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# **PERESTROIKA – THE NAZARBAYEV WAY**

## **CRISIS AND REFORMS IN KAZAKHSTAN**

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## MAIN POINTS

- When compared to other CIS countries, Kazakhstan is a paradigm of success in terms of citizens' living standards, the country's prestige on the international arena, or of how to effectively deal with domestic tension. It has a reputation of being the best developed and the most stable country in Central Asia, but its stability is fragile since it relies on one person, President Nursultan Nazarbayev. It has become increasingly apparent over the past few years that the existing, relatively successful model of the state's development which has been in place for the more than two decades since independence, has been wearing ever more thin.
- At present, Kazakhstan is heading towards a multifaceted crisis: social, economic and political. The crisis has been additionally accelerated by external factors independent of the government. These include the slump on the oil market – crude oil being the main source of the country's revenue – and Russia's aggressive policy, which has been made manifest in Ukraine and which, in the case of Kazakhstan, includes taking the form of increasing pressure for integration in the Eurasian Economic Union. The government can see the symptoms of a crisis drawing nearer (including growing public dissatisfaction). One proof of this is the fact that it has made a number of non-standard moves.
- Unless the crisis avoided or at least the descent into it is slowed down, the present system of state operation will be undermined. In the extreme version, the crisis may lead to Kazakhstan losing everything it has achieved so far and to a collapse of the state. There are many negative scenarios: from internal destabilisation triggered by socio-economic factors, through infighting among the elite for Nazarbayev's legacy (he is 75 years old) to disintegration of the state due to ethnic or clan-regional divides. Thus, in the shorter term, Kazakhstan's internal

stability is at stake, while in strategic terms, the game is about survival of the state after Nazarbayev relinquishes power.

- The main weaknesses of the state include: insufficient consolidation of society and the ruling elite, inefficiency of the state apparatus and the dilapidated political system which relies on Nazarbayev. To counteract this, a reconstruction of the system, a kind of *perestroika* initiated by Nazarbayev himself, has been launched. This includes: the professionalisation of public servants and, in a broader sense, of state institutions, greater openness of the economy and a reduction of the state's role in the economy, as well as actions to consolidate the public around the state (and national) idea. These changes are aimed at strengthening the state by modernising it, which will boil down to a selective copying of the Western solutions without basically affecting the authoritarian character of the regime (however, some adjustments will be admissible).
- The socio-political order which Nazarbayev has himself co-created in Kazakhstan will impede the implementation of his intentions. Reforms will be hampered by both the bureaucratic apparatus and the public sector, which are inherently opposed to any changes. There will also be resistance from other formal and informal players, i.e. political and business groups who oppose any increase in competition within the authoritarian system at their expense. The process will also be slowed down due to the passiveness and atomisation of society, growing frustration among the public, distrust towards the government as well as the post-colonial mentality of individual social groups. The changes will also be adversely affected by the deteriorating international situation around Kazakhstan: conflict between Russia and the West, Moscow's pressure on Astana, and economic problems in China. What will contribute to the changes, may, paradoxically, be economic problems in Kazakhstan itself and a desire shared by a section of the elite to modernise the system.

- Implementing the reforms carries as much risk as abandoning them. If the reforms are carried out, this will break the arrangements existing inside the government elite and will affect the mutual relations between the government and society. This may provoke internal chaos, but respect for Nazarbayev and his presence in the political system may restrain the fallout to a certain extent. The reforms will thus increase the risk of destabilisation in Kazakhstan in the short term. On the other hand, if they are implemented, they will offer the public better access to the functioning of the state in the broader sense and will improve the state's ability to cushion the internal shocks (because most of the public are interested in the system's survival) generated by the reforms themselves. Therefore, the *perestroika* initiated by Nazarbayev is a risky way to actually benefit from the circle of ever-new challenges which the authoritarian system is unable to cope with. Reforms are Kazakhstan's way of protecting itself from plunging into the zone of Moscow's civilisational, political and economic influence, from economic stagnation and the feudal socio-political order seen in Azerbaijan.

## **I. ANALYSIS OF THE CHALLENGES - THE PROCESSES TAKING PLACE IN AND AROUND KAZAKHSTAN**

Kazakhstan has attained successes, both economic and on the international arena, but it is still a state where the process of transformation and the formation and solidification of state structures has not been finalised. Intensive internal transformation can sometimes be inspired by the government, but it is also an effect of objective processes taking place in society. The social transformation which gained momentum when the Soviet Union collapsed was taking place both under the pressure of the economically tough 1990s and as a consequence of the series of economic and political successes seen over the previous fifteen years. The way residents of Kazakhstan perceive their state and themselves has been changing. Their attitude to their history and tradition, which are gaining significance in the process of strengthening of the state and the formation of a modern nation, has also been evolving. The process of statehood consolidation is taking place in a difficult international situation, overshadowed by Russia and China, which see Kazakhstan as a natural area for political and economic expansion.

The challenges Kazakhstan is facing are nothing new, but the need to resolve them is becoming urgent due to unfavourable external factors and the growing risk of destabilisation linked to the economic downturn in the country. Weak points in the present model of the state's operation, defects in the policy which shapes society and the limitations of the economic transformation are becoming obvious. Challenges linked to the country's geopolitical situation are gaining significance.

### **1. Nazarbayev – the strength and the weakness of the political system**

Kazakhstan, throughout the 25 years of its independence, has built and reinforced the authoritarian regime but has been unable

to get rid of the Soviet Union's institutional and mental legacy. The development of authoritarianism was both an effect of the political ambitions of President Nursultan Nazarbayev, who is now 75 years old, and a result of fears concerning the integrity of the young statehood in the first years of independence.

In effect, it is Nazarbayev himself who plays the key role in both the formal (constitutional) and informal system of exercising power in Kazakhstan. It is he who personally takes the key decisions concerning the country's political, economic and social life. He is the figure on whom political and business groups are centred (these can be regional or clan groups or simply groups united by a tactical community of business and political interests). These groups are not autonomous – either politically or economically – and are completely dependent on the president<sup>1</sup>. Nazarbayev acts as an arbiter between them, preventing major conflicts and keeping their influence balanced. Furthermore, there is no real political opposition in the country<sup>2</sup>, and the public is passive and most-

<sup>1</sup> All major businessmen either have close links with the government (Nazarbayev himself) or are politicians themselves. For example, the people who occupied the top positions in Forbes' ranking in Kazakhstan in 2015 were: Bolat Utemuratov (presidential advisor, special envoy to Kyrgyzstan during the coup in 2010), Alijan Ibragimov (the founder of ENRC, a company whose assets he bought as a result of the privatisation in the 1990s), Timur and Dinara Kulibayev (Nazarbayev's son-in-law and daughter; Timur Kulibayev is also the head of Atameken, the National Chamber of Entrepreneurs, and of the association Kazenergy – both of these organisations are active economic players and have influence on political decisions) and Vladimir Kim (co-owner of Kazakhmys, a company in which Nazarbayev also reportedly has a stake). Other groups are linked to, for example, Prime Minister Karim Masimov or the Defence Minister Imangali Tasmagambetov (his son-in-law, Kenes Rakishev owns several banks and companies in the energy sector).

<sup>2</sup> Mukhtar Ablyazov, a banker and oligarch, who wants to be viewed as Nazarbayev's political opponent, has himself been part of the system for years. He spent a few months in prison after his first political move targeted against Nazarbayev, only to return to the peak of his career in the country – he was the head and the owner of the largest bank. His activity (supporting independent media) has been tolerated for years as a safety valve and a source of knowledge about social processes. However, in practice, public support for Ablyazov is negligible, which is partly due to the conviction that he himself is part of the establishment, even if he is at odds with it.



ly interested in maintaining the *status quo* rather than developing political competition.

Such a strong centralisation of state governance on the one hand simplifies the decision-making process but on the other reduces the quantity of grassroots stimuli to protect the system from possible upheaval (the symptoms of a crisis appearing on the local level are unobservable from Astana's perspective). In turn, the unresolved issue of Nazarbayev's successor<sup>3</sup> is causing individual players on the political scene to be afraid to display any political activity so as not to be suspected of the desire to take power after him<sup>4</sup>. Nazarbayev's presence allows the groups surrounding him to refrain from responding to any strategic challenges because it is he who sets the tone, and the role of the rest of the government elite is to implement the strategies put forward by the president. In practice, the system functions this way: Nazarbayev sets the priorities in his annual address to the nation or in the reform plan, and these must then be implemented (and to a certain extent are) by all state institutions<sup>5</sup>. This deal limits the system's effectiveness, because it does not envisage any discussion on the plan being implemented – the system does not allow any criticism of actions or directions set by the president<sup>6</sup>, but it is admissible to evaluate the effectiveness of the operation of individual state

<sup>3</sup> The strongest political upheaval in Kazakhstan was caused by the ambitions of Rakhat Aliyev, Nazarbayev's son-in-law, to replace him as president. When Aliyev revealed his political ambitions, he was forced to emigrate and divorce Nazarbayev's daughter *in absentia*. The government also made charges including treason against him (2007).

<sup>4</sup> For example, Karim Masimov became very popular during his first term in office as prime minister. As a result, when he took this function another time, he shunned all publicity and appearances in the media so as to avoid being viewed as a potential successor to Nazarbayev.

<sup>5</sup> The information that the presidential address was analysed in kindergarten no. 48 became a symbol demonstrating the absurdity of the system and the public sector's servility, <http://rus.azattyq.org/content/promotion-poslaniyu-prezidenta-nursultana-nazarbaeva/25249118.html>

<sup>6</sup> Grigori Marchenko, who came into conflict with Nazarbayev over the pension system reform, finally resigned as head of the central bank.

institutions (for example, one may criticise actions taken by the central bank or the government).

This means that the state governance system is in fact reminiscent of a pyramid based on the patron-client deal. Nazarbayev stands at the top of this pyramid as an element necessary for its survival. The system, by nature, promotes such features as loyalty and obedience to the president and other political patrons rather than actions that are believed to serve the interests of the state or even the governing pro-presidential party Nur Otan (for example, independent thinking is a strongly undesirable feature). In this system, the parliament and local government bodies play a merely decorative role, because the president alone appoints the people in charge of executive authority bodies, such as ministers, the head of the central banks and also *akims*<sup>7</sup> of the regions, and has the right to dismiss them summarily. Such a strong centralisation results from the fear that this young state could become disintegrated, but its negative consequences include the exemption of government representatives from accountability to the public (they only report to Nazarbayev). As a result, the effectiveness of state institutions is limited. At the level of local administration, this tendency is manifested in the manner in which the *akims* govern the regions: they are more focused on implementing the presidential strategy in a simulated and ineffective way rather than on the actual development of the regions<sup>8</sup>. They also benefit financially from their functions through creating or maintaining deals based on corruption. At the same time, the clientelistic model applicable among the senior government authorities is copied in the regions, where

<sup>7</sup> The word *akim* means ‘boss, head’. *Akims* are heads of the local state administration on every level, from the region to the village.

