

## Analysis

# The Kazakh-Russian Relationship

By Martha Brill Olcott, Washington

### Abstract

Since independence, the Kazakh-Russian relationship has been a defining one for Kazakhstan, and as long as Russia continues to exist as a single sovereign state, Kazakhstan's domestic and foreign policies will continue to be formed partly in Russia's shadow. But, while Russia has sometimes been a troublesome neighbor for the Kazakhs, it has never been a cripplingly nasty one, and overall the relationship between Kazakhstan and Russia has been much smoother than most expected. This is due in large part to the skill with which Kazakhstan's leaders have handled their Russian interlocutors, in bilateral and multilateral settings, and to Kazakhstan's success in maintaining a multi-vector foreign policy.

### Russia's Evolving Strategy

Over time it has been Russia, not Kazakhstan, which has been the more unpredictable partner. Through much of Boris Yeltsin's term in office, the Kazakh-Russian relationship satisfied neither party. Russia sought to use Kazakhstan's energy debts and geographic isolation as a brake on Kazakhstan's economic development, forcing the Kazakhs to develop a multi-vector foreign policy and investment strategy in order to survive.

By contrast Putin, realizing that the Kazakhs had attracted new and potential economic and security partners, tried a more positive approach. Russia's second president has used the carrot more frequently than the stick, creating a series of partnerships between the two countries and their key industries which is likely to withstand Putin's departure and that of Nazarbayev as well.

### Kazakhstan Nervously Eyes Independence

Nazarbayev had initially been quite nervous about what independence could mean for his country, which had nearly as many ethnic Russians as ethnic Kazakhs, and shared a seven thousand plus kilometer border with Russia. Kazakhstan lacked any sort of international constituency to advocate its national sovereignty. But once independence became a reality, Nazarbayev was determined to make the best of it. The Kazakh leader appreciated his country's major strength – that it had inherited part of the Soviet strategic nuclear arsenal, which could be traded away for international recognition, especially by the U.S.

Nazarbayev quickly sparred with Yeltsin over questions of economic and political integration, wanting the various post-Soviet states to function collectively, but as relative equals. Nazarbayev continued to hope for this under Putin, but although Russia and Kazakhstan are technically part of a "common economic commu-

nity," in reality there is no secure legal basis for functional economic integration with Russia. However, on traditional questions of security, Nazarbayev was, and remains, willing to follow Russia's lead. Kazakhstan signed an agreement on collective security with Russia in May 1992. It has remained an active member of the Collective Security Treaty Organization (CSTO) ever since, cooperating with NATO but never at the expense of its security relationship with Moscow.

Kazakhstan's economic policy is much more independent of Russia, placing priority on receiving foreign direct investment from the U.S., Europe and Asia's economic powers, not just in the energy sector, but in a number of other economic clusters designed to make the country self-sufficient.

Nazarbayev went through an important mental shift in the mid-1990s. As Yeltsin started to fail physically, the more youthful Nazarbayev gathered new strength. Leaving economic planning to close associates, Nazarbayev concentrated his efforts on trying to advance the international image of Kazakhstan, aided in part by the fact that the Kremlin never took advantage of Kazakhstan's seeming Achilles heel, its large and increasingly dissatisfied Russian population.

Border delineation between the two countries did not begin until 1996, and it took roughly a decade to conclude, with the Kazakhs making numerous small concessions to Russia, giving over to their jurisdiction many divided settlements that were largely composed of ethnic Russians. Russia then began the process of fortifying parts of the border, but has managed to complete only a small fraction of the necessary work.

But even in the years before border negotiations began, the Kremlin never pursued an aggressive policy of trying to rile up Kazakhstan's ethnic Russians. The Russian diaspora has always been a focus in the Duma, but there has never been large-scale funding of Russian na-

tionalist groups, and Kazakhstan's Russians never received the right to dual citizenship from Astana. Most of the prominent Russian nationalists basically abandoned their cause, moving from Kazakhstan to Russia by the late 1990s. The Cossacks of Kazakhstan, a frequent nuisance to the Kazakh government, largely faded into the woodwork after 1999, when a small group of them from Ust-Kamenogorsk were charged with treason and given long prison sentences, with only some blustering from the Russian press and Duma. The Kazakhs responded to the bad press by re-broadcasting fewer Russian programs, and began restricting the hours of Russian language programming more generally.

