



# Kazakhstan: Recent Developments and U.S. Interests

**Jim Nichol**

Specialist in Russian and Eurasian Affairs

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## Summary

Kazakhstan is an important power in Central Asia by virtue of its geographic location, large territory, ample natural resources, and economic growth, but it faces ethnic, political, and other challenges to stability. This report discusses U.S. policy and assistance; basic facts and biographical data are also provided. Related products include CRS Report RL33458, *Central Asia: Regional Developments and Implications for U.S. Interests*, by Jim Nichol

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## U.S. Policy

According to the Obama Administration's *Congressional Budget Justification for Foreign Operations*, "the United States' fundamental strategic aim in Kazakhstan is a stable, democratic, and prosperous partner that maintains freedom of action on the international stage, embraces free market competition and rule of law, and is a respected regional leader. U.S. assistance has played a key role in strengthening Kazakhstan's independence."<sup>1</sup>

**Figure I. Map of Kazakhstan**



**Source:** Map Resources. Adapted by CRS.

During President Nazarbayev's 1994 U.S. visit, he and then-President Clinton signed a Charter on Democratic Partnership, which recognized Kazakhstan's commitments to the rule of law, respect for human rights, and economic reform. During his December 2001 and September 2006 visits, Nazarbayev repeated these pledges in joint statements with then-President Bush. During a July 2009 visit to Kazakhstan, Under Secretary of State William Burns stated that President Obama and Secretary of State Clinton had asked the delegation led by Burns "to emphasize the importance and the high priority that the new American Administration attaches to our relationship with Kazakhstan," including "our cooperation in Afghanistan, which is a common challenge," and President Nazarbayev's "leadership on the issue of non-proliferation." The two sides agreed to resurrect a Clinton-era bilateral cooperation commission covering security, diplomatic, human rights, energy, trade, and investment issues. President Nazarbayev will meet with President Obama at a nuclear security summit in the United States planned for spring 2010.

<sup>1</sup> U.S. Department of State. *Congressional Budget Justification for Foreign Operations, FY2010*, May 12, 2009.

Kazakh Foreign Minister Marat Tazhin visited the United States in June 2009 and met with various U.S. officials, including Secretary of State Hillary Clinton, National Security Advisor Jim Jones, and Secretary of Energy Steven Chu. They reportedly discussed Kazakhstan's partnership with the United States and with NATO in helping to stabilize and reconstruct Afghanistan, cooperation in energy development and the non-proliferation of weapons of mass destruction, and Kazakhstan's chairmanship of the OSCE in 2010.<sup>2</sup>

Cumulative U.S. aid budgeted for Kazakhstan in fiscal years 1992 through 2007 was \$1.47 billion (FREEDOM Support Act and agency funds), with Kazakhstan ranking fifth in aid among the twelve Soviet successor states. A large part of U.S. aid has supported Comprehensive Threat Reduction (CTR) programs to prevent the proliferation of weapons of mass destruction. Budgeted aid for FY2008 was \$21.1 million, estimated aid for FY2009 was \$19.3 million, and requested aid for FY2010 is \$17.3 million (FREEDOM Support Act and other foreign aid, excluding Defense and Energy Department funds). Among Defense Department assistance for FY2009, \$10.58 million was appropriated for counter-narcotics efforts (P.L. 111-32). The Administration request for FY2010 emphasizes aid for equipment and training to bolster the capabilities of "a professional, rapidly-deployable NATO and U.S.-compatible military capable of protecting its territory." The request underlines that support for the Huey II helicopter fleet to protect energy infrastructure and respond to threats in the Caspian Sea region will be "a major priority" of U.S. security assistance. The United States will continue aid to bolster primary healthcare to help Kazakhstan become a model for the region. Because of the global economic downturn, the Administration has postponed—at Kazakhstan's request—plans to end economic-related assistance, although the amount of such assistance will be greatly reduced in line with the eventual shift to Kazakh funding for these programs. Aid will focus on creating regional electric power and water markets, fostering investment in electrical network and generation capacities, and expanding electricity exports to Afghanistan.