<sup>8</sup> In practice, this works in the following way: *akims* of the regions implement infrastructural projects because these are the most visible and allow them to benefit from the ‘civil servant pension’, i.e. income from corruption, without taking care of the structural or social issues in the region. This is also an effect partly of the ignorance and lack of knowledge of the tools that might contribute to the sustainable development of a given area and resolving its social issues.

the *akims* play the role of political patrons. This model as well as the omnipresent corruption and nepotism<sup>9</sup>, restricts the effectiveness of the state administration's operation and poses the risk that any reforms of the currently functioning system will fail.

One consequence of Nazarbayev's dominant role in the state as regards the social dimension is the fact that he himself plays the role of the one who binds the public together. Most citizens genuinely appreciate the president's merits and support Nazarbayev as the head of state<sup>10</sup>, partly due to the lack of any other alternative – Nazarbayev has successfully rid himself of political opponents. It is he personally, and not state institutions, who is viewed as the guarantor of internal stability and also of peace between the various ethnic groups in the country; hence the higher support levels for Nazarbayev among non-Kazakh ethnic groups<sup>11</sup>. The fear of Nazarbayev leaving is currently the main element that unites the public and the political elite. At the same time, Kazakhstan has no coherent ideology that would be consistently put into practice and which would unite the public with the political system and the elite (as is the case with Turkmenistan). This means that when Nazarbayev (the binding link) relinquishes power, elements of the political and social system, and to some extent also the institutional order, will collapse. This is linked to the enormous role played by the informal dependencies and Nazarbayev's esteem in the functioning of institutions. Possible scenarios include ethnic riots or the refusal of *akims* to subordinate themselves to a new president, whose achievements and authority will be unable to match those of Nazarbayev.

<sup>9</sup> <http://www.ktk.kz/ru/news/video/2013/05/29/22850>, <http://www.nur.kz/966822-syn-akima-akmolinskoy-oblasti-naznach.html>

<sup>10</sup> Indirect proof of this is found, for example, in the 74% support for granting Nazarbayev the title of the nation's leader (20% of respondents were neutrally disposed to this), which the respondents saw as "a step contributing to internal political stabilisation and the development of social consolidation", cf. <http://www.nomad.su/?a=3-201008170032>

<sup>11</sup> An interview with a representative of a sociological agency in Astana.

In this situation, Nazarbayev is both the most precious asset and the heaviest burden for Kazakhstan. On the one hand, his position is strong enough to cause the present model of the state's operation to be adjusted. On the other, the present system will most likely be unable to survive without Nazarbayev. For example, the Russian president Vladimir Putin used this argument to put pressure on Kazakhstan at the time of the youth forum by Lake Seliger in August 2014 by saying that it is Nazarbayev who set up the state of Kazakhstan<sup>12</sup>. The government in Astana understood these words as a threat to the state's functioning in its present form and with its present degree of independence from Russia when Nazarbayev is no longer in power.

## 2. Society – the numerous divides

Kazakhstan's social situation has been undergoing a transformation (in most cases unfinished) typical of the former Soviet republics. The process of social formation has been affected by objective demographic processes, geographic (distances) and historic conditions (for example, Soviet legacy borders), as well as migration processes. The social experience of the economic slump in the 1990s and the rapid economic development that followed this period also have a great significance. Other factors affecting the social processes include: Kazakhstan's changing international context (for example, the Russian aggression on Ukraine), the fact that Kazakhstan is within the area of influence of the Russian media, and the continuing widespread knowledge and use of the Russian language<sup>13</sup>.

<sup>12</sup> <http://www.rferl.org/content/kazakhstan-putin-history-reaction-nation/26565141.html>

<sup>13</sup> Knowledge of Russian in Kazakhstan is the highest of all the Central Asian countries. 84% of its residents declare they speak Russian. To compare: 49% in Kyrgyzstan, 41% in Uzbekistan, 33% in Tajikistan and 18% in Turkmenistan. The proportion of people who actively know the language, i.e. who can not only speak it, but also write and read in this language, is smaller: 72% in Kazakhstan, 36% in Kyrgyzstan and 14% in Uzbekistan. Data taken from: <http://www.ris.meurasia.org/news--2015-11-21--na-juge-sng-russkij-mir-stanovitsja-aziatskim-20653>

The most important division lines and processes taking place in society are present on the ethnic, linguistic and regional levels, between urban and rural residents, as well as on the level of attitude towards the USSR. What helps them persist are the large geographical distances and the lack of well-developed infrastructural connections. These divides are an effect of both the Soviet legacy, such as certain boundaries and ethnic compositions, and the changes which have taken place in Kazakhstan since it regained independence.

Changes in the country's ethnic composition are among the most important processes that have had an impact on the condition of society. Over the past twenty five years, the share of ethnic Kazakhs in the country's population has increased from 40%<sup>14</sup> in 1989 to 63.1% in 2009, and in absolute numbers: from 6.5 million to 10 million. This increase has been an effect of: the state policy aimed at repatriating ethnic Kazakhs from the neighbouring countries, so-called *oralman*<sup>15</sup>, the higher birth rate among ethnic Kazakh families, and non-Kazakhs leaving the country. At the same time, the share of ethnic Russians has been reduced from 37.6% in 1989 to 23.7% in 2009 (from 6 million to less than 4 million people), as with other ethnic groups (mainly Germans: from around 1 million to 0.2 million and Ukrainians: from 0.9 million to 0.3 million) who had been exiled and migrated to Kazakhstan during the Soviet era. Their departure was triggered above all by the economic hardships in the 1990s (64% of those leaving declared that unemployment was the reason they were leaving

<sup>14</sup> Unless otherwise stated, all data in this chapter is taken from the population census carried out in 2009. The results are available here: [http://www.stat.gov.kz/faces/wcnav\\_externalId/p\\_perepis?\\_afLoop=27247942884727437#%40%3F\\_afLoop%3D27247942884727437%26\\_adf.ctrl-state%3D29gmhq4tr\\_87](http://www.stat.gov.kz/faces/wcnav_externalId/p_perepis?_afLoop=27247942884727437#%40%3F_afLoop%3D27247942884727437%26_adf.ctrl-state%3D29gmhq4tr_87)

<sup>15</sup> As a consequence of this policy, around 1 million people went to Kazakhstan, mainly from Uzbekistan (30.7%), China (20.3%), Turkmenistan (14.9%) and Mongolia (12.1%). Data from: Gaziz Telebayev, Problemy sotsialnoi integratsii oralmanov, v kontekste yazykovoi situatsii v Kazakhstane, from the collection of texts titled *Sotsialnyi portret sovremennogo kazakhstanskogo obshchestva*, Astana-Almaty 2015.

of Kazakhstan<sup>16</sup>) and an inability to adapt themselves to the Kazakhisation policy<sup>17</sup>, i.e. promoting ethnic Kazakhs and the Kazakh language in all areas of the country's life. For example, 16% of those leaving indicated the language policy as the main reason why they moved away from Kazakhstan in 1998<sup>18</sup>. The repatriation policies of the states which the emigrants had originated from, for example, Germany, was a further factor which triggered emigration. The Russian minority was the largest group among those who left Kazakhstan (although the share of ethnic Germans reduced most of all: from 5.8% in 1989 to 1.1% in 2009). Ethnic Russians also migrated within Kazakhstan, moving from its southern regions, where they formed a minority, to the northern part, where they were predominant. The predominance of ethnic Russians in the country's northern regions (especially in the cities) has made the Kazakh government concerned about the risk of separatism since the beginning of the country's independence<sup>19</sup>.

<sup>16</sup> [http://www.ide.go.jp/English/Publish/Download/Mes/pdf/51\\_06.pdf](http://www.ide.go.jp/English/Publish/Download/Mes/pdf/51_06.pdf)

<sup>17</sup> The manifestations of this policy include removing representatives of ethnic minorities from the state administration. For example, at the beginning of 2016, all *akims* of the regions in Kazakhstan were ethnic Kazakhs, and only two representatives of ethnic minorities were present in the government: the minister for oil and gas, Vladimir Shkolnik (Russian) and Prime Minister Karim Masimov (Uyghur). Another example of this policy was the use of the Kazakh language by the *akims* of the northern regions – the residents, predominantly ethnic Russians, could not understand this language. This practice has changed since the developments in Ukraine and after an intervention by Nazarbayev. Other manifestations of Kazakhisation include replacing the names of the cities, streets, etc. with Kazakh ones (for example, Ust Kamenogorsk has been renamed Oskemen) and propagating Kazakh poets, traditions, etc. Generally, Kazakhisation can be defined as giving special attention to what is Kazakh and promoting the influence of ethnic Kazakhs in all areas of the state's life. Kazakhisation is viewed as compensation for the discrimination in the Soviet era and is often done at the expense of other ethnic groups living in Kazakhstan.

<sup>18</sup> [http://www.ide.go.jp/English/Publish/Download/Mes/pdf/51\\_06.pdf](http://www.ide.go.jp/English/Publish/Download/Mes/pdf/51_06.pdf)

<sup>19</sup> In 1999, more than twenty people were arrested in Ust Kamenogorsk on charges of staging a coup and devising a plan to incite a Russian uprising, cf. [http://rus.azattyq.org/content/kazakhstan\\_kazimirchuk\\_cossack/1910599.html](http://rus.azattyq.org/content/kazakhstan_kazimirchuk_cossack/1910599.html)

Ethnic differences are a reflection of the various perceptions of the independent Kazakhstan. Ethnic Kazakhs viewed the setting up of Kazakhstan as an opportunity to launch the Kazakhisation policy at the expense of other ethnic minorities and a kind of compensation for discrimination in the Soviet era. Kazakhs often see their role in the country as that of ‘first amongst equals’, while ethnic Russians (and other Slavonic minorities) feel marginalised<sup>20</sup> and mention that it is their ancestors who defended the USSR and Kazakhstan (during World War II, which is called the Great Patriotic War in the post-Soviet area) and who built it. The fear of intensifying nationalism in Kazakhstan makes that the ethnic minorities usually ostentatiously emphasise their satisfaction with the situation in Kazakhstan and support Nazarbayev as the guarantor of the *status quo*, i.e. inter-ethnic peace.

In practice, riots caused by ethnic conflicts are rarely seen in Kazakhstan (the most serious were the local riots with the involvement of Chechens near Almaty in 2007<sup>21</sup> and the conflict between ethnic Tajiks and Kazakhs in February 2015 in southern Kazakhstan) and are usually provoked by issues linked to living conditions. This does not change the fact that the government is at great pains to suppress information of any ethnic misunderstandings (for example, an information blockade was introduced in the entire region at the time of the riots in February 2015). This is a sign of the fear that such conflicts might spread wider across the country and of the conviction that a fertile ground exists for such conflicts (this is well-grounded, because Kazakh nationalism has

<sup>20</sup> This marginalisation takes various forms, for example, addressing ethnic Russians in the Kazakh language (by ethnic Kazakhs who speak Russian), the ‘glass ceiling’ in professional careers, multiplying bureaucratic difficulties. An elderly person of German-Polish ethnic background living near Petropavlovsk expressed it this way: “Those slant-eyed ones from the south will come, and it will be impossible to have any formalities handled.”

