

**283**NOVEMBER
2014

KAZAKHSTAN'S EURASIAN DILEMMA

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Kazakhstan is unsettled. Economic and political uncertainties loom on the horizon. Probably no country is experiencing greater anxiety about the Ukrainian conflict and the deterioration of EU-Russia relations. Both subjects threaten to reduce to rubble some of the pillars on which the president, Nursultan Nazarbayev, has built independent Kazakhstan. The country's full sovereignty is in question and Astana seems, basically, to be held against its will within the Eurasian integration process lead by Moscow, with no possibility of escape. Changing course will not be easy, and in light of the events in Ukraine, just as in the early 90s, it is the very existence of Kazakhstan that may be at stake.

On November 11th, two months ahead of the normal date, Nazarbayev gave his traditional televised speech on the state of the nation to the two Kazakh chambers. It was an unequivocal attempt to dispel the uncertainty and take the reins in a complex setting. The Kazakh economy's rate of growth is falling. It sank from 6% in 2013 to 4% in the first nine months of 2014 and, just like the international financial organisations, Astana fears an even greater decline. The drop in oil prices—25% since the summer—is the main reason, but not the only one. Kazakhstan receives approximately \$55bn annually from the export of crude oil. An average price of \$75-80 per barrel means a drop of around \$15bn a year, although there are disagreements about the real impact on local finances. The most optimistic or closest to the government's thesis give a figure of \$5bn in real impact, as the bulk of the reduction will be applied to the part of the capital that does not return to Kazakhstan and so, according to them, the country will continue to bring in similar amounts to now, amounting to around \$35-40bn real annual income.

In any case, to tackle this reduction in income and avoid economic contraction, the Kazakh president announced the launch of *Nurly Zhol*, a plan of investment and public loans of some \$4bn annually from the Kazakhstan National Fund over the next three years. It is the second time since the beginning of the global crisis in 2008 that Kazakhstan has resorted to using money from this fund. For its part, the Kazakh central bank is concentrating its efforts on maintaining exchange rate stability during 2015. The country is living with the psychological impact of the devaluation of almost 20% of the value of the tenge in February 2014 that brought about an immediate, analogous increase in mortgage prices (referenced to dollars) and consumer prices (given the high dependence on imports). That devaluation

provoked numerous protests, growing distrust among the population and doubts about the desirability and economic attractiveness of the integration with Russia. The Kazakh government seems determined to avoid another devaluation by any means possible, but if oil prices remain close to their current level, many local economists think it inevitable and not far off.

But nobody in Kazakhstan separates the economic uncertainty from the geopolitical questions, and, in particular, from the war of sanctions and countermeasures between the EU and Russia that is having a direct impact on the Kazakh economy. The Kazakh president began his speech declaring that “our country is affected by being located itself close to the epicentre of these geopolitical tensions”. Astana has felt particularly uncomfortable since the beginning of the crisis in Ukraine. The reaction to Maidan was one of deep suspicion and basically coincides with the Kremlin’s perspective. But the vicious reaction from Moscow, annexing Crimea and setting the Donbas aflame, has deeply worried Astana. The arguments used to question the Ukrainian borders and the very existence of Ukraine could be used to justify a similar intervention on Kazakh territory. In fact, the north of Kazakhstan has been at least as present in Russian ultranationalist narratives as Ukrainian territory and is a recurring theme