Among congressional actions, Omnibus Appropriations for FY2003 (P.L. 108-7) forbade assistance to the government of Kazakhstan unless the Secretary of State determined and reported that Kazakhstan had significantly improved its human rights record during the preceding six-month period. The Secretary could, however, waive this prohibition on national security grounds. This language has been continued in yearly appropriations acts. The Secretary reported in FY2003 and FY2004 that Kazakhstan had made such progress, eliciting some criticism of these findings from Congress. In FY2005 and thereafter, the Secretary of State (or the designee) has

### Kazakhstan: Basic Facts

**Area and Population:** Land area is 1,049,200 sq. mi.; about four times the size of Texas. The population is 15.4 million (*The World Factbook*, mid-2009 est.).

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

**Gross Domestic Product:** \$176.9 billion; per capita GDP is about \$11,500 (*The World Factbook*, 2008 est., purchasing power parity).

**Political Leaders:** *President:* Nursultan Nazarbayev; *Chair of the Majilis:* Oral Mukhamedzhanov; *Chair of the Senate:* Kasymzhomart Tokayev; *Prime Minister:* Karim Masimov; *Foreign Minister:* Marat Tazhin; *Defense Minister:* Adilbek Zhaksybekov.

**Biography:** Nazarbayev, born in 1940, moved up through the ranks of the Kazakh Communist Party (KCP), becoming its head in 1989. He also was appointed president by the legislature in 1990. He resigned from the KCP in 1991 and won an unopposed popular election as president in December 1991. A 1995 referendum extended his rule. He was reelected in 1999 and 2005. In 2000, legislation granted him some official powers for life, and in 2007 he was exempted from term limits.

<sup>2</sup> U.S. Embassy, Astana, Kazakhstan. *Ambassador Richard E. Hoagland Press Conference*, June 10, 2009.

reported to Congress that Kazakhstan has failed to significantly improve its human rights record, but that aid restrictions have been waived on national security grounds.

## **Counter-Terrorism Support**

In June 2001, Nazarbayev had warned that Taliban actions in Afghanistan increasingly threatened regional security, and after September 11 he offered overflight rights and the use of airbases to the U.S.-led coalition, but did not offer troops. Kazakhstan also facilitated the transshipment of supplies to U.S. bases in Uzbekistan and Kyrgyzstan. A U.S.-Kazakh memorandum of understanding was signed in July 2002 that permitted U.S. military aircraft to use Kazakhstan's Almaty airport for emergency military landings. In September 2003, a five-year military cooperation agreement was signed to combat terrorism, develop peacekeeping forces, bolster air defense capabilities, and enhance security in the Caspian Sea. In April 2008, Kazakhstan agreed in principle that it would facilitate rail shipments of nonlethal supplies to support the operations of NATO's International Security Assistance Force in Afghanistan. The Russia-Georgia conflict interrupted progress in gaining Russian agreement for transit. Days after Russia indicated that it would permit the land transit of U.S. coalition supplies to Afghanistan, the Kazakh government announced in February 2009 that it also would permit such transit. A pilot shipment of goods from Latvia crossed Russia, Kazakhstan, and Uzbekistan to Afghanistan in March 2009.

Kazakhstan's then-Foreign Minister Kasymzhomart Tokayev on March 28, 2003, voiced general support for disarming Iraq. Tokayev later explained that Kazakhstan had decided to support the coalition because it feared that Saddam Hussein was building WMD. Reportedly responding to a U.S. appeal, the Kazakh legislature in May 2003 approved sending military engineers to Iraq. The 27 troops trained Iraqis in de-mining and water purification. They pulled out of Iraq in late 2008.

Kazakhstan long argued that there were few terrorists within the country but this stance began to change in late 2003 with the establishment of an Anti-Terrorist Center as part of the National Security Committee. Shocking many Kazakhs, it reported the apprehension in late 2004 of over a dozen members of the obscure Islamic Jihad Group/Union of Uzbekistan (reportedly an offshoot of the Islamic Movement of Uzbekistan). It alleged that the group had ties to Al Qaeda; had cells in Kyrgyzstan, Uzbekistan, and Russia; and had been involved in attacks in Uzbekistan. In mid-2006, authorities detained 15-30 members the banned Hizb ut-Tahrir group. In April 2007, sixteen alleged terrorists were arrested on charges of planning attacks against security and police forces. In February 2008, security forces arrested five members of an alleged Salafi Jihadi Jamaat, whose leader had received training in Syria.