<sup>21</sup> Three people were killed in the riots in 2007 and one in 2015. Kazakhstan, unlike its neighbour Kyrgyzstan, has never experienced any serious riots on its territory - for example, hundreds of people were killed in the riots between ethnic Kyrgyz and Uzbeks in Osh, Kyrgyzstan in 2010.

been intensifying, and there are informal Kazakh and Russian neighbourhoods in some cities). As a consequence, ethnic problems are covered up using the Soviet-style narrative of accord, cooperation, peace, etc. existing between the various ethnic groups; the symbol of the policy being the decorative institution, the Assembly of the People of Kazakhstan<sup>22</sup>. In the authoritarian system, given the strongly centralised power held by Nazarbayev, this tactic has proven relatively successful – Kazakhstan has been able to avoid serious ethnic unrest, unlike its neighbour, Kyrgyzstan. However, the downside of this policy is the fact that ethnic minorities fear that when Nazarbayev is no longer in power, the existing guarantee of peace may disappear and trigger ethnic conflicts and pressure from Kazakh nationalism<sup>23</sup>.

One consequence, and later also the cause for changes in the country's ethnic composition (migration) was the increasing share of the Kazakh-speaking population<sup>24</sup> – in 2009, 74% of population declared they understood Kazakh, and 62% were fluent users of this language. The ever more widespread knowledge of the Kazakh language has been furthered by the government on various levels – from making relevant changes to the education policy (for example, in 2011, two thirds of pupils attended schools with Kazakh as the language of instruction)<sup>25</sup> through free-of-charge Kazakh language courses for adults and the requirement to broadcast TV programmes in this language (over 53% of TV content must be in Kazakh) up to symbolic elements, for example, using

<sup>22</sup> Ethnic minorities in Kazakhstan have no guaranteed representatives in other institutions except the Assembly. In turn, the Assembly elects nine members of the lower house of parliament.

<sup>23</sup> For example, <https://meduza.io/news/2014/10/20/ust-kamenogorskaya-narodnaya-respublika>

<sup>24</sup> The government has taken numerous measures to improve the level of knowledge of the Kazakh language, cf. <http://inform.kz/rus/article/2842902>

<sup>25</sup> The OECD report on the education system in Kazakhstan: [http://www.keepeek.com/Digital-Asset-Management/oecd/education/reviews-of-national-policies-for-education-secondary-education-in-kazakhstan/overview-of-the-education-system-of-kazakhstan\\_9789264205208-4-en#page5](http://www.keepeek.com/Digital-Asset-Management/oecd/education/reviews-of-national-policies-for-education-secondary-education-in-kazakhstan/overview-of-the-education-system-of-kazakhstan_9789264205208-4-en#page5)



Kazakh during prestigious international conferences<sup>26</sup> and insisting that foreign delegations should have interpreters who speak this language<sup>27</sup>. There is a growing conviction in Kazakhstan that the Kazakh language plays the role of social leverage<sup>28</sup>. Someone who is not an ethnic Kazakh must learn the national language to expect social advancement (an alternative way is to marry into a Kazakh family and use the family bonds when looking for a job).

The increasingly widespread knowledge of the Kazakh language is not accompanied by a process of a proportional reduction of the role played by the Russian language, which formally (constitutionally) has the status of a language which can be used on equal terms with the Kazakh language in the state institutions and in local administration. Fluent command of Russian was declared in 2009 by 85% of the population (80% of ethnic Kazakhs). On the one hand, this is tolerated by the government – Russian is a window to the world for a large group of the country’s population. On the other hand, the widespread knowledge of Russian coupled with the weakness of the Kazakh media and the omnipresence of Russian television means that people in Kazakhstan are under a huge influence of Russian propaganda and support Russian foreign policy, for example, towards Ukraine<sup>29</sup>.

The social dynamics and the existing divides make it problematic to determine the roles played by individual social groups in the

<sup>26</sup> Nazarbayev caused dismay when he used the Kazakh language for the first time at the UN forum in September 2015, because the UN had no interpreter of this language.

<sup>27</sup> A film in which one of the regional *akims* reprimands an interpreter of the Chinese delegation for her not speaking Kazakh was extremely popular on the Kazakh Internet in January 2016 (the film: <https://www.facebook.com/syrym.abdrakhmanov/videos/827130164075788/?pnref=story>).

<sup>28</sup> Good command of the Kazakh language is leverage for social advancement for ethnic Kazakhs and also representatives of other ethnic groups, cf. <http://www.nomad.su/?a=10-201506260028>

<sup>29</sup> According to the Gallup poll, it was supported by 72% of Kazakhstan’s residents in summer 2015, <http://rus.azattyk.org/content/article/27076844.html>

country and give rise to conflicts over values (for example, Russians and Kazakhs have a different view on history<sup>30</sup>).

Another divide is caused by the differences and mutual animosities existing among ethnic Kazakhs. These are regional differences: for example, the north versus the south of the country, and between the oil and gas-rich western part and the rest. The process of urbanisation of the Kazakh population contributes to such differences being unearthed<sup>31</sup>. For example, the capital of the country which has been moved from the south to the north is an arena for mutual discord between Kazakhs from the south and those from the north. This is even more paradoxical, given the fact that moving the capital to Astana was intended to stimulate integration of the northern and southern regions and to prevent separatist tendencies in the north. In turn, the western regions of Kazakhstan believe that they are the country's cash cow, because of the oil, and therefore deserve special treatment.

In the search of a Kazakh identity, history and tradition, the *zhuz* issues have re-gained significance<sup>32</sup>. The re-traditionalisation process hinders the formation of a modern nation and leads to the preservation of local communities, for example, in the more traditional southern Kazakhstan, and to the dominance of the local

<sup>30</sup> This is reflected, for example, by the analysis of the contents of Kazakh-language websites, especially those that are not controlled by the government, cf. The Strategy Center report, <http://www.nomad.su/i2013/0710.pdf>. The issues linked to the Soviet period that are most frequently raised in the Kazakh media concern the Alash Orda independence movement and the hunger and repressions in the 1920s and 1930s.

<sup>31</sup> The number of Kazakhs living in large urban areas increased from 2.5 million in 1989 to almost 5 million in 2009. Those living in rural areas rose from 4 million to 5.2 million over the same timeframe.

<sup>32</sup> The *zhuz* is historically the highest form of Kazakh self-organisation (an equivalent of *orda*). The *zhuz* lost significance to a great extent in the Soviet era. At present, they have a moderate impact on the political contract in the country because they have been ousted by groups of interest. Traditionally, the three most important *zhuz* are distinguished in Kazakhstan: the older (south), the medium (north) and the younger (west). Sometimes, informally, ethnic Russians living in Kazakhstan are referred to as the fourth *zhuz*.

identity, and thus may bolster separatist tendencies should state institutions become weaker<sup>33</sup>.

The urbanisation and the growing strength of nationalist tendencies also gives rise to conflicts between Russian-speaking and Kazakh-speaking ethnic Kazakhs. One manifestation of these is the pejorative word *shala-Kazakh* meaning an ethnic Kazakh who cannot speak the Kazakh language (unlike *nagyz-Kazakh* who knows his native language). The conflict over language issues is coupled with the city versus village divide (the former are usually Russian speakers and the latter are Kazakh speakers) and the process of social atomisation. Uprooting from the multi-generation family system affects above all ethnic Kazakhs who migrate to cities, bringing at the same time the Kazakh language and the more traditional models to the urban areas. The divides also take the form of an increasing gap between the younger and the older generations as well as the conflict between the elites: the new elite who have been brought up in an independent Kazakhstan versus the representatives of the Soviet school. The differing goals of the regional elites complicates the situation further. Add to this the government's fear of ethnic conflicts, Islamic radicalism, disintegration of the state and separatism. However, in practice, Nazarbayev's regime has been quite successful at dealing with these issues, neutralising Islamic radicalism, soothing ethnic conflicts and avoiding any serious manifestations of separatism. This has been achieved owing to the strength of the regime and Nazarbayev's personal esteem. However, it is unclear whether the state institutions will be strong enough to cope with these challenges if Nazarbayev is not there, since the Zhanaozen incident (this issue is discussed below) laid bare the system's indolence in handling social issues.

<sup>33</sup> The zhuz issues, due to respondents' unwillingness to answer questions, have not been sufficiently researched in Kazakhstan. Nevertheless, experts agree that their significance may grow as the central government weakens in the state, cf. <http://www.nomad.su/?a=3-201412020022>, <http://www.nur.kz/242087.html>, <http://www.nur.kz/217863.html>

The project of creating a common identity based on the sense of being citizens and identifying with ‘Kazakhstan-ness’ has been unsuccessful, and divides among Kazakhs themselves and between the other ethnic groups are deepening. The way citizens of Kazakhstan view themselves is strongly affected by such factors as the language, ethnicity, and the fact that one originates from a given region. At the same time, citizens are more and more attached to the idea of Kazakhstan’s statehood, but it does not play the consolidating function at present because its significance has been overshadowed by ever stronger divides among the Kazakh public (for example, an ethnic Kazakh who is critical of the government’s activity may accuse an ethnic Russian of criticising state authorities in the Russian language and of failing to learn Kazakh so far<sup>34</sup>). The process of society and modern political nation forming in Kazakhstan is therefore still a work in progress.

At the same time, Kazakhstan, in the opinion of a great section of the Kazakh public, has benefited from the collapse of the USSR – 45%<sup>35</sup> of respondents believed so in 2013 (by comparison, 37% in Georgia). Only 25% of the respondents were of the opinion that the collapse of the USSR was disadvantageous to their country (33% in Georgia and 56% in Ukraine). Kazakhstan’s economic success is the reason why almost half of the Kazakh public generally have a positive opinion about the collapse of the USSR.

### **3. The economic model that boosts social aspirations**

The economic model adopted by Nazarbayev envisages a partial liberalisation of the economy and opening the country up to foreign investments. This has made it possible to skilfully utilise

<sup>34</sup> Cf. Facebook discussions between Mukhtar Taizhan and Sergey Duvanov.

<sup>35</sup> Data from: [http://www.gallup.com/poll/166538/former-soviet-countries-harm-breakup.aspx?g\\_source=kazakhstan&g\\_medium=search&g\\_campaign=tiles](http://www.gallup.com/poll/166538/former-soviet-countries-harm-breakup.aspx?g_source=kazakhstan&g_medium=search&g_campaign=tiles)

the country's rich deposits of mineral raw materials<sup>36</sup> (unlike its neighbour, Turkmenistan) and to achieve success. The measure of this success was the impressive economic growth an annual of average 7.2% between 2004 and 2014 (in 1990-1995, Kazakhstan's economy had contracted by 36%), average income *per capita* grew from US\$94 to US\$346 (average monthly wages from US\$208 to US\$675)<sup>37</sup>. At the same time, the proportion of the population living below the poverty line decreased from 46.7% in 2001 to less than 3% in 2014<sup>38</sup>. The middle class grew from less than 5% in 2002 to over 65% in 2013<sup>39</sup>.

Despite these doubtless successes, Kazakhstan remains dependent on external factors, above all the prices of mineral raw materials (the oil and gas sector generates 30% of GDP and two thirds of income from exports), and geopolitical factors – transport routes to and from the country run mainly through Russia and China.