One thing helping to defuse these tensions was Russia's willingness to absorb the millions of Russians who sought repatriation – more Russians (in both absolute numbers and in percentage terms) came to Russia from Kazakhstan (about two million) than from any other post-Soviet state. In recent years, however, the direction of flow has begun to reverse. The Kazakh government, though publicly maintaining its eagerness to have all of its citizens remain in their "homeland," was in fact quite happy with the demographic shift which occurred through the departure of the Russians and ethnic Germans. In a span of ten years, the Kazakh population in the country went from being a minority (38 percent) to over 50 percent in the country's first census, in 1999. The "return" of Kazakhs living in China and in Mongolia explained some of this boost.

There is no visa regime between Kazakhstan and Russia, and today citizens can pass between these states using domestic passports, rather than the passports used for international travel. Kazakh academic degrees are recognized in Russia, and Kazakh citizens are legally able to work in Russia.

### **Kazakhstan and Russia in the Fossil Fuel Sector**

Kazakhstan's biggest problem with Russia has been securing satisfactory transit rights to move its oil and gas across Russian territory to Europe, but there is no evidence to suggest that Russia's tough negotiating line was ever linked in any way to the difficulties ethnic Russians had in Kazakhstan, although certainly the Kazakhs feared that this would be the case if they ever crossed some sort of invisible line in their opposition to Moscow's terms.

The difficulties in establishing a commercially satisfactory relationship from Russia during the negotiations over the Caspian Pipeline Consortium (CPC) pipeline left the Kazakhs and their Tengiz consortium partners very concerned about the economic consequences of Kazakhstan's dependence on transporting oil and gas across Russia. When the CPC pipeline finally opened in 2001, a whole new series of problems appeared, having

to do with the role of Russian management, the structure of tariffs, and the desire of Tengiz project partners to have Russians expand the pipeline capacity.

These difficulties have made the Kazakhs receptive to talk of alternative pipeline routes, first through Afghanistan, and then through Iran via Turkmenistan. When neither of these seemed viable, the Kazakhs entered an energy partnership with China, which has led to a new pipeline going eastward across Kazakhstan.

The Kazakhs have also remained interested in the U.S. sponsored initiative to build a pipeline to Turkey through Azerbaijan and Georgia, but recognized that the proposal to ship oil (and gas) through pipelines under the Caspian Sea would be a non-starter for Russia. As a result the Kazakhs did not formally commit to the Baku Tbilisi Ceyhan (BTC) pipeline until it was a reality, a decade later, and even then merely agreed to send oil across the Caspian in freighters, rather than in an undersea pipeline that was supported by the U.S.

The Kazakhs have also been more solicitous of Russian concerns over the unresolved legal status of the Caspian Sea than were either the Azerbaijanis or Turkmen. Key for Kazakhstan was securing Russian agreement on the idea of national sectors, for Moscow's original position had been on a condominium arrangement for the development of undersea mineral deposits, with all five littoral states benefiting equally. This idea was unacceptable to the Kazakhs, who have the most valuable deposits off their shoreline.

Kazakhstan began negotiating the status of the Caspian Sea with Russia in 1996, reaching a preliminary agreement on its status in 1998, which allowed each country to develop their respective undersea mineral reserves, and provided a corridor for joint-development along the median line separating their sectors. The Kurmangazy deposit is the largest field near this median line, and is set to be developed between Rosneft and Kazmunaigaz.

### **Kazakhstan's Approach to International Relations**

The Kazakhs maintain that their country is going to develop into a bridge between Europe and Asia, and they have tried to make an asset out of what is obviously a very disadvantageous economic position. Certainly it is no accident that the Kazakhs are working with oil companies and metallurgical concerns from virtually every major European and Asian nation, as well, of course, as the U.S and Canada.

Kazakhstan's location means that it must contend with transport through Russia, not just of oil and gas, but by highway and railroad to reach open ports. For this reason the Kazakhs are interested in international initiatives introducing new transit corridors, but opted

not to join international groupings, like GUAM (Georgia, Ukraine, Azerbaijan and Moldova, as well as Uzbekistan briefly) that explicitly sought to reduce Russia's influence as a goal in itself. Kazakhstan's approach was always a softer one, increasing the countries' options, in ways that were open to all takers.