## **Foreign Policy and Defense**

Nazarbayev has stated that the geographic location of Kazakhstan and its ethnic makeup dictate its "multipolar orientation toward both West and East." He has pursued close ties with Turkey, trade links with Iran, and better relations with China, which many Kazakhs have traditionally viewed as a security threat. There are over one million ethnic Kazakhs in China, and 300,000 ethnic Uighurs of China residing in Kazakhstan, who have contributed to complicated relations between the two states. In July 2009, China suppressed violence between ethnic Uighurs and Han Chinese in Xinjiang Province, resulting in a few ethnic Uighurs reportedly fleeing to Kazakhstan despite the sealing of borders. Several protests were held in Kazakhstan, but the Kazakh government did not criticize China's actions. While seeking to protect Kazakh independence,

Nazarbayev has pursued close relations with Russia and other Commonwealth of Independent States (CIS) members for economic and security reasons. In 1998, Kazakhstan and Russia signed a friendship treaty, in 1998 and 2002 they signed accords settling Caspian seabed resource claims, and in 2005 they signed a border delineation agreement. In late 2005, the Central Asian Cooperation Organization merged with the Eurasian Economic Community (Eurasec; Russia and Kazakhstan belonged to both). Eurasec members Russia, Belarus, and Kazakhstan plan to launch a customs union in 2010 and apply for membership in the World Trade Organization *en masse*.

Kazakhstan still relies heavily on Russia for military training and equipment, but has expanded defense cooperation with other states. About 49,000 Kazakh troops serve in the ground force, air force, and navy. There are about 9,000 border guards, about 20,000 Internal Security (police) troops, and 2,500 presidential and government guards.<sup>3</sup> In 1999, Kazakhstan reaffirmed a CIS Collective Security Treaty (CST) pledging the parties to provide military assistance in case of aggression against any one of them. Kazakhstan is also a member of the Shanghai Cooperation Organization (SCO), composed of Russia, China, and the Central Asian states (except Turkmenistan), which aims to combat terrorism and facilitate trade ties. In 1994, Kazakhstan joined NATO's Partnership for Peace (PFP) and regularly takes part in PFP exercises, but states that it does not aim to join the Alliance. A new military doctrine adopted in March 2007 calls for eventually creating volunteer armed forces. Reforms include the transition to a brigade-based organizational and staff structure, the creation of the Shokan Ualikhanov Cadet Corps school for non-commissioned officers, and other elements of a hierarchy of military educational institutions. In mid-2009, efforts were announced to boost declining salaries and other social support for troops.

After the Soviet breakup, Kazakhstan was on paper a major nuclear weapons power (in reality Russia controlled these weapons). All bombers and their air-launched cruise missiles were removed to Russia by late February 1994. On April 21, 1995, the last of about 1,040 nuclear warheads had been removed from the SS-18 missiles and transferred to Russia, and Kazakhstan announced that it was nuclear weapons-free. U.S. Comprehensive Threat Reduction (CTR) assistance was used for these efforts, and for subsequent control and elimination of nuclear materials and former chemical and biological warfare facilities. The U.S. Nuclear Risk Reduction Center works with Kazakhstan to facilitate verification and compliance with arms control and security agreements to enhance peace and prevent the proliferation of WMD. Cumulative U.S. CTR assistance to Kazakhstan was about \$303 million from FY1992 through FY2007, which was over 40% of all U.S. assistance to the country.

## **Political and Economic Developments**

Kazakhstan's moves toward democracy have been halting. The 1995 constitution establishes strong presidential power. As further fleshed out by a presidential edict, the legislature does not control the budget, cannot initiate constitutional changes, or exercise oversight over the executive branch. Most bills are initiated by the president, and if the legislature fails within 30 days to pass one of his "urgent" bills, he may issue it by decree. The bicameral legislature consists of a popularly-elected lower chamber, the Majilis, and an upper chamber, the Senate, whose members are indirectly elected by regional assemblies or by the president. A People's Assembly composed of cultural and ethnic leaders serves as a presidential propaganda forum.