The successful management of the vast deposits of mineral raw materials and the boom on the oil market (and more broadly, on the raw materials market) impeded the diversification of the economy, successfully weakening the stimuli that might encourage the

<sup>36</sup> Kazakhstan has, for example, the world's twelfth largest oil deposits (30 billion barrels) and is the world's largest uranium producer (in 2013, it accounted for 38% of the global production of uranium). Data from: [https://www.eia.gov/beta/international/analysis\\_includes/countries\\_long/Kazakhstan/kazakhstan.pdf](https://www.eia.gov/beta/international/analysis_includes/countries_long/Kazakhstan/kazakhstan.pdf), <http://www.world-nuclear.org/info/Country-Profiles/Countries-G-N/Kazakhstan/>

<sup>37</sup> Data quoted from the National Statistical Committee of Kazakhstan: [http://www.stat.gov.kz/faces/wcnav\\_externalId/homeDinamika.pokazateli?\\_afzLoop=21816240197846206#%40%3F\\_afzLoop%3D21816240197846206%26\\_adf.ctrl-state%3Dutd375zop\\_50](http://www.stat.gov.kz/faces/wcnav_externalId/homeDinamika.pokazateli?_afzLoop=21816240197846206#%40%3F_afzLoop%3D21816240197846206%26_adf.ctrl-state%3Dutd375zop_50)

<sup>38</sup> <http://www.worldbank.org/en/country/kazakhstan/overview>

<sup>39</sup> The middle class is defined here as a group of people who can spend between US\$10 and US\$100 daily (according to purchasing power parity). For more information, see: *Multi-dimensional review of Kazakhstan*, OECD, p. 53. Available here: [http://www.keepeek.com/Digital-Asset-Management/oced/development/multi-dimensional-review-of-kazakhstan\\_9789264246768-en#page55](http://www.keepeek.com/Digital-Asset-Management/oced/development/multi-dimensional-review-of-kazakhstan_9789264246768-en#page55)

government to take real action to diversify the economy – revenues were so high that Kazakhstan had a budget surplus every year.

As regards politics, the concentration of economic influence in the hands of the state and of small groups of businessmen linked to the government has been a problem. Business-political groups tend to expand their influence beyond the initial areas of their operation (for example, raw materials) and create conglomerates of a certain kind (for example, by expanding their investments to banks). This adversely affects the development of competition and has a negative impact on small and medium-sized businesses. Nor does the great role which state-controlled firms play in the economy contribute to developing competitiveness. Furthermore, the state also applies a price control mechanism and resorts to market interventions, which hampers the development of competition and is beneficial to certain business-political groups.

Diversification was also hindered by the high level of dollarisation of the banking sector and its poor condition since the scandal with BTA Bank which is owned by Mukhtar Ablyazov, an oligarch who was tolerated by the government for years. The case of BTA Bank is a good illustration of the degree to which business is dependent on Nazarbayev – after Ablyazov fled Kazakhstan, the bank was nationalised and Ablyazov himself was accused of siphoning off around US\$6 billion from the bank. This case clearly shows that absolute loyalty to the president is the condition necessary for doing business in Kazakhstan.

The development of a competitive economy has also been held back by the omnipresent corruption, the low quality of the rule of law, the inefficiency of the state administration and the poor or inadequate qualifications of employees.

As regards the socio-political sector, the factor that has impeded any thorough state reforms has been the social contract under

which the government guarantees prosperity and stability, and the public offers support in return (as was the case in Russia during Vladimir Putin's first two terms as president).

The consequences of this policy include people's growing economic aspirations and their increasing political indifference. The new middle class has been interested in keeping the *status quo* in politics (Nazarbayev's rule) and in economic terms has aimed at maintaining consumption at least on the same level as at present<sup>40</sup>. The government's operation has been based on the conviction that social and political stability can only be guaranteed by economic stability and satisfying the public's financial needs. This conviction has become even stronger<sup>41</sup> since the Zhanaozen crisis which had a violent ending in December 2011.

### Zhanaozen

Employees of Uzenmunaigaz (a company operating on the Zhanaozen field in the western part of the country close to the border with Turkmenistan) controlled by the state-owned holding Samruk-Kazyna went on strike in 2011. The strike lasted from spring to December 2011 and ended in a violent pacification during which 15 people were killed. Riots also spilled over to other places in the region; for example, one more person was killed in Shetpe. Zhanaozen is an illustration of Kazakhstan's most serious problems:

- the public's demanding attitude: the workers went on strike because they wanted a pay rise, guarantees of the

<sup>40</sup> Sociologist Gulmira Ileuova defines this group as the 'bourgeois', <http://www.nomad.su/?a=10-201411100016>

<sup>41</sup> One effect of the Zhanaozen massacre was a quick settling of the strike in Zhezkazgan at the beginning of 2012, where the workers' demands were satisfied immediately due to the fear of more serious protests (Zhezkazgan is also a place where a great deal of Kazakh fighters in Syria are recruited from), [http://www.jamestown.org/programs/edm/single/?tx\\_ttnews%5Btt\\_news%5D=39357&cHash=05bd3e39714752981dd845afbaf3844d#.Vk4VVHYvfcs](http://www.jamestown.org/programs/edm/single/?tx_ttnews%5Btt_news%5D=39357&cHash=05bd3e39714752981dd845afbaf3844d#.Vk4VVHYvfcs)

same rights to local and foreign employees, and restrictions on the operations of trade unions to be lifted;

- the atomisation of society: the workers on strike were condemned, for example, in the nearby city of Aktau, whose residents believed that the workers already earned good money and were demanding too much; after the tragedy, families of the victims and others harmed by the events competed for damages from the state, not stopping short of mutual accusations;
- problems with the adaptation of the Kazakh immigrant population: residents of Zhanaozen were ethnic Kazakhs who had come, for example, from Turkmenistan and Uzbekistan (the *oralman*). The city's population doubled between 2000 and 2010. The returnees were treated by the residents of the region as immigrants, aliens;
- the authoritarian regime ineffectively dealt with local problems: the entire state apparatus failed, beginning from local government of all levels (which disregarded the problem, playing on time and trying to put the responsibility for dealing with it on the state-owned company), to the central government (i.e. the president), who either underestimated the weight of the problem or was misinformed. The consequences of the developments in Zhanaozen included the dismissal of Timur Kulibayev, the president's son-in-law, from the position of Samruk-Kazyna holding's CEO, and the political downfall of Aslan Musin, who came from western Kazakhstan and served as the head of the presidential administration at the time of the massacre;
- the ineffectiveness of the law enforcement agencies: the methods used were inadequate to the threat and led to unnecessary killings. The government had to use aircraft of the commercial airline Air Astana to transport its troops to



Zhanaozen, because the internal troops had no equipment of their own.

The Zhanaozen massacre laid bare the downsides of the government but it also revealed its willingness to implement reforms. Since the pacification, the Ministry for Regional Development has been established and a special agenda for the development of mono-cities, i.e. urban centres dependent on a single industrial plant (around 1.5 million people live in such cities in Kazakhstan), has been developed. Law enforcement agencies have been reformed and modernised; their ability to respond to similar threats has been improved. Zhanaozen was the first in a sequence of serious impulses to reform the state.

#### **4. The challenges on the international arena**

The ever more complicated international environment is a result of the changing global balance of forces and also affects the situation in Central Asia and Kazakhstan itself. It provides the backdrop for a crisis looming on the horizon. From Astana's point of view, the country's geopolitical situation leaves it no other choice but to co-operate with Russia and China, Kazakhstan's two strongest and closest neighbours. In turn, a skilful balancing of influence between them may open up a field for co-operation with other important partners, such as the West (the USA and the EU), the countries in South-Eastern Asia and the Persian Gulf, Turkey, etc. Astana's policy is characterised by avoiding conflicts and by an ostentatious openness to co-operation with all willing partners<sup>42</sup>. President Nazarbayev has for years formulated foreign policy guidelines of this kind, even though Russia has been the most important point of reference in Kazakhstan's foreign policy. This is an effect of close bonds existing in the area of security and

<sup>42</sup> Manifestations of this include the president declaring in one breath openness to co-operation with Russia, China and the West in his annual speeches, and his mediation initiatives concerning Nagorno-Karabakh, Iran, Ukraine, Syria and other conflict areas.

the economy – for example, Kazakhstan relies on the transit of goods (including oil) via Russian territory.

The fact that the Eurasian Economic Union is turning into a political instrument used by Moscow to regain its influence in the post-Soviet area<sup>43</sup> is seen as a threat to maintaining the international policy lines existing so far, as are the conflict which Russia provoked with Ukraine and the Kremlin's increasingly confrontational policy (for example, in dealing with the West and Turkey). Russia's aggressive policy has forced Astana to manoeuvre in such ways as to remain as autonomous as possible from Moscow, however, without risking a conflict with it. Astana's stance on Russia's annexation of Crimea is a good illustration of this approach. The Ministry of Foreign Affairs of Kazakhstan recognised the referendum in Crimea, viewing it as a manifestation of its residents' free choice. However, officially, Kazakhstan has never directly recognised the annexation of Crimea by Russia<sup>44</sup>, and abstained from the vote at the UN forum on the resolution condemning Russia's moves in Crimea. Kazakhstan has also made efforts to show Russia the benefits of its maintaining good relations with the West and Turkey (for example, by offering itself as a mediator, which in practice would mean acting as an intermediary in the Ukrainian or the Turkish-Russian conflicts – however, such offers have been consistently ignored by Russia). Officially, Astana invariably declares its desire for strategic co-operation with Moscow and has joined integration projects which are essential for Moscow, such as the Eurasian Economic Union. However, Kazakhstan has made efforts to defend its interests in cases of less significance, often successfully, but never affecting Moscow's prestige on the international arena.

<sup>43</sup> The breakthrough moment came when Russia forced Armenia to withdraw from signing the Association Agreement with the EU (September 2013) and join the Eurasian Economic Union instead.

<sup>44</sup> When the Ukrainian embassy protested in autumn 2015 to Crimea being presented as a part of Russia in a Kazakh textbook, the ministry of education promised it would "see to this matter" and then it hushed up the problem.

Russia's increasingly aggressive policy is making maintaining the *status quo* in foreign policy ever more difficult. Putin's statement during the Seliger forum in August 2014 became a symbol of Russian pressure and a warning to Kazakhstan. He said then that Kazakhs had not had a state of their own before Nazarbayev and praised the president of Kazakhstan for his friendly policy towards Russia. This was understood by Nazarbayev as a warning that Kazakhstan might lose its statehood if it stopped respecting the interests of Russia's neo-imperial policy<sup>45</sup>, i.e. if it opposed becoming more and more dependent on Russia at the expense of its sovereignty. This aggressive policy of Russia's and the perceived threat of separatism or destabilisation being plotted in the northern part of Kazakhstan (and such sentiments have been skilfully stoked by Russian politicians)<sup>46</sup>, is one of the main engines driving internal policy. While it can be disputed whether Russia would be able to generate separatism in northern parts of Kazakhstan (the regions: Northern Kazakhstan, Pavlodar and Eastern Kazakhstan), there is no doubt that Russia would be able to cause destabilisation in individual regions of Kazakhstan, especially during the succession process. For these reasons, Russia and its policy are the most serious factors affecting Kazakhstan's domestic policy.

<sup>45</sup> It is symptomatic that, apart from one Kazakh MP, no one has made an official comment on Putin's statement.

