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INFORMED QUESTIONS PAPER: KAZAKHSTAN DOMESTIC ISSUES

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INFORMED QUESTIONS PAPER: KAZAKHSTAN DOMESTIC ISSUES

Birth of an Empire to Independence

Turkic and Mongol tribes migrated to the plains of Kazakhstan in the 13th Century. Mainly Muslim, native Kazakhs “speak a Turkic language, but are Mongol in appearance.”¹ A Kazakh Empire emerged in the 15th Century from a conglomeration of nomadic hordes living on the plains of present day Kazakhstan. To defend against Oyrat Empire attacks from the east during the 18th Century, Kazakh hordes accepted protection from Russia and then later sought autonomy. Russia maintained firm control of the Kazakh hordes for two centuries, eventually founding an autonomous Kazakh Republic in 1920 and later designating Kazakh as a Soviet Republic during 1936.²

The Soviet Union controlled the Kazakh Soviet Socialist Republic for the next five decades. Just prior to the collapse of the Soviet Union, an ethnic Kazakh named Nursultan Nazabayev was appointed as the Chairman of the Kazakh Republic. Nazabayev was elected as President when Kazakhstan declared its independence on 16 December 1991. The Republic of Kazakhstan adopted their current constitution and extended President Nazabayev’s first term by national referendum during 1995. He was reelected for a seven-year term in 1999 and has firm control of the country.³

The vast natural resources of Kazakhstan and its political stability made the Republic an attractive target for foreign investors during the last 10 years. As of late, national policies have begun to stifle foreign direct investment with the objective of promoting the Kazakh banking sector and domestic growth. Although Kazakhstan economic growth is expected to remain strong during the next few years, an “economic nationalism” trend may drive foreign investors elsewhere.⁴

Foreign Direct Investment: Governments with vast national resources often implement policies to protect and promote domestic business interests and end up stifling competition and free market economics.⁵ Kazakhstan failed to approve a ChevronTexaco \$3 billion Tengiz oil field expansion project last fall, citing a substantial loss of tax revenue if foreign companies were allowed to reinvest their profits. What was the outcome of the Kazakhstan dispute with ChevronTexaco?

Kazakhstan's proposal to finance future Tengiz oil field projects through debt would increase corporate development costs and reduce foreign direct investment, the main source of economic growth.⁶ How can Kazakhstan expect to expand the economy if foreign direct investment declines?

Aktau Port Free Trade Zone: Legislation went into effect 1 January 2003 that created a free trade zone at the Caspian Sea port for a four-year period. This will allow foreign and domestic companies to import goods for use in the zone, free of customs charges.⁷ Will domestic businesses have priority over foreign companies? What foreign companies have applied for land in the free trade zone? Will foreign companies be permitted to reinvest their profits within the free trade zone or will they have to finance development through Kazakhstan financial services?

Privatization of State Property: During the 1990s, Kazakhstan took steps to privatize large mining, oil and gas companies. However, the Kazakh government reserved 70 percent of the shares for the state and retains control of major industry.⁸ Though state run companies deprived ethnic Russians from dominating industry, they also left Kazakh employees and managers out of the decision cycle since foreign managers were hired to operate state controlled businesses. Has the privatization of industry ended with the Kazakhstan government as the controlling shareholder of domestic business interests?

To outsiders, it appears that the Kazakhstan government continues to dominate domestic business interests. What major industries have been privatized to the point that company managers and employees now own, control and operate core business interests?

Shanghai Cooperation Organization: As a member of the Shanghai Five (Russia, China, Kazakhstan, Tajikistan, and Kyrgyzstan) since 1996, Kazakhstan remains an active member of the group that now includes Uzbekistan and is called the Shanghai Cooperation Organization (SCO). Last summer, India expressed an interest in joining this regional organization.⁹ The SCO looks like an organization formed to counter NATO expansion, or Russia and China's answer to the European Union. Is the primary purpose of the SCO diplomatic, economic or military in nature, and please explain why?

The motives of the organization are little known, although Russia and China have leading roles in the SCO and would like to curb U.S./western influence in Central Asia.¹⁰ Does Kazakh membership in the SCO make it easier for China to influence Kazakhstan foreign investment policies?

The Shanghai Cooperation Organization's span of influence extends from the Baltics to the Pacific. Russian President Vladimir Putin mentioned that an SCO agreement was signed concerning "regional anti-terrorist authority," however the international community does not have a good understanding of the organization's aims, goals or objectives.¹¹ What are the organization's top three agenda items? How does membership in the SCO benefit Kazakhstan?

World Trade Organization Accession: Kazakhstan applied for World Trade Organization (WTO) membership during January 1996 and has conducted five working meetings to negotiate agreements to access their goods and services.¹² Accession to the WTO would make Kazakhstan an equal partner in the international trading community and most-likely increase foreign

investment. Kyrgyzstan is already a member of the WTO. Why hasn't Kazakhstan been accepted by the organization? The WTO website describes price control, customs, import licensing, industrial subsidies, legal and legislative reform, transparency, and other issues holding up acceptance of Kazakhstan by the world body.

Challenging or Joining the Organization of Petroleum Exporting Countries: Kashagan field in the Caspian Sea is reported to be the largest oil reserve found in the last 20 years, second only to Ghawar field in Saudi Arabia.¹³ Does the Kazakh government already communicate with the Organization of Petroleum Exporting Countries (OPEC)?

Discovery of the Kashagan field should reduce dependence on the Middle East for energy resources and it may very well threaten OPEC's influence on world oil production as the new field is developed in the next 10 years. Has OPEC offered Kazakhstan any incentives to join their group? Will Kazakhstan join OPEC or continue to be an independent petroleum exporter? How will Kazakhstan use Kashagan field revenues?

Sustainable Development: Since independence, Kazakhstan has made major reforms based on sound macroeconomic policies.¹⁴ The economy is performing well and is expected to double within a decade due to rising crude oil prices, the development of new oil fields and the mining of natural resources. To sustain development, Kazakhstan would have to diversify an economy that is overly reliant on the export of raw materials and "highly vulnerable to external shock."¹⁵ What plans does the Kazakh government have for the development of mineral processing capabilities and other major industries that would reduce its vulnerability to raw material price and demand fluctuations on the world market?

Sustainable development includes social, political and environmental components to improve living standards and reduce poverty. What steps is the country taking to ensure long-term economic growth for sustained development? What are the major alternative revenue producers?

The World Bank now targets Kazakhstan advisory services, social services and environmental programs to encourage broader development and economic diversification.¹⁶ How long will Kazakhstan depend on the World Bank and the International Development Association for social and environmental development?

Corruption: Economic reform and privatization were accompanied by a large amount of corruption throughout the Commonwealth of Independent States. A legacy of the former Soviet Union, corruption has discouraged foreign direct investment and slowed the transition to market-based economies.¹⁷ Has the level of government and business corruption in Kazakhstan increased, or been reduced, in the last three years?

Transparency of government regulations, a strong legal system and privatization are promising methods to fight corruption. What programs has the Kazakh government found to be successful in reducing corruption, or what is the government doing to fight corruption?

Baikonur Cosmodrome: Russia is negotiating with Kazakhstan to extend a lease for the rocket launch site. Baikonur has been a point of contention between the two countries for many years. Once managed by the Russian military, a civilian space agency now runs the facility due to Kazakh pressure to remove Russian troops from Kazakhstan. After a hanger collapsed last May that resulted in the death of seven Kazakhs, Russia refused to allow local rescue workers to approach the building. Instead, a Russian rescue crew arrived overnight to retrieve bodies from the collapse site.¹⁸ President Nazarbayev's recent remarks indicate that he believes the launch

facility will be needed by Russia for the foreseeable future.¹⁹ Currently costing Russia \$115 million per year for use of the cosmodrome, will Kazakhstan increase the cost of the lease?

Kazakhstan stands to gain economically from a long-term lease with Russia and can use the recent accident to press for changes in the lease agreement. Additionally, “launch accidents have caused chemicals and rocket parts to rain down on nearby Kazakh villages.”²⁰ Will Kazakhstan insist on adding provisions to the lease that address environmental concerns and other hazards? What aspects of a lease for the Baikonor Cosmodrome are crucial for Kazakhstan?

Drug Trafficking: Drug trafficking through Kazakhstan continues to escalate because of an increasing opium and heroin market in the western world as well as Russia. The transshipment of drugs through Kazakhstan is sure to cause increases in drug addiction, local corruption and organized crime. Besides improving border security, how does the Kazakh government intend to fight and deter drug traffickers?

In September 2002, Kazakh Interior Minister Kairbek Suleimenov called for a Central Asian “Anti-Drug Trafficking Coordination Center” to be established to address the problem.²¹ The U.S. Drug Enforcement Agency will be opening offices in Kabul, Afghanistan and Tashkent, Uzbekistan this year to help in the fight against illegal drugs. How would a Central Asian Anti-Drug Trafficking Coordination Center help Kazakhstan?

Kazakh Language: Before independence, the Kazakh Supreme Soviet established Kazakh (Qazaq) as the official language of the Republic. In 1997, the Kazakhstan Parliament passed a law making Kazakh the only state language with Russian being designated as the “language of interethnic communication.”²² This policy led to strained relations with Russia, ethnic discrimination against non-Kazakhs and large-scale emigration.²³ How can President

Nazarbayev maintain good relations with Russia while his domestic policies undercut the power and influence of ethnic Russians in Kazakhstan?

Although the percentage of Kazakh speakers increased from 35 to more than 65 percent in the last ten years, Russian remains the language of business today. Will Kazakh ever be the language used for daily business?

Nuclear Waste Disposal in Kazakhstan: Japan, North Korea and countries of the European Union are looking for a country to accept nuclear waste. Kazatomprom, the Kazakhstani nuclear energy company, announced a proposal to dispose of foreign nuclear waste in the Manghystau and Semipalatinsk regions that would amount to \$1.2 billion dollars in foreign investment.²⁴ Kazakhstan is already plagued by 200 million tons of radioactive waste from Soviet Era uranium mines and nuclear reactors that are no longer in use.²⁵ Why is Kazakhstan planning to dispose of foreign nuclear waste material?

Kazatomprom officials have been reluctant to explain how they intend to safely handle, reprocess, store, or bury foreign nuclear waste. Their lack of clarity has sparked protests and caused public concern.²⁶ Shouldn't Kazakhstan clean up its own radioactive waste problems before taking on the waste of foreign states?

The citizens of Manghystau and Semipalatinsk regions are concerned about having more nuclear waste dumped in their areas. During 2002, they conducted peaceful protests, “denouncing the planned import of radioactive waste.”²⁷ How is the Kazakhstani Parliament handling public discontent?

Water Conservation: During the 1950s, Nikita Khrushchev exploited the Kazakh Republic with his Virgin Lands program by migrating Russians to arid pasturelands along the Syr Darya river and attempting to grow crops on land unsuitable for farming.²⁸ This irrigation program

caused large, but brief, increases in arable land. Now the Aral Sea is less than one third of its original volume and salt-laden dust from the exposed seabed migrates to arable land throughout the region. What initiatives is Kazakhstan advancing within the state to save the Aral Sea from disappearing or to stop the transfer of salt-laden soil to arable land?

The Central Asian Republic Heads of State have signed both an agreement and a resolution to improve utilization of freshwater resources in the Aral Basin. Unfortunately, these documents lack enforcement measures.²⁹ Last summer, Kazakhstan hosted a Central Asian conference in Almaty to address water conservation and to work out a strategy to reduce consumption. Inefficient agricultural field irrigation methods consume most of the fresh water in Central Asia. What measures (lining irrigation canals, hybrid crops, hydropower water release agreements with Kyrgyzstan, etc.) has Kazakhstan taken to reduce freshwater consumption? Has Kazakhstan considered pricing water as a means to discourage waste and reduce consumption?

Censorship of the Opposition: Research in America has shown that public opinion is highly volatile when it comes to foreign policy matters.³⁰ The average citizen pays more attention to domestic issues that directly affect them but has little concern for international affairs. American interest in foreign matters increases sharply when the opposition party questions the policies of the presidential administration. When a policy is controversial, the U.S. media keeps Americans informed of both the administration and the opposition party's position on the issue. The only Kazakh news releases discussing foreign policy are ones released on behalf of the Nazabayev Administration. Are there any media restrictions on the Kazakh opposition party that prevent them from voicing their concerns about foreign policy interests?

Freedom of speech results in heated debates in the United States, but airing the concerns of the opposition party instills a sense of trust in the government. Survey results show that

Americans expect their elected leaders to handle foreign affairs and to keep them informed of matters affecting the national interest of the United States. How does the opposition party voice their foreign policy concerns to Kazakh citizens? What are the two most pressing foreign policy concerns of the Kazakh opposition party?

Women's Rights: During 2000, Kazakh women reported 28,000 acts of violence, mostly beatings and rape.³¹ Women in rural areas suffer from long-term unemployment and isolation, making them easy targets for abuse. What is the Kazakh government doing to promote equality for women? How are International Human Rights Groups assisting with development programs for rural women?

Illegal trafficking of women to Turkey, Russia and the United Arab Emirates is frequently cited in news articles about Kazakhstan.³² Headlines describe cases of abuse and the appeals of Kazakh women who've suffered from human trafficking. Can you describe the Kazakh government's efforts to assist their citizens abroad that are victims of the sex trade? Are there any programs to assist exploited women who are able to return to Kazakhstan?

Religious Extremism: Kazakhstan's multiethnic society has resulted in a relatively secular and tolerant population.³³ For the most part, Kazakhs appear to have remained isolated from the affects of Islamic radicals permeating the rest of Central Asia. Is the national government overly concerned about the threat of religious militants to Kazakh society?

The country has great potential to be a model for religious pluralism in Central Asia. What lessons can Kazakhstan share with countries troubled by religious fanaticism?

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