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<sup>3</sup> International Institute of Strategic Studies. *The Military Balance*, February 2009.

On December 4, 2005, President Nazarbayev was reelected with 91.1% of 6.74 million votes cast in a five-man race. Many observers credited economic growth in the country and increases in pensions and state wages as bolstering Nazarbayev's popularity. He campaigned widely and pledged democratic reforms and poverty relief. Five pro-government parties formed a People's Coalition to back him. Many oppositionists supported a Movement for a Just Kazakhstan, which backed Zharmakhan Tuyakbay, the head of the Social Democratic Party. Another candidate, Alikhan Baymenov, had been nominated by the "moderate opposition" Ak Zhol Party. Observers from the Organization for Security and Cooperation in Europe (OSCE) and others assessed the election as progressive but still falling short of a free and fair race.

The legislature approved constitutional changes in May 2007 that President Nazarbayev claimed would increase legislative power and boost democratization. The changes included increasing the number of deputies in both legislative chambers, decreasing the president's term in office from seven to five years, and requiring a court order in case of detention or arrest. Seemingly non-reformist changes included a requirement for a two-thirds vote in each legislative chamber to override presidential alterations to approved bills, a provision that nine deputies of the Majilis (the lower legislative chamber) are appointed by the People's Assembly, and a change "initiated" by the legislature excluding Nazarbayev from term limits. Visiting U.S. Assistant Secretary of State Richard Boucher stated in June 2007 that "these constitutional amendments go in the right direction.... [and] point the way to a stable, democratic system."<sup>4</sup>

An early Majilis election was called for August 18, 2007. As per constitutional amendments and election law changes, the size of the chamber was increased to 107 members. Ninety-eight members were to be elected by party lists and nine by the People's Assembly headed by the president. Seven parties were registered for the election, six of which were pro-government and one of which was an opposition party. The ruling party, Nur-Otan (Fatherland's Ray of Light), reportedly received 88.05% of 8.87 million votes cast and won all 98 seats. The other parties were unable to clear a 7% threshold needed to win seats. Observers from the OSCE praised some positive aspects of the vote, but judged it as falling short of a free and fair race.<sup>5</sup>

In its *Country Reports on Human Rights Practices for 2008*, the U.S. State Department did not report whether or not the Kazakh government's human rights record had improved during the year, but did identify ongoing problems and progress. Police and prison officials at times beat and abused detainees, often to obtain confessions. Citizens generally believed that most police were corrupt. Authorities fired about 250 police for abuse of power or corruption during the year. Government opponents occasionally were arrested or detained, sometimes for minor infractions. There were no reports of political prisoners. The president recommended or appointed all judges. Human rights monitors alleged that judges and prosecutors solicited bribes in exchange for favorable rulings in most criminal cases. Courts conducted 30 jury trials for aggravated murder cases during the year, but judges, who deliberated with the jurors, tended to dominate the process. The government used laws, harassment, licensing regulations, Internet restrictions, and criminal and administrative charges to limit freedom of expression. Media observers believed that most national television broadcasters were wholly or partly government owned. Reportedly, over 200 incidents of harassment and violence against journalists occurred during the year. Owners,

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<sup>4</sup> U.S. Embassy, Astana, Kazakhstan. *Interview by ... Richard A. Boucher with Aybek Aldabergenov of Era TV*, June 6, 2007.