<sup>46</sup> Statements by Vladimir Zhirinovskiy, the deputy speaker of the State Duma, the lower house of the Russian parliament, who has suggested that Central Asia be transformed into an entity of the Russian Federation; the statement by Eduard Limonov, who is linked to The Other Russia party, who has suggested that northern regions of Kazakhstan be included in Russia. Astana sent a note of protest in response to Zhirinovskiy's suggestion. In turn, it was debated in public whether Limonov should be sued for what he had said. Another example was the demonstration organised by The Other Russia in front of Kazakhstan's consulate in St. Petersburg in defence of ethnic Russians convicted for separatism in Kazakhstan. The demonstration was held on 25 December 2015, on the 25<sup>th</sup> anniversary of Kazakhstan regaining independence.

## II. THE COUNTERACTIONS

With all its weaknesses, Kazakhstan has responded to all the issues presented above by speeding up reforms. The way the government has reacted is an extension of the previous trends – Kazakhstan has been undergoing reforms endlessly and has actively used international support in the process of modernisation of some elements of the state since the onset of its independence. The ability to adjust the previous policy to reduce problems is what makes Kazakhstan distinct from all other post-Soviet countries where authoritarian systems apply – in Kazakhstan, any crisis usually leads to reshuffles within the elite and increases surveillance typical, for example, of Azerbaijan) but also triggers modifications in the way the country is governed. Examples of this include the violently suppressed strike in Zhanaozen or the problems with local Islamic radicalism, which is being resolved not by intensifying repression but rather using a combination of instruments of surveillance and soft methods aimed at making radical Islam seem less appealing<sup>47</sup>. The fact that another Zhanaozen has not yet taken place is proof of the relative effectiveness of the methods applied.

The set of reforms being implemented at present is viewed as a response to the crisis and is reminiscent of the reforms in the 1990s, due to their scale. The domestic policy is being adjusted and the state is being modernised at the same time. The common denominator of all these moves is the desire to build a strong state through reinforcing its institutions and also through the consolidation of the Kazakh public based on the sense of national pride, a common historical legacy, and shared pro-state values. Thus Kazakhstan's actions are at variance with the new doctrine of Russian dominance in the post-Soviet area<sup>48</sup>, intended at limiting

<sup>47</sup> Cf. Maciej Falkowski, Józef Lang, *Homo Jihadicus*, *OSW Report*, September 2015, <http://www.osw.waw.pl/sites/default/files/homojihadicus.pdf>

<sup>48</sup> For more on this issue see: Marek Menkiszak, *The Putin doctrine: The formation of a conceptual framework for Russian dominance in the post-Soviet area*, *OSW Commentary*, 27 March 2014, <http://www.osw.waw.pl/en/pub->

the sovereignty of post-Soviet countries (for example, by preventing them from participating in any integration projects that are alternative to the Russian ones, and maintaining the post-Soviet model of development). Meanwhile, Kazakhstan has taken pains to speed up the processes of forming a new political nation, and is copying the solutions adopted in the West or Eastern Asia in its policy of modernising and strengthening the state. It has been implementing all these solutions top-down, in a manner typical of authoritarianism. Paradoxically, Kazakhstan is viewed as one of Russia's most faithful allies, but it does not draw on the Russian experience but instead searches for guidelines for its further development in the West (for example, through co-operation with the OECD and the EU) as Eastern Asian states have done before them. In fact, the strategy being currently implemented by Kazakhstan envisages breaking the mental bonds with the Soviet era and puts it at risk of conflict with Russia.

## 1. Reinforcing the state institutions

Improving the operation of state institutions is at the core of the reforms currently being implemented. Three out of the five so-called 'institutional reforms'<sup>49</sup> announced in March this year and implemented in co-operation mainly with the OECD<sup>50</sup> directly raise the issue of improving the efficiency of existing institutions. The declared goal is to create an effective administrative and bureaucratic apparatus, introducing the rule of law and increasing the state's responsibility towards its citizens. Another objective is to build strong institutions, free from nepotism, which will

likacje/osw-commentary/2014-03-27/putin-doctrine-formation-a-conceptual-framework-russian

<sup>49</sup> The plan of concrete legislative changes, the so-called 'One hundred concrete steps', was announced by Nazarbayev in May 2015. Its content is available, for example, here: <http://www.mid.gov.kz/en/kategorii/100-konkretnyh-shagov-o>

<sup>50</sup> Kazakhstan signed a co-operation agreement with the OECD to this effect in January 2015.

operate efficiently regardless of who governs the country and how. Streamlining the operation of institutions is expected to be achieved without the need to introduce any thorough political changes; instead it will be done by getting rid of the corrupt bureaucratic mentality. An effective and efficient administration has been identified as a necessary condition for making further changes in the state and as the government's priority. In this context, the reforms in Kazakhstan are an Asian-style implementation of legislative solutions recommended by Western international organisations as long as it does not directly threaten the authoritarian regime. In this context, Kazakhstan's moves are reminiscent of the situation in South Korea in 1960-1980.

The changes envisage introducing: a new multi-stage system for recruiting public servants, a precisely determined path of promotion dependent on professionalism, the system for evaluating public servants and remunerating them depending on work results, the requirement to guarantee adequate accommodation to public servants (but not ownership, which is expected to contribute to their loyalty to the state), the opportunities to improve one's competences (the requirement to attend qualification upgrading courses at least once every three years), the possibility to employ foreign specialists in the state administration and a new code of conduct for public servants. One of the ways to put an end to the system based on loyalty to political patrons is to restrict the possibility of staff rotation in the civil service – a person moving to another managerial position can take only one employee with them. A public administration unit is to be created at the Agency for Civil Service Affairs and Fighting Corruption established in 2014 in order to curb corruption more strongly.

The reforms also envisage a decentralisation of the decision-making process – individual government offices will be given freedom to decide how to implement the tasks entrusted to them and will be made accountable for the effects of their work annually (and for programme implementation once in three years). The number

of government programmes to be implemented will be reduced to improve the cohesion and effectiveness of their implementation.

The changes will also cover the judiciary. These include the introduction of a simplified three-instance judiciary procedure (in place of the present five-instance procedure), stricter criteria for appointing judges, a code of conduct, compulsory audio-visual recording of court sessions, an increased role for the jury and a reduced role for the public prosecutor in civil cases. Special focus will be put on economic courts which consider cases concerning investors. A specialist economic court attached to the Supreme Court is to be established, and a court of arbitration, modelled on the institution operating in Dubai, will function at the International Financial Centre in Astana starting from 2017.

The reforms are expected to also cover the police through adopting a stricter procedure for recruiting police workers and introducing a system for the evaluation of active police officers, establishing a municipal police force which will report to the local government, and public councils which will consider complaints against the municipal police.

The changes in the judiciary and the police show that Kazakhstan does not intend to disassemble the institutions completely and build them anew (as was the case with the police reform in Georgia), but wants to streamline their operation through evolutionary changes and a gradual replacement of staff. This solution has been chosen out of fear of destabilising the system, but it will adversely affect the effectiveness of the reforms (cf. the unsuccessful judiciary reform in Georgia<sup>51</sup>).

The reforms also provide for developing the local government system through the introduction of independent budgets on the

<sup>51</sup> <http://silkroadstudies.org/resources/pdf/SilkRoadPapers/2015-popjanevski-retribution-and-the-rule-of-law-the-politics-of-justice-in-georgia.pdf>

lowest levels of local administration (regional towns and villages) and allowing residents to participate in work on this. Citizens will receive better access to information, public councils will be established at the *akimats* (city halls, regional offices, etc.) and will perform a consultative function. Finally, all state services will be offered by a single citizen service centre (named ‘The government for citizens’) to be built on the basis of resident service centres which have been operating for several years and have been evaluated very well, owing to which corruption has been reduced on the lowest levels of administration.

The reforms satisfy the aspirations of the young members of the elite and create space for the competences of the so-called ‘Bolashak graduates’<sup>52</sup> to be taken advantage of. The term ‘Bolashak graduates’ refers to Kazakhs who have benefited from the Bolashak Scholarship Programme and whose education at foreign universities (mainly in the USA and the United Kingdom) has been funded by public money; they definitely support reform, and are representatives of the young generation who were born in Nazarbayev’s Kazakhstan. Proofs of the great hopes pinned on Bolashak graduates include the appointment of Baurzhan Baybek, one of the programme’s graduates, as *akim* of Almaty, and the fact that the Agency for Civil Service Affairs and Fighting Corruption and the Ministry of Foreign Affairs present the number of Bolashak graduates employed as an indicator of their efficiency. From Nazarbayev’s point of view, Bolashak graduates are an important base for implementing reforms. However, they have so far acted as deputies. The nomination of Baybek for mayor of Almaty is intended to check (and to demonstrate to the sceptical post-Soviet elite) whether Bolashak graduates are mature enough to accept greater responsibility for governing the country.

<sup>52</sup> A total of almost 12,000 citizens of Kazakhstan have been granted the scholarship since the launch of the Bolashak Programme. The programme has evolved over time. At present, it imposes the obligation to work for five years in state administration structures after graduation.



Nazarbayev himself treats the reforms as a way of overcoming the internal crisis and also a way to remain in power and maintain stability. The speed of the changes introduced in state institutions and the president's rhetoric emphasising the joint effort (which some have called 'psychotherapy'<sup>53</sup>) are intended to distract public attention from the deteriorating economic situation and to put the blame for it on external factors. Holding snap parliamentary and local elections on 20 March was a way to channel growing dissatisfaction. The elections have also become part of the process of replacing the political elite with a younger one<sup>54</sup> and promoting pluralism in the system in order to mobilise public support for the ongoing modernisation.

A successful implementation of the reforms would be a large step towards activating and strengthening the role of the formal state institutions, and would also make it possible to stop and resolve minor conflicts on the lower levels, thus protecting the government and preventing crises from erupting. However, this would also lead to at least some sections of society being made active, which potentially poses the risk of destabilisation<sup>55</sup>.

<sup>53</sup> Cf. an interview with Aidos Sarym: <https://www.facebook.com/ratel.kz/posts/487619861410324:0>

<sup>54</sup> Cf. Aleksandra Jarosiewicz, Kazakhstan: anti-crisis parliamentary elections, *OSW Analyses*, 27 January 2016, <http://www.osw.waw.pl/en/publikacje/analyses/2016-01-27/kazakhstan-anti-crisis-parliamentary-elections>

<sup>55</sup> In late April/early May 2016 protests provoked by changes in the Land Code rolled through Kazakhstan. The government use persuasion to stamp out the protests (government representatives met with citizens in Atyrau, Aktobe, Semey, Uralsk and Kyzylorda) and principally shunned violent methods (a harmless fracas took place, for example, in Kyzylorda). The protests were provoked by the fear of Chinese expansion, but in the broader context, they were a result and a symptom of the socio-economic crisis about to explode. At the same time, the protests were a side effect of the reform process which has made more room for the government's actions to be criticised, has allowed peaceful demonstrations and has in fact contributed to the development of Kazakh nationalism. Finally, the protests were stopped by Nazarbayev's decision to introduce a moratorium on the changes in the code, which was accompanied by the dismissals of two ministers.

