakhstan and a number of other former Soviet states are members] and developing CIS [Commonwealth of Independent States, created in 1991 and of which Kazakhstan and a number of former Soviet states are members] joint air-defence, mainly with Russia”. “The Military Balance”, International Institute for Strategic Studies, vol. 115, issue 1, 2015, p. 168. Kazakhstan also participates in exercises with U.S. and UK forces and seeks to take part in UN peacekeeping operations.

³⁰ Crisis Group interview, Astana, November 2014.

³¹ Luca Anceschi, “Regime Preservation in Central Asia”, OpenDemocracy, 10 March 2015.

³² Crisis Group Report, *Kazakhstan: Waiting for Change*, op. cit. See also, “Kazakhstan - OSCE 2010: Progress or Regress? On Completion of Kazakhstan’s OSCE Chairmanship”, Freedom House and Kazakhstan NGOs Coalition report, April 2011.

³³ Knee-jerk security responses, harassment and legislation curtailing civil liberties are counterproductive. See Crisis Group Europe and Central Asia Briefing N°72, *Syria Calling: Radicalisation in Central Asia*, 20 January 2015.

A. Economic

Kazakhstan's natural resources make it the richest Central Asian state, but growth is slowing. Hampered by international sanctions against Russia, a devalued currency and the global slump in oil and metals prices, Astana has revised its budget downwards twice in a year.³⁴ The cost of goods and services increased 7.4 per cent in 2014, and a further devaluation is expected.³⁵ Consumers and business will be hard hit: in February 2015, the government warned that 120,000 workers could be laid off due to the economic crisis.³⁶ Industrial output and trade with Russia have declined.³⁷ Imports of Russian cars and consumer goods, profitable because of the weak rouble and the EEU, are undermining the economy in the northern provinces.³⁸ Experts say the \$48 billion Kashagan off-shore oil project in the Caspian Sea, suspended until 2017 for technical reasons, can only be profitable if the oil price is at least \$100 per barrel.³⁹ The latest revision of the state budget is based on a projected price of \$50.⁴⁰ Trade between EEU member states fell by 11 per cent in 2014.⁴¹ Trade with China is also down.⁴²

Nazarbayev announced his anti-crisis package, Nurly Zhol (Bright Way), in November 2014. It is vague on details but emphasises infrastructure, social projects and keeping pensions and wages at current levels.⁴³ Kazakhstan, he said, is "economising on everything".⁴⁴ But past efforts to diversify the economy and ease disparities have

³⁴ "Oil exporter Kazakhstan forced to revise budget", Radio Free Europe/Radio Liberty (RFE/RL), 16 January 2015.

³⁵ Kuralai Abylgazina, "Эксперт предсказывает рост цен в Казахстане" ["Expert predicts price hikes in Kazakhstan"], LS, 19 January 2015, <http://lsm.kz/ekspert-predskazyvaet-rost-tsen-v-kazakhstan.html>. Nariman Gizitdinov, "Kazakh devaluation risk revealed in fivefold jump in swaps", Bloomberg, 16 January 2015; Nariman Gizitdinov, "Kazakh ruler wins time for power transfer with election run", Bloomberg, 11 March 2015.

³⁶ "Government forecasts 120,000 people may find themselves without a job", Interfax - Kazakhstan, 11 February 2015.

³⁷ "Update 1 – Kazakhstan sees industrial output shrinking in 2015", Reuters, 19 February 2015.

³⁸ Northern regions have been "badly hit by Russian competition", Crisis Group interview, Western ambassador, Astana, April, 2015. "Experts Talk about Kazakhstan's Car Market amid Russian Ruble Depreciation", Tengri News, 2 January 2015.

³⁹ Elena Tumashova, "Какая цена сделает рентабельной нефть с Кашагана?" [Which price will make Kashagan oil profitable?], *Kapital*, 11 February 2015, <http://kapital.kz/details/37601/kakaya-cena-sdelat-rentabelnoj-neft-s-kashagana.html>; "The Kashagan shareholders are Eni, Exxon Mobil, Royal Dutch Shell, France's Total and Kazakh state oil company Kazmunaigas, each with 16.8 per cent, and Japan's Inpex and China National Petroleum Corp. (CNPC) as junior partners". "Update 1 - Kashagan appoints Exxon executive to run troubled oil venture", Reuters, 6 June 2014.

⁴⁰ "Oil exporter Kazakhstan", op. cit.

⁴¹ In 2013, trade between Belarus, Kazakhstan and Russia was worth \$64.5 billion; in 2014, it fell to \$57.4 billion. "Об итогах взаимной торговли товарами Таможенного союза и Единого экономического пространства: Январь-декабрь 2014 года" ["On the results of mutual trade of the Customs Union and the Common Economic Space: January-December 2014"], Eurasian Economic Commission, 25 February 2015.