<sup>5</sup> OSCE. ODIHR. *Republic of Kazakhstan Parliamentary Elections, 18 August 2007: Election Observation Mission Report*, October 30, 2007.



editors, distributors, and journalists were threatened with prosecution if an article was deemed to undermine state security or to advocate class, social, race, national, or religious superiority, or cruelty and violence. It also was a criminal offense to violate the “honor or dignity” of the president and other officials. Opposition and human rights monitors complained that local authorities turned down most applications to hold a demonstration or public meeting. The government restricted freedom of association by requiring all groups to register with the Ministry of Justice. Onerous procedures were required for a political party to register. Some human rights NGOs reportedly were subjected to police visits and surveillance. A few NGOs were allowed to carry out nonpartisan political party training activities. The country was a source, transit, and destination country for victims of trafficking for labor and sex. Police and border guard corruption sometimes facilitated trafficking.<sup>6</sup>

Although Kazakhstan lobbied extensively for holding the presidency of the OSCE in 2009, the 15<sup>th</sup> Ministerial Meeting of the OSCE at the end of November 2007 decided that Greece would hold the OSCE presidency in 2009, followed in 2010 by Kazakhstan. Foreign Minister Tazhin pledged at the meeting that suggestions made by ODIHR for changes to media, electoral, and political party laws would be submitted for consideration by the Kazakh legislature by the end of 2008. He stated that amendments to the media law would include reducing criminal penalties for libel by the media, setting up “media self-regulation mechanisms” to address libel issues, and easing the registration process for media. He also promised that the Kazakh government would soon move to increase local self-government. He assured the OSCE that Kazakhstan “consider[s] the human dimension to be one of the most important directions of the OSCE activity,” and that in chairing the OSCE, Kazakhstan would ensure that NGOs are able to participate in OSCE events and that ODIHR’s mandate is preserved. He argued that Kazakhstan’s chairmanship would be “a powerful catalyst of the reform process [in Kazakhstan] and an additional confirmation of the rightly chosen path of further liberalization and openness.”<sup>7</sup> Addressing the Parliamentary Assembly of the OSCE in Astana on June 29, 2008, President Nazarbayev stated that his country’s preparations for holding the chairmanship included the elaboration of a blueprint he termed “the path to Europe,” which envisages Kazakhstan’s integration into Europe in the areas of energy, transport, technology transfers, education, culture, and democratization.

In early February 2009, President Nazarbayev approved changes to laws on the media, elections, and political parties. Political parties that did not gain at least 7% of votes cast in an Majlis election were accorded the right to participate in some legislative affairs, the number of signatures necessary for registering a party for a Majlis election was reduced from 50,000 to 40,000, and requirements for registering media were eased. Critics termed the changes minor.<sup>8</sup> One positive sign was an action by the constitutional court in February 2009 to strike down a proposed law that would have tightened restrictions on religious freedom. In April 2009, ODIHR criticized proposed further amendments to the media law that would restrict access to the Internet. Other changes would bar media reporting that “interfere[s] with election campaigns,” takes place during times when campaign news is not allowed, tries to influence election results, or influences participation in strikes. Further amendments would bar foreign broadcasts from “complicat[ing]

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<sup>6</sup> U.S. Department of State. *Country Reports on Human Rights Practices for 2008*, February 25, 2009.

<sup>7</sup> OSCE. 15<sup>th</sup> Ministerial Council Meeting. *Address of Marat Tazhin, Minister of Foreign Affairs of the Republic of Kazakhstan*, November 29, 2007.

<sup>8</sup> Human Rights Watch. *An Atmosphere of Quiet Repression: Freedom of Religion, Assembly and Expression in Kazakhstan*, December 2008.

or support[ing] the nomination or election” of candidates or parties. The changes were signed into law in July 2009.<sup>9</sup>

Kazakhstan is the most economically developed of the former Soviet Central Asian republics. Up to one-third of GDP is generated by the oil and gas sector. Kazakhstan is the sixth largest producer of wheat in the world and a major exporter. Up to one-fifth of the population, however, lives below the poverty level. In 1997, President Nazarbayev launched a plan to create an economically developed, secure, healthy, and educated country by 2030. In late 2005, he called for bringing Kazakhstan into the ranks of the top fifty developed countries within ten years. He urged revamping tax and budgetary policies and developing export-oriented manufacturing to reduce over-dependence on the energy sector as the engine of GDP growth. In May 2009, President Nazarbayev announced that a five-year plan for industrial innovation would be launched at the beginning of 2010 in line with his goals for 2030.