The lack of change in the political system would undermine the effect of the reforms, above all the continuing structural problem of unresolved succession after Nazarbayev. It seems that the president's statements suggesting that the role of the parliament and government could be strengthened at the expense of his own powers are intended to test how this solution will be received by the elite and the public. From Nazarbayev's point of view, replacing the government system with a more collegial one may have a stabilising effect and reduce the risk of reversing the direction he sets for the country's development. If this is the case, Kazakhstan's political system would head towards authoritarianism, with a strong strain of corporatism, where the struggle between the various interest groups would at least partly be moved from the presidential palace to the parliamentary forum. A renewed parliament, with the system of licensed political parties preserved, is a step towards such a system. The lack of a structural solution to the issue of succession will contribute to deepening instability after Nazarbayev's death and will reduce the room for manoeuvre for system reforms. This means that the present series of reforms, given both its depth and the context of implementation (crisis) may have a decisive impact on the country's future.

The implementation of the reforms is likely to be hindered by the institutions themselves above all due to the mentality of the bureaucratic apparatus, which has an inherent fear of any change or loss of position. Changes will also be blocked by the existing local and clan deals<sup>56</sup> and the post-Soviet mentality. This is the

<sup>56</sup> One example of difficulties in reforming the state administration is provided by the case of Artur Nigmatov, who was appointed spokesman in July 2015 by the new *akim* of Almaty, Baurzhan Baybek. Nigmatov resigned from his position after a few weeks, saying he was unwilling to be part of the games played as part of the 'local deal' (he announced and explained his decision on his Facebook profile). As a consequence, Baybek dismissed all of his deputies and made changes in the bureaucratic apparatus. It is symptomatic that both Baybek and Nigmatov received education in the West (Germany and Finland) and are examples of the new part of society who support reforms, are able to co-operate with the state apparatus and are willing to become engaged in reform.

reason why Nazarbayev has recommended amendments to the civil service act that will force the dismissals of public servants of pensionable age. The state apparatus is likely to obstruct the changes in order to maintain for as long as possible the benefits of the corrupt practices used so far. This will be counteracted by the Agency for Civil Service Affairs and Fighting Corruption<sup>57</sup>, which reports directly to the president. The country's difficult financial situation will generate tension among the elite and also make economising on expenses necessary, and public pressure will contribute to this<sup>58</sup>.

It is too early to make a conclusive evaluation of the effects of the reforms, above all because their implementation began in late 2015 and early 2016. However, the scale of the changes alone signifies that the reforms are an effect of Nazarbayev's belief that the lack of serious institutional and political changes, given the deteriorating economic and geopolitical situation, will lead to internal destabilisation, subordination to Russia and, as a consequence, to Kazakhstan losing what it has achieved so far. In his narrative to the public and the elite, Nazarbayev emphasises the need to make a joint effort<sup>59</sup> and joint sacrifices. He also warns that the present system may collapse; this in fact is aimed at mobilising members of the elite to implement the reforms. Kazakhstan's situation is quite difficult because, given the demanding attitude represented

<sup>57</sup> Under a presidential decree on 11 December 2015 it was transformed into the Ministry for Civil Service Affairs and Fighting Corruption.

<sup>58</sup> For example, publishing information on social networking services on officials abusing power while using staff cars. Another example of public pressure has been seen in the crusade of a Karaganda student, who has been successfully stigmatising policemen, for example, for failing to comply with road traffic rules, <http://today.kz/news/zhizn/2015-11-01/701641-karagand-inskij-student-dobilsya-nakazaniya-100-politsejskih>

<sup>59</sup> For example, appealing to the public to take part in privatisation and to business circles to invest in Kazakhstan and thus contribute to diversifying the economy. However, this does not work because the legalisation of capital has covered US\$1 billion since 2014, while it is estimated that US\$167 billion was siphoned off Kazakhstan in 2004-2013 (<http://www.gfintegrity.org/report/illicit-financial-flows-from-developing-countries-2004-2013/>).

by the public and the ruling class alike, carrying out the reforms is as risky as abandoning them and may lead to internal upheaval. However, Nazarbayev's presence in the system (playing the role of a good khan) provides the opportunity to reduce the scale of potential destabilisation.

The implementation of the reforms will also depend on the determination of Nazarbayev himself and on his ability to activate at least part of the elite and public interested in changing the system. On the other hand, reforms will be hampered due to resistance from the administration, the old government elite and business and political groups, as well as Nazarbayev's fear of intensive public protests in a situation where the financial wellbeing of the people is declining.

## 2. Consolidation of society

The overriding goal of Kazakhstan's internal policy is to consolidate the public around the one common idea, i.e. of Kazakhstan as a separate and sovereign state. This goal is not directly formulated by the government, but Nazarbayev, the official narrative and also so-called 'national patriotic' circles (Kazakh nationalists)<sup>60</sup> all emphasise that Kazakhstan is a sovereign country<sup>61</sup> and this is transforming it into the main idea behind the government's ac-

<sup>60</sup> 'National patriots' is the collective definition of the circles propagating Kazakh nationalism. Its main claims are: traditionalism, increasing the role of the Kazakh language, anti-colonialism, economic nationalism (not allowing land to be sold to foreigners) and ecological nationalism (opposing the operation of Baikonur) and not allowing Kazakhstan lose its sovereignty due to the rebirth of a new Soviet Union. For more on this subject see: Serik Beysembayev, Fenomen Kazakhskogo natsionalizma v kontekste segodnyashnei politiki: ot otritsaniya k ponimaniyu. Available on the website [http://ru.soros.kz/uploads/user\\_68/2015\\_23\\_09\\_\\_03\\_46\\_44\\_\\_219.pdf](http://ru.soros.kz/uploads/user_68/2015_23_09__03_46_44__219.pdf)

<sup>61</sup> For example, Nazarbayev's statement in August 2014, when he said that Kazakhstan might leave the Eurasian Economic Union, if this put its sovereignty at stake. Also, the manner in which the official media reported on Kazakhstan's signing the Treaty of the Eurasian Economic Union, emphasising the state's sovereignty.

tions. This policy is nothing new – Kazakhstan has made similar moves since the beginning of its independence. What is new is its intensification in the face of Russia’s actions: the annexation of Crimea and the creation of separatism in eastern Ukraine. The numerous statements from Russian politicians questioning the meaning of Kazakhstan’s existence in its present form have also acted as a stimulant. Other concepts and notions used by the government are imprecise (e.g. ecology, tolerance, the Kazakh language, family, hospitality, respect, patriotism<sup>62</sup>), but even their imprecisely determined content are aimed at building a sense of pride in the achievements of the state and the nation, in the fact of being a citizen of Kazakhstan or a Kazakh.

In effect, the government’s identity policy has been built on the practical level in opposition to the Russian narrative (the anti-Chinese narrative and stoking anti-Chinese phobias existing in society were much more important a few years ago), even though on the political level Kazakhstan has consistently emphasised that it is Russia’s strategic partner. The situation is additionally complicated by the fact that the Kazakh public remains within the range of influence of Russia’s media and culture. It is also principally pro-Russian and fears Chinese expansion (this fear has been fomented by the Russian media for years). In the case of Kazakhstan it is the government elite (especially its younger members, who have been educated in the West) who are more concerned than the public (with the exception of Kazakh nationalist circles) about the threat posed by Russia, namely its civilisational and political dominance.

On the practical level, the concept upon which social consolidation is to be constructed is the rather imprecise notion known as *Mengilik El* (literally, ‘the eternal state’). However, the contents propagated as part of *Mengilik El* will vary depending on whether they

<sup>62</sup> Cf. the content promoted during social campaigns in Kazakhstan, <http://www.socreklama.kz/video/>

concern Kazakhs or non-Kazakhs. On the general level, *Mengilik El* draws upon sovereignty, unity, peace and agreement between the various ethnic groups, spiritual values, and also secularism (cf. the presidential address on Nurly Zhol in 2014) and shows regard to all citizens of Kazakhstan. In turn, for Kazakhs, the notion of *Mengilik El* is strongly associated with the Kazakh tradition and values, and means, for example, promoting knowledge of the Kazakh language, culture and tradition<sup>63</sup>, and does not need to be sanctioned on the state level because it is already internalised. This ambiguity finally forced Nazarbayev to commission work at the beginning of 2016 to develop a coherent concept of *Mengilik El* as an element of building the modern Kazakh nation.

The state still conveys a dual-track message to the Kazakh-speaking and the Russian-speaking parts of society as part of its present policy<sup>64</sup>. The narrative addressed to ethnic Kazakhs draws above all upon Kazakh traditions, while the Russian-language narrative emphasises the significance of peace between the various ethnic groups and tolerance. However, it is also discretely communicated that Kazakhstan is first of all the country of ethnic Kazakhs. For example, the social campaign promoting the slogan 'One state, one nation, one destiny' is reminiscent of the fact that nations from all over the Soviet Union were exiled to Kazakhstan in the Soviet era and met with hospitality<sup>65</sup>, and that Kazakhs fought on the fronts of World War II to the same extent as Russians did<sup>66</sup>. One example of emphasising the role played by Kazakhs in the

<sup>63</sup> For more information on problems with defining the meaning of *Mengilik El* see: <http://www.ofstrategy.kz/index.php/ru/research/politic-research/item/443-po-predvaritelnym-rezultatam-ekspertnykh-intervyu-u-predstavitelej-kazakhskoj-tvorcheskoj-intelligentsii-slozhilos-neodnoznachnoe-vospriyatie-dannoj-idei>

<sup>64</sup> This kind of approach was directly manifested by the Presidential Administration, when it opened a Facebook profile in the Kazakh language in addition to its profile in the Russian language, and declared openly that the contents published on these two profiles would be different.

<sup>65</sup> <https://www.youtube.com/watch?v=Md2oxat38AM>

<sup>66</sup> <http://www.socreklama.kz/kazaxskaya-socialnaya-reklama/>

state has been the president's proposal to rename the state *Kazak Eli* (literally 'The State of Kazakhs'). In turn, the requirement to pass a Kazakh language examination when applying for the elite Bolashak scholarship proves that the intention exists to build state institutions based on ethnic Kazakhs and people who fully identify themselves with the state. The same language examination requirement applies to candidates for president and prospective public administration workers<sup>67</sup>.

In the official narrative, Kazakhstan does not mention the civilisational progress it made due to being part of the Soviet Union<sup>68</sup> (and to the influx of a Russian-speaking population to its cities), but does, to a limited extent, discuss its costs (i.e. the famine in the 1920s, the repressions in the 1930s and the extermination of the Kazakh elite are mentioned, though associating this in an obvious manner with the Soviet Union is avoided) and openly emphasises the ecological tragedy of Semipalatinsk<sup>69</sup> (this is also an offshoot of Nazarbayev's initiatives for nuclear disarmament). The policy of building a modern nation is open, which means that representatives of ethnic minorities who make the effort to assimilate by learning Kazakh experience hardly any discrimination and are accepted by the Kazakh public.

The historical memory policy which has been activated over the past few years also plays an important role in building the bond between the Kazakh public and their state. It is intended to emphasise its distinctness through the search for old roots and propagating knowledge of Kazakhstan (the publications on

<sup>67</sup> This system is not always strictly observed, partly due to the omnipresent nepotism in the state administration.

<sup>68</sup> Kazakhstan's policy is also viewed this way by Russian nationalists, for example, <http://sputnikpogrom.com/politics/47886/russian-land-of-kazakhstan-3/#.VmQx8rPSmDZ>

<sup>69</sup> Hundreds of nuclear explosions were carried out at the nuclear test site near Semipalatinsk (Semey), and the consequences of the contamination is still felt in Kazakhstan.

Kazakhstan's statehood tradition are one manifestation of this) and highlighting Kazakhs' historical achievements, for example, by building mausoleums of Kazakh heroes (this concerns heroes from the Kazakh khanate era as well as World War II heroes) and in fact promoting the cult of progenitors of Kazakh nationalism and Alash Orda<sup>70</sup> (cf. the exhibition at the National Museum in Kazakhstan). This is accompanied by the removal of monuments commemorating the Soviet past (statues of Lenin have been removed in most of the cities in Kazakhstan). The celebrations of the 550<sup>th</sup> anniversary of Kazakh statehood in 2015 announced in response to Putin's words at the Seliger forum in 2014 that "Kazakhs did not have a state of their own before Nazarbayev" (mentioned above) were also aimed at promoting the state.

The pro-state (patriotic) attitude is also propagated on the level of business, for example, by means of the 'Made in Kazakhstan' campaign announced in spring 2015 encouraging the purchase of Kazakh products since the market had been flooded with Russian goods (in effect of the sudden devaluation of the Russian currency, while the Kazakh currency was still strong) or the most recent ideas of creating Kazakhstan's own trademark 'The State of the Great Steppe'.

The changes in the symbolic policy, for example, the fact that Kazakhstan since 2013 celebrates the Defender of the Fatherland Day on 7 May (and not on 23 February, as in Russia) to dilute the significance of Russia's most important holiday, the Victory Day (celebrated on 9 May). In 2015, Kazakhstan also officially introduced, in addition to the Russian black-and-orange ribbon of Saint George,

<sup>70</sup> Alash Orda was a pro-independence group; in 1917 it led to the setting up of an autonomous Kazakh state in an area which had been part of the Russian Empire. The autonomy was liquidated by Bolsheviks in 1920, and members of Alash Orda suffered repressions. They are greatly respected in Kazakhstan. There is a painting presenting Kazakhstan's 20<sup>th</sup> century history at the National Museum in Astana. The leaders of Alash Orda are the central element of this painting, and their executions by Communists are presented as one of the secondary motifs.



a symbol of its own, a blue-and-yellow ribbon which is worn on the occasion of the 7 and 9 May celebrations<sup>71</sup>. The National Symbols Act, which was amended in December 2015, requires that Kazakhstan's flag must always be placed next to a foreign country's flag whenever one is displayed and introduces a new holiday celebrating the national symbols on 4 June. The act is another step towards building pro-state sentiments and reiterates the fact that Kazakhstan is a sovereign country which has its own symbols and does not need to use the symbols of other states (implicitly, Russia) when celebrating public holidays. The policy of building its own tradition and customs also concerns such subtle elements as, for example, giving up the manner of marching used in the Russian army<sup>72</sup>.

The government's migration policy is also intended to contribute to public consolidation and a kind of Kazakhisation of the country. This boils down to encouraging ethnic Kazakhs to settle in the northern part of the country, for example as part of the Serpen programme, a scholarship offer addressed to the overpopulated southern part of the country, where ethnic Kazakhs predominate, allowing them to study free of charge at universities in northern Kazakhstan, or through creating incentives for the *oralman* to settle in these regions. Astana also does nothing to impede the implementation of Russia's repatriation policy targeted at ethnic Russians living in Kazakhstan (more than 90% of emigrants from Kazakhstan in 2014 left for Russia or Belarus<sup>73</sup>; ethnic Russians also have an exceptionally high desire to emigrate – in 2013, 60% of ethnic Russians declared they would be willing to leave the

<sup>71</sup> The Russian orange-and-black Saint George ribbon was removed from a shopping centre in Shimkent in 2015 following an intervention from 'national patriot' circles. In After Turkey shot down a Russian aircraft on 24 November 2015, a school in northern Kazakhstan cancelled a celebration devoted to the memory of one of the Russian pilots who had died (he had been a pupil of this school).

<sup>72</sup> <http://www.eurasianet.org/node/77201>

<sup>73</sup> [http://tengrinews.kz/kazakhstan\\_news/26-tyisyach-reshili-uehat-kazahstana-2014-godu-269167/](http://tengrinews.kz/kazakhstan_news/26-tyisyach-reshili-uehat-kazahstana-2014-godu-269167/)

country if, in their opinion, the situation deteriorated, for example, due to intensifying Kazakh nationalism and a change in government<sup>74</sup>). The government has not hindered Russia's scholarship policy in Kazakhstan, but this is happening at a cost, leading, for example, to the so-called 'brain drain', which also concerns ethnic Kazakhs.

The measures taken to limit Russia's influence in the media include (so far unsuccessful) attempts to reduce the presence of the Russian media in Kazakhstan, one of the examples being the Advertisement Act adopted in 2015<sup>75</sup>. Astana has also made efforts to balance Russia's civilisational appeal by fostering the development of KazNet and also by propagating trilingual school education and the knowledge of English<sup>76</sup>.

Finally, in 2015 the government decided to take decisive measures against any signs of separatism in Kazakhstan, sentencing at least three citizens for such activity (including one ethnic Kazakh)<sup>77</sup>. Stricter penalties have been set for taking part in military conflicts outside the country, and at least one person received a jail sentence for fighting in Ukraine. These actions were aimed above all at Moscow, and they were intended at demonstrating that Kazakhstan, unlike Ukraine governed by Yanukovych, is an efficiently operating state.

<sup>74</sup> <http://gazeta.caravan.kz/articles/kto-uezzaet-iz-kazahstana-articleID94710.html>

<sup>75</sup> [http://tengrinews.kz/kazakhstan\\_news/zapret-reklamyi-inostrannyih-kanalah-pozvolit-kazahstanskomu-285941/](http://tengrinews.kz/kazakhstan_news/zapret-reklamyi-inostrannyih-kanalah-pozvolit-kazahstanskomu-285941/)  
[http://www.gazeta.ru/business/news/2015/12/17/n\\_8021957.shtml](http://www.gazeta.ru/business/news/2015/12/17/n_8021957.shtml)

<sup>76</sup> There are plans to introduce education in English to all second-degree schools in 2023/2024 <https://primeminister.kz/news/show/22/perehod-na-trehjazychnoe-obrazovanie-v-shkolah-rk-planiruetsja-nachat-s-2023-goda-/25-11-2015?lang=en>. This policy is strongly criticised by the teachers' community, who argue that the system is not ready for such revolutionary changes. National patriots are also among the critics due to their belief that this will lead to the fall of Kazakh language.

<sup>77</sup> <http://www.rferl.org/content/kazakhstan-pro-russian-activist-jailed/27421352.html>

Were Moscow to make a decisive objection and, for example, stress the rights of ethnic Russians living in Kazakhstan then this could put the continuation of this trend in domestic policy at stake and, in a more extreme scenario, could destabilise Kazakhstan. The trends described above are not new – the government has been implementing them with various degrees of intensity over the past quarter-century. However, they have been gaining momentum recently, and their political aspect as an instrument for strengthening the state in the face of Russian pressure has been increasingly visible.

### **3. The economic liberalisation**

The economic problems caused by falling oil prices have gone far beyond the worst-case scenarios drawn up by the government already in spring 2015 and have forced a deep revision of the economic policy then in place. The economic reforms (their scale and tempo of implementation) are above all a response to the crisis, but they still fit in with the structural guidelines for the reconstruction of the state. The present economic crisis is the most serious since the 1990s and is generating powerful stimuli and forcing the government to carry out thorough economic reforms<sup>78</sup>.

The most important element of the changes in the economy was adopting a flexible exchange rate policy a few years earlier than originally planned. As a consequence of this, the tenge lost around 50 percent of its value against the US dollar throughout 2015. The devaluation of the tenge worsened the financial situation of the Kazakh public and led to a withdrawal from the previous policy of minimising the social costs of the reforms (especially, after the Zhanaozen massacre). This policy had been adopted due to the fear of breaking the informal social contract, losing support, and

<sup>78</sup> This has been directly pointed out by the World Bank: [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/05/04/090224bo82e34ac4/1\\_o/Rendered/PDF/Kazakhstan000Loppportunityotooreform.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/05/04/090224bo82e34ac4/1_o/Rendered/PDF/Kazakhstan000Loppportunityotooreform.pdf)

protests. The devaluation was accompanied by the discontinuation of the success policy and admitting that the country had found itself on the brink of crisis. As regards politics, the devaluation was also forced by Russian policy: Russia, referring to the Eurasian Economic Union, refused to limit its exports to Kazakhstan, even though Astana asked it to do so because this created a high risk of bankruptcy for local manufacturers.

The announcement of enhanced privatisation of state-owned assets in December 2015 was another important element of changes in the economy. This covers assets owned by the state-controlled holdings: Samruk-Kazyna, Baitarek and KazAgro. The assets to be sold include the largest refineries, energy firms (KazMunayGas), airports, railways and a whole array of smaller companies, including local media. Its goal is to reduce the state's share in the economy and to boost competition. The privatisation is also expected to help build an international financial centre in Astana modelled on Dubai: its working language will be English and it will operate according to British law.

Solutions liberalising some sectors which regulate the functioning of the economy have also been adopted. One example is the labour law offering employers more flexible terms of hiring and dismissing employees. Some subsidies which survived from Soviet times have also been withdrawn, such as bread production subsidies, energy price allowances, etc.

These moves have been coupled with a new series of reforms aimed at improving the investment climate, for example, implementing the one-desk principle, establishing the institution of an investments ombudsman and a specialist economic court as part of the Supreme Court. They thus fit in with the broader changes taking place in the state. Furthermore, in February 2016 attracting foreign investment in areas of the economy other than the primary sector was recognised as the main goal of operation of Kazakh diplomatic missions.

At the same time, the government has decided to apply the old mechanisms for dealing with the crisis which were tested in 2008-2009, i.e. a financial injection worth around US\$5 billion to be financed mainly using the assets of the pension fund (this has been widely criticised by the public) and foreign loans. The funds will be used, for example, to stimulate lending, which has practically has been frozen since the devaluation of the tenge (in part due to deposit dollarisation).

What will in turn contribute to implementing the reforms is the crisis on the raw materials market because it will make investments in other sectors more appealing than those in the primary sector. It needs to be added that Kazakhstan's goal is not to overcome its dependency on oil exports, but rather to balance the impact of the oil sector through the development and modernisation of the economy. The measures taken to help achieve this goal will include changes in the education system, for example, introducing free of charge education at technical faculties beginning from 2017.

Kazakhstan's accession to the WTO (December 2015) will also have a positive impact on the implementation of the reforms. WTO membership will boost competition and will decrease the import tariffs on a number of products to a level that applied before the country joined the Eurasian Economic Union. This in turn may lead to a price reduction. The accession will also cause a liberalisation of the services market, and the financial and telecommunication sectors, and will make the labour market more flexible. At the same time, WTO membership will have an adverse effect on local firms, which will be forced to compete harder, especially considering that the requirement currently imposed on foreign investors to buy a certain part of goods and services of Kazakh origin is gradually lifted. On the other hand, Kazakhstan will benefit from the opportunity to use the WTO dispute settling mechanism.

It is still unclear what final impact the reforms will have on the economy. This is partly due to the government's policy: even

though economic relations have been liberalised, the government has still applied measures aimed at ameliorating the social consequences of the reforms, for example, temporary discounts on railway services and electricity for the private sector, three-year memoranda guaranteeing the purchase of products from state-owned plants or price controls on socially sensitive goods out of fear of people's reaction to the deterioration of their financial situation<sup>79</sup> (in 2016-2017). If these are temporary measures, they will relieve the social consequences of a sudden liberalisation and opening up of the economy (since the accession to the WTO, see below) and will provide tangible support to firms in Kazakhstan. However, if such measures are used in the long term, they will be proof of the government's inability to continue reforms. Furthermore, the government's moves, such as the announced privatisation, are medium-term and will be implemented in the coming two years, and their effects (or the lack thereof) will be visible only in the long term. Business and political groups will most likely oppose the implementation of the reforms at full swing due to a desire to maintain their economic and political influence, and the public would reject them due to an unwillingness to incur the costs of the changes and because they would view them part of the reforms as socially unjust<sup>80</sup>.

#### **4. Institutionalisation of co-operation with the West as a response to Russian and Chinese pressure**

Institutionalisation of co-operation with the West is Kazakhstan's response to the challenges on the international arena and the increasing pressure from Russia and also China. From Kazakhstan's

<sup>79</sup> On the other hand, it can be seen that the Soviet system of subsidising socially sensitive services is being relinquished, examples of which include: lifting the widely used bread production subsidies (since 2016) and discontinuing the regulation of prices on the municipal services market (starting from 2017). This shows the government's inconsistency in carrying out the guidelines of the reforms out of fear of reactions from the Kazakh public.

<sup>80</sup> A foretaste of this tendency was the trade unions' resistance to amending the labour code expressed in an open letter (summer 2015).

point of view, it is essential to maintain its present multidimensional foreign policy under growing pressure from Russia (with whom Kazakhstan has the strongest and closest possible bonds), above all in the area of security. Therefore, Astana's goal is, on the one hand, to avoid conflict with Russia as regards global issues, which are essential for Moscow's reputation<sup>81</sup>, and on the other hand to robustly protect its political interests, which are however called 'economic' (at the Eurasian Economic Union's forum) and to continue its narrative of the strategic nature of mutual relations<sup>82</sup>.

While Astana wants to dilute Russia's influence in its domestic policy by placing emphasis on Kazakhstan's history, symbols and the nation-building role of the state, it attempts to maintain autonomy in foreign policy in relations with other countries, even those which Russia is at conflict with. This makes Kazakhstan fear the need to take Russia's side in the constantly arising disputable issues, such as Russia's annexation of Crimea or the Russian-Turkish conflict caused by Turkish forces shooting down a Russian bomber aircraft.

Kazakhstan's traditional way to balance Russia's influence has been to open up to the other large player present in the region—China. Economic co-operation with China, Russia's important

<sup>81</sup> Cf. the unclear, albeit received as pro-Russian, stance adopted by Kazakhstan's Ministry of Foreign Affairs on the referendum in Crimea or after Turkey shot down the Russian bomber aircraft and Nazarbayev's comments on this in his address to the nation on 30 November 2015 (only in the TV version, the printed version of the address does not contain these comments).

<sup>82</sup> However, Nazarbayev has also resorted to statements that Kazakhstan might leave the Eurasian Economic Union if this organisation puts its sovereignty at risk. He usually does so in his speeches for domestic use, addressed to the Kazakh part of society (cf. the comments on his dual-track narrative). For example, in August 2014 such words were used in an interview for Khabar television in the Kazakh language which lasted around one hour. They were widely publicised by the Ukrainian and Russian media, which presented them as a response to Putin's widely known statement questioning Kazakhstan's statehood during the Seliger forum. However, in reality, the interview was published several days earlier and did not meet with massive attention from the foreign media.

economic partner, is intended to mitigate Moscow's aspirations in Central Asia but also to boost the country's economic development. In effect of these assumptions, Kazakhstan participates both in the Eurasian Economic Union and in China's project, the New Silk Road Economic Belt – the two are competitive projects which Russia and China intend to use in order to build their own influence in the region.

At first, participation in these projects was viewed as a way to balance the influence of Russia and China. Now, though, it appears that the intensification and institutionalisation of relations (with Russia as part of the Eurasian Economic Union) and the sense of threat from Moscow have convinced Kazakhstan to accelerate the institutionalisation and enhancement of co-operation with other actors. Signs of this policy include the accession to the WTO (December 2015) or signing the enhanced Partnership and Co-operation Agreement (enhanced PCA) with the EU (21 December 2015).

These agreements formalise co-operation with the West and are intended to help Astana avoid its foreign policy being limited to co-operation with Russia and China (as is the case with its neighbour, Mongolia). Strategically, they are aimed at maintaining the opportunity to modernise the state in co-operation with the West in the broader meaning of the term. Signing the co-operation agreement with the OECD in January 2015 and the ambitious goal to join the world's 30 best-developed nations were intended to serve the same goal<sup>83</sup>.

Given the principle of avoiding provoking Russia, Kazakhstan's foreign policy is focused on keeping losses to a minimum and

<sup>83</sup> The effects of co-operation with the OECD include the organisation conducting a kind of audit of Kazakhstan (Multi-dimensional Review of Kazakhstan) and developing comprehensive recommendations concerning the country's development. The first in the series of three OECD reports on this was published in January 2016. It is available here: <http://www.oecd.org/dev/multi-dimensional-review-of-kazakhstan-9789264246768-en.htm>



maintaining its autonomous position where possible. For this reason its adjustment is barely visible at first sight – Kazakhstan itself has defined Russia as its strategic partner since the very beginning of its independence. However, since the international context around Kazakhstan has changed, the government in Astana has to cope with the challenge of continuing its previous multidimensional foreign policy. Given the present geopolitical conditions, the institutionalisation of its links with the West is both dangerous and necessary. While the West is at conflict with Russia over Ukraine, Kazakhstan’s links with the West will slow down the process of it entering further into Russia’s shadow at the expense of its own sovereignty.

The continuation of this strategy may be impeded by increasing pressure from Russia, especially during the process of the succession to Nazarbayev. His potential successor will take over the present presidential prerogatives and will have to be supported by Moscow – if only to avoid the risk of the destabilisation of the situation inside Kazakhstan by Russia. From Moscow’s point of view, the most convenient scenario would be to maintain the existing political system in Kazakhstan, where Nazarbayev’s successor will be objectively weaker than the present president, lacking his esteem, and would be forced to rely on Moscow to maintain a consolidated state and to avoid internal chaos (for example, ethnic riots). This means that Russia could take advantage of Nazarbayev’s departure to regain its custody of Kazakhstan.

### III. CONCLUSIONS AND POSSIBLE DEVELOPMENTS

Kazakhstan is an exceptional case among the post-Soviet countries. Although it is an authoritarian state, it has been able to diagnose a systemic crisis and reach out to modern and risky methods for overcoming it. This approach makes Kazakhstan and Nazarbayev himself distinct from the other countries in the region and their leaders. At present, Kazakhstan is one of those few post-Soviet countries which are making consistent efforts to modernise the state, and which view modernisation as the solution to its problems, rather than tightening the authoritarian grip. Paradoxically, the changes have been introduced by way of soft authoritarian methods, while their possible implementation may in the longer term lead to the political system currently in place being dismantled.

The scale of the announced and already partly implemented adjustments to Kazakhstan's policy means that it is possible to risk the statement that the country is on its way to a thorough reconstruction of the elements which are of key significance for the functioning of the state. These changes have been designed by Nazarbayev, and – given their ambitious goals – they are reminiscent of *perestroika* initiated by Gorbachev in the USSR. They also carry a similar risk. Kazakhstan is able to search for and reach out to new models of development which do not carry the burden of the Soviet legacy, in the Western or Eastern Asian style. It is symbolic that this *perestroika* is being implemented by Nazarbayev, who has ruled Kazakhstan from the Soviet era and who was expected to take over the Soviet leadership from Gorbachev. Nazarbayev knows the costs of the *perestroika* initiated at the twilight of the Soviet Union better than anyone else. By launching a similar project in Kazakhstan, he is betting everything on one card, probably because he is convinced that the state in its present shape is too weak to withstand Russian imperialism and the creeping Chinese expansion. From Nazarbayev's viewpoint, the present model of the state is inadequate to guarantee its further

development and make Kazakhstan resistant to geopolitical and domestic turbulence.

The future of the state modernisation project will be affected by internal and external limitations. The main obstacle will be reluctance from the political and business elite who are interested in maintaining their own position in the government and economic system. Another factor is how long Nazarbayev will remain in office. His presence in the system helps the implementation of the changes and reduces the risk of domestic tension and public protests. On the other hand, the authoritarian system based on him will limit the effects of the changes or will be adjusted itself as a result of the changes. Nazarbayev's departure will certainly bring a shock to Kazakhstan, but it will also be a test to the government elite: to what extent will it be able to continue the present line of the country's development and its foreign policy? Finally, reforms will be obstructed by the limited ability of the public to take part in the modernisation processes while their financial condition worsens, as well as by the divides existing in society.

As regards the international context, Russia's policy will be the most important factor for Kazakhstan's further development. Over the past few years this has become increasingly aggressive and unpredictable. The way the Kremlin sets its priorities as part of its *reconquista* of 'Russian land' will decide on the future of Kazakhstan. The risk of intervention from Russia (at the political level or through provocations inside Kazakhstan) is increasing during the succession process. It cannot be ruled out that Nazarbayev's double game is viewed by Moscow (and Putin himself) as an obstacle to drawing Kazakhstan closer to Russia. This means that his departure from the system will be used as an opportunity to bring Astana closer to Moscow. Especially since Kazakhstan's potential success would be dangerous for Russia - it would show that a country can be reformed and does not have to be clearly pro-Western (and anti-Russian), unlike Georgia under Mikheil Saakashvili's rule.

*Perestroika* in Kazakhstan is a risky solution. If some of the announced changes are introduced, the existing mechanisms of the state's operation may collapse and cause internal chaos. On the other hand, strengthening the authoritarian regime would lead to Kazakhstan being more and more strongly overshadowed by Russia's political and social influence, as has been happening over the past few years in Azerbaijan. The authoritarianism in Nazarbayev's 'khan-like' version also poses the risk of shock and destabilisation of the state after he relinquishes power.

If the reform process is derailed (including due to moves made by Russia) and a multidimensional crisis comes, the internal chaos will bring about the risk of degeneration of the political and regional elites and a disintegration of the state institutions and, as a consequence, Kazakhstan's would be sucked into Russia. This will help Russia regain its influence across Central Asia. This scenario carries an increased risk of socio-political turbulence, especially during the process of succession to Nazarbayev. This puts at stake the functioning of the state because, as shown by Ukraine's example, there is a great number of scenarios (and great potential for creating them) in which Russia can utilise chaos in a state to rebuild its own position. Nevertheless, the increasingly strong nationalist tendencies and the myth of Kazakhstan created by Nazarbayev will impede the process of digesting Kazakhstan and the *reconquista* of Central Asia.

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