⁴² "Основные показатели внешней торговли Республики Казахстан за январь – декабрь 2014 года и январь – декабрь 2013 года" ["General Indicators of Foreign Trade of the Republic of Kazakhstan for January-December 2014 and January-December 2013"], statistics committee of the national economy ministry.

⁴³ Nursultan Nazarbayev, "Nurly Zhol – The Path to the Future", speech, Astana, Official website of the president, 11 November 2014. www.akorda.kz/en/page/page_218343_?print=1.

⁴⁴ Joanna Lillis, "Kazakhstan: Astana faces up to economic doom and gloom", EurasiaNet, 19 January 2015.

failed, largely due to corruption and the centralised political and economic management system. A European diplomat asked: “What’s new about Nurly Zhol? There’s a plan almost every year, and none of them have delivered on their promises”.⁴⁵

Significant differences between regions and urban centres remain a source of tension.⁴⁶ Labour disputes are frequent in the oil-rich, socially-deprived western regions, and events in Janaozan, a city there where sixteen striking oil workers were shot dead in December 2011, show the authorities reaction to dissent can be disproportionate.⁴⁷ To maintain economic and social stability, the government should see that the Nurly Zhol package is fully implemented.

Economic diversification and a multi-vector foreign policy are complementary ways to reinforce Kazakh independence. Chinese investment is key.⁴⁸ A Kazakh official said, “Chinese investments are driving Central Asia, and China is interested in stability. ... China is the new reality”.⁴⁹ Similarly, trade relations with the EU have political as well as economic benefits. The EU should use its leverage to encourage institutional reforms.

B. Ethnic

Kazakhstan has 125 national and ethnic minorities. 63 per cent of its seventeen million inhabitants are ethnic Kazakh; 23.7 per cent are ethnic Russians.⁵⁰ The state’s self-definition as multi-ethnic and multi-denominational has gone some way to shaping national identity, but it glosses over the persistent belief among non-Kazakhs that ethnic Kazakhs enjoy undue advantages. The potential for this to be a conflict trigger is low for now, but the authorities should be pro-active. The Russian-speaking community feels sidelined. Language policies, including the practice of replacing Russian place names with Kazakh ones, and the perception that government and business are largely closed to non-Kazakhs, cause offence. Well-connected members of other minorities also say ethnicity is a defining factor in business. A member of the APK said, “I have the wrong nationality. I was under pressure until I became a member of the Assembly. They [the Kazakh authorities] didn’t let me develop my business”.⁵¹

The Kazakh- and Russian-speaking communities recognise that events in Ukraine have impacted inter-ethnic relations, both highlighting divisions and underscoring the need to address them. A Cossack community leader said, “after Ukraine, the authorities started paying attention to Slavs” by pulling back on controversial plans to rename cities in the north.⁵² A Kazakh activist added that while some ethnic Kazakhs

⁴⁵ Crisis Group interview, Astana, November 2015.

⁴⁶ “Villages are still Soviet era, poor housing, poor people, dirty water”. Crisis Group interview, Astana, November 2014; “Definitely there is a gap between rural and urban”, Crisis Group interview, Russian official, April 2015.

⁴⁷ Crisis Group Report, *Kazakhstan: Waiting for Change*, op. cit.

⁴⁸ Crisis Group Asia Report N°244, *China’s Central Asia Problem*, 27 February 2013.

⁴⁹ Crisis Group interview, Astana, November 2014.

⁵⁰ “Results of the 2009 National Population Census of the Republic of Kazakhstan”, statistics agency, Astana 2011.

⁵¹ But prejudice can cut both ways. A Russian manager said some employers will not hire Kazakhs. Both Crisis Group interviews, Petropavlovsk, November 2014.

⁵² Crisis Group interview, Astana, November 2014. The Cossacks emerged as a unique social group living compactly in several regions of the Russian Empire and serving in their own army formations. They were prominent in colonisation and military operations against local people and protected the

still feel that Russians are nostalgic for the Soviet Union and admire how Crimea was annexed, it is recognised that “an anti-Russian mood in the country would be horrific”.⁵³

Nevertheless, some observers believe it would take “just a spark” to ignite inter-ethnic tensions, particularly among the young.⁵⁴ Others voiced concerns that a correlation of being ethnic Kazakh and being a Muslim could be another source of tension between ethnic groups, as well as a point of concern for non-religious ethnic Kazakhs.⁵⁵ Who will succeed Nazarbayev and the prospect of economic decline are pressing worries for the national minorities. Their unease is worsened by the growth of Kazakh nationalism. A Cossack leader in Kokshetau said:

National patriots say that it will be a national state after Nazarbayev leaves. They scare people that everything will be in the Kazakh language. ... People are not dying of hunger, but they still lack the possibility to make good money. That is when inter-ethnic problems appear.⁵⁶

The Assembly of Peoples of Kazakhstan is the principal means of representation for minorities. It lacks democratic credentials but has political influence, and its profile should be strengthened.⁵⁷ The government should exercise particular restraint on sensitive language issues, such as changing Russian place names, and rein in mid- and low-level officials with overzealous national-linguistic agendas.⁵⁸ Discussion of ethnic and national identity should be public and moderated, not driven underground and censored.⁵⁹ The process of relocating rural and *Oralman* Kazakhs to northern provinces need not be stopped, but it should secure the support of receiving communities via outreach and consultation.⁶⁰ Local government in diverse areas should reflect the population’s ethnic makeup, an initiative local officials will probably not pursue unless it is led from the top. If it is sincere about maintaining a multi-ethnic state, the government must do more to integrate the Russian population and address the perception that equal opportunity is available only to those who belong to the right group, be it linguistic, ethnic or clan.

frontier. During the civil war that followed the Bolshevik Revolution, their troops were disbanded, and Cossacks were subjected to mass repression.

⁵³ Crisis Group interview, Karaganda, November 2014.

⁵⁴ “Inter-ethnic fights happen regularly. The police only take away Russian [youth]”. Crisis Group interview, human rights activist from Pavlodar, Borovoe, November 2014.

⁵⁵ “On the state level there is a message, if you are a Kazakh, it means you are a Muslim”. Crisis Group interview, religion expert, Astana, November 2014.

⁵⁶ “We, Russians, think this is our land as well. Therefore, we are not leaving. Our ancestries are here; our churches stand here. Cossacks got an order to come here, but the order to go back was not given. Don’t think it means we still serve the Russian authorities, but mentally it is still very important”, he added. Crisis Group interview, November 2014.

⁵⁷ See Section II. A above.

⁵⁸ “Renaming is perceived painfully. Russians founded Petropavlovsk and Pavlodar, and the question is not whose land it is. In Kokchetav [now Kokshetau], they want to rename the street of Kaktsevich, a town founder. Why this particular street but not Yablochnevaya [Apple] ...? Why erase the history? Russians contributed to formation of the state. It is officially announced that we are a multinational people, but on the ground they try to eliminate the evidence of Russian’s presence”. Crisis Group interview, Russian activist, Astana, November 2014.

⁵⁹ “Latvian-based Russian news portal blocked in Kazakhstan”, RFE/RL, 30 October 2014.

⁶⁰ Crisis Group Report, *Kazakhstan: Waiting for Change*, op. cit.

IV. Conclusion

Russian actions in Ukraine cast a shadow over Kazakhstan. Any commitment to democratic process and principles has thus been trumped by the need for continuity, as Nazarbayev's re-election underscored. He is considered indispensable by foreign and domestic observers alike, because he presides over an autocratic system, with a parliament devoid of political plurality. But this is a serious vulnerability. Without enactment of repeatedly promised political, social and economic reforms, Kazakhstan risks becoming another brittle authoritarian regime that can too easily be manipulated by outside forces.

Reforms should reassure citizens – and neighbours, especially Russia – that the state is not the work of one man or an exclusive ethnic project and that the transition to a post-Nazarbayev era will be smooth. While Nazarbayev is still in place, he should develop a system of governance that is pluralistic and committed to the rule of law. If a succession plan cannot be articulated, diversification of leadership in Astana and in representation abroad would be a start. The president has stated many times that democracy should be attuned to the needs and experience of the nation. Whatever model evolves, an autocratic one that resembles Kazakhstan as it is today would not be durable.

A stable Kazakhstan is in Russia's interests, as Russian diplomats readily acknowledge.⁶¹ Kazakhstan is not immune to the problems that come with proximity to Afghanistan. Uzbekistan, on its southern border, faces a succession scenario that could undermine the entire region, while Kyrgyzstan remains unstable. The growth of radical Islam across the region could further complicate inter-ethnic relations and pose a security threat.⁶² The core issue, as Putin has highlighted, is succession. To preserve stability and pave the way for a smooth transition, Astana should focus on un-addressed areas of inter-ethnic anxiety, open politics to a new generation of leaders and invest more in its impoverished regions. Russia's aggressive behaviour and economic difficulties make Astana risk averse, but partners who see value in a stable and strong Kazakhstan should encourage it to press ahead with change as the most prudent course.

Bishkek/Brussels, 13 May 2015

⁶¹ Crisis Group interviews, Astana, April 2015 and Bishkek, September 2014.

⁶² Crisis Group Briefing, *Syria Calling*, op. cit.