In 2008, tightening credit contributed to the collapse of the real estate market, but high oil prices in the first part of the year partly cushioned the decline in GDP. Declining oil revenues and foreign debt repayments in subsequent months led the central bank to devalue the tenge by 20 percent against the U.S. dollar in February 2009. Bad debts, however, are causing further pressure on banks. Two large banks have been taken over and a finance company has been declared bankrupt. In November 2008, President Nazarbayev launched a concerted anti-crisis plan that included lowering tax rates and drawing \$10 billion from a National Oil Fund (created in 2000 to stabilize the economy in the case of swings in world prices of oil, gas, and metals) to recapitalize banks, support the tenge, and otherwise boost the economy. Although oil prices are expected to remain low, some international lending and continued (though reduced) foreign direct investment and will somewhat buffer the economic contraction this year and contribute to some growth in 2010, according to the IMF. Kazakhstan obtained a \$10 billion loan from China in April 2009 and a \$2 billion loan from the World Bank in June 2009 to finance infrastructure development. The IMF calls for Kazakhstan to assist troubled banks to pay their foreign debts and for authorities to maintain a balance between increasing the amount of currency in circulation to boost the economy and maintaining a low rate of inflation. The IMF also called for greater transparency in disbursements from the oil fund in order to combat corruption and for future disbursements to focus on strengthening the social safety net, health, education, and infrastructure development.<sup>10</sup>

## Energy

Second to Russia, Kazakhstan has the largest oil and gas reserves of the Caspian Sea regional states, holding promise of large export revenues. The U.S. Energy Department in February 2008 estimated that there were 9 billion to 40 billion barrels of proven oil reserves (comparable to Algeria on the low end and Libya on the high end). It also reported estimates of 100 trillion cubic feet (tcf) of proven gas reserves (comparable to Turkmenistan). Kazakhstan’s oil exports currently are about 1.2 million barrels per day (bpd). The Kazakh government plans for production to reach 3.5 million bpd by 2015. Kazakhstan expects to be a net gas exporter in 2008. U.S. foreign direct investment (FDI) plays a dominant role in the development of Kazakhstani oil and gas resources,

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<sup>9</sup> Human Rights Watch. *Human Rights in Kazakhstan: Seven Months before the OSCE Chairmanship*, Human Rights Watch Memorandum, May 20, 2009.

<sup>10</sup> IMF. *IMF Executive Board Concludes 2009 Article IV Consultation with the Republic of Kazakhstan*, Public Information Notice Number 09/91, July 28, 2009.

and amounted to about \$12.6 billion in Kazakhstan (27% of all FDI in the country) as of 2006. Some U.S. energy firms and other private foreign investors have become discouraged in recent months by harsher Kazakh government terms, taxes, and fines that some allege reflect corruption within the ruling elite.

Russia seeks maximum influence over Kazakhstan's energy resources by providing the primary pipeline export routes and by becoming involved in production. Russian shareholders have a controlling interest, 44%, in the Caspian pipeline consortium (CPC), which built a 980-mile oil pipeline from Kazakhstan to Russia's Black Sea port of Novorossiysk that carried 690,000 bpd of oil in 2007. Kazakhstan also currently transports over 100,000 bpd by rail and barge to Baku. Kazakhstan agreed with Azerbaijan in 2006 that it will boost these shipments to help fill an oil pipeline from Azerbaijan to Turkey, which will reduce Kazakhstan's dependence on routes through Russia. This dependence also has been lessened somewhat by construction of a 597-mile oil pipeline from Atasu in central Kazakhstan to the Xinjiang region of China. Kazakhstan began delivering oil through the pipeline in May 2006. Initial capacity is 146.6 million barrels per year. At Atasu, it links to another pipeline from the town of Kumkol, also in central Kazakhstan. On Kazakhstan's Caspian Sea border, China has finished construction of an oil pipeline from the port city of Atyrau eastward to the town of Kenkiyak. The last section of the route from the Caspian Sea to China, a link between the towns of Kenkiyak and Kumkol, began to be built in late 2007 and is expected to be completed in 2009.

## **Author Contact Information**

Jim Nichol  
Specialist in Russian and Eurasian Affairs  
jnichol@crs.loc.gov, 7-2289