One of the ways that the Kazakh government always mitigated the damage from the ill-will of the Russian center was to encourage contact between local akims and their Russian gubernatorial counterparts across the border. Joint ventures with the Russians are often quite rational economically, as the Kazakhs had inherited a transit system (both rail and road) that provided better north-south linkages (between Kazakh and Russian cities) than east-west linkages (across Kazakhstan).

While Kazakhstan has never given the Russians anything like a veto in their international relations, they are always cognizant of Moscow's reaction. It is undoubtedly not an accident that the Kazakh-U.S. relationship and the Kazakh-Chinese relationship both improved substantially during the late Yeltsin years, when Russia's president was both politically and physically very weak. This notwithstanding, Kazakhstan's focus vis-à-vis China was always one of trying to achieve balance in its international relations with these two powerful border states—one in an inevitable decline and the other in the ascendancy. For this reason the creation of the Shanghai Cooperation Organization (SCO), first conceived in 1996, has been beneficial for the Kazakhs, creating a forum in which Russian and Chinese initiatives might be successfully parried by the smaller states.

The existence of the SCO has helped mute some of the impact of Russia's growing assertiveness after Putin came to power. Nazarbayev is obviously less happy about Putin's efforts to attract Central Asian participation in Russian-initiated energy projects (and hydroelectric power along with hydrocarbons), but unlike in the Yeltsin years, Putin less frequently resorts to threats and has been more amenable to improving the commercial terms on offer.

Putin certainly made Russia's behavior more predictable. But although more politic, Putin remains a tough and sometimes underhanded negotiator. For example, at the end of a May summit between Nazarbayev and Putin, the former agreed to ship Kazakh oil through the proposed Burgous-Aleksandropol's pipeline and believed that he had secured CPC expansion as well. However, Putin's post-summit statements made it clear that Russia was still simply considering CPC expansion, and had not yet fully committed to it.

That said, one should not diminish the importance of shared values between the Kazakhs and Russians, in both their economic dealings and in their state-building preferences. Both want to attract foreign direct in-

vestment, but do so in a way that protects state management of the development of strategic natural resources. Nazarbayev seems to be following Moscow's lead, and is extracting concessions from foreign companies working in Kazakhstan's oil and gas sector, albeit in not as dramatic a fashion as Putin has done.

While many of Putin's domestic policies have occasioned criticism in the West, they have been viewed with favor in Kazakhstan, leaving Kazakhstan's leader feeling freer to concentrate his power as well. Following the "color" revolutions in Georgia and Ukraine, Kazakhstan, like Russia, introduced more restrictive laws on media, political parties, and non-governmental organizations. Kazakhstan also effectively became a one-party state, with only Nur Otan, Nazarbayev's party, gaining representation in the lower house of the parliament in the August 2007 elections, a pattern which Russia is on the verge of copying.

Kazakhstan has also found synergies with Russia in the development of other economic sectors. There are a large number of medium-sized joint ventures that appear to be thriving between Russian and Kazakh entrepreneurs, especially in agro-business and light industry.

Russia seems quite pleased with Nazarbayev's assumption of a greater leadership role throughout Central Asia in recent years. When the Kyrgyz government nearly collapsed in November 2006, Nazarbayev and Uzbek leader Islam Karimov took a concerted and much more direct role in trying to bolster Kyrgyz President Kurmanbek Bakiyev. The Kazakhs have a dominating position in the Kyrgyz economy, the Tajiks are asking their advice on whom to partner with in the hydroelectric sector, and Nazarbayev has sought to make newly-elected Turkmen President Gurbanguly Berdimuhamedov his protégé on questions of Turkmen energy development.

Certainly, Nazarbayev is not a surrogate for Russia, and clearly has his own agenda. But much of this agenda overlaps with that of Moscow. Nazarbayev is not opposed to shipping his oil and gas through Russia. The key is that he wants commercially attractive prices for it.

Russia has also been willing to go to bat for Kazakhstan. For example, they have been offering dire threats of what the future of the OSCE is likely to be if its member states do not support Kazakhstan's bid for the chairmanship of the organization. Of course, Russian hectoring is making some member states more reluctant to support the Kazakhs.

### **The Future of the Kazakh-Russian Relationship**

Vladimir Putin's term as president ends March 2008, although it is unclear whether or not he will then leave

the political scene. Assuming he does, there are unlikely to be any dramatic changes in the Kazakh-Russian relationship. Russia's next leader is likely to be more nationalistic than Putin, who has made very extensive use of nationalist rhetoric in recent years. But Kazakhstan, and the Kazakhs' treatment of their Russian minority, has not been a serious focus of this rhetoric and they are unlikely to be a focus in the future.

If there is in fact a transition period in Russia, Nazarbayev will use the time to further consolidate Kazakhstan's international position. Obviously, the reverse is also true. Russia will find it easier to get the upper hand in dealings with Kazakhstan when Nazarbayev passes from the political scene. For the time being, Nazarbayev

has changed the constitution to allow him to continue to run for office. Whatever Nazarbayev's failings as leader – they have been many – he has had some good instincts as to what it would take to make Kazakhstan a success as a nation.

Nazarbayev obviously cannot stage manage what will occur after his death, all the more so if it occurs unexpectedly during his current term in office. But Nazarbayev is also determined to secure his legacy and the independence of his nation. It is thus possible that he just may be vain enough to work out a succession scenario whereby he insures a successor who will prove a match for whoever is Moscow's leader at that time.

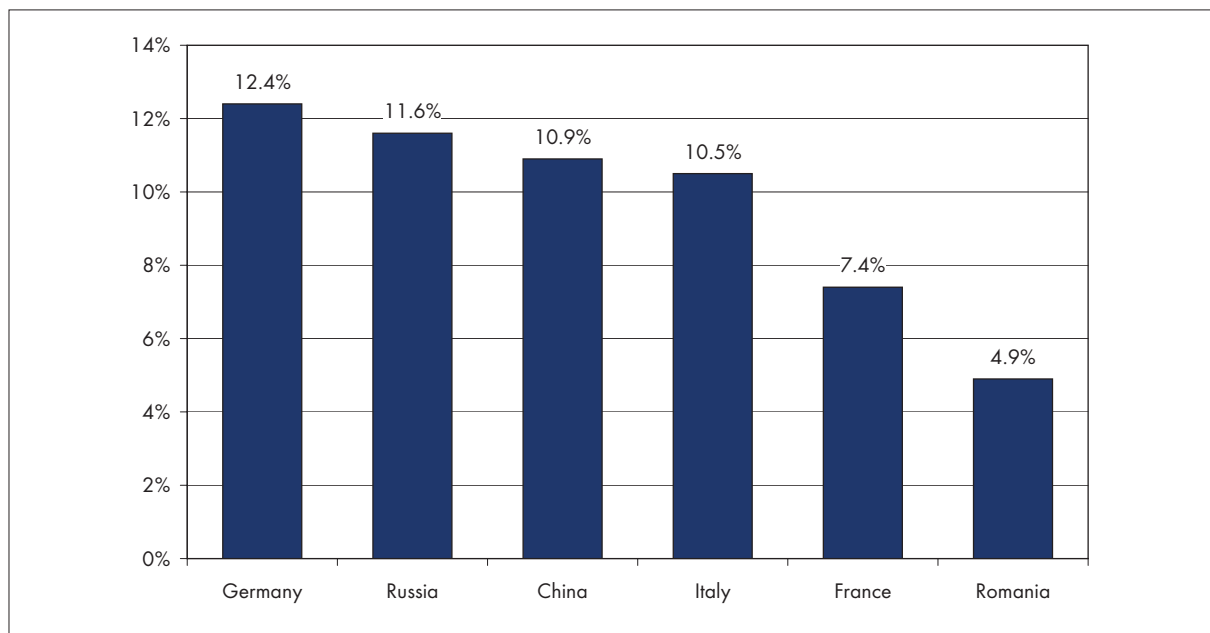
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**Graphs**

**Kazakhstan: Origin and Destination of Exports and Imports**

Kazakhstan's Main Export Partners 2006 (in % of Total Exports)



Source: <https://www.cia.gov/library/publications/the-world-factbook/geos/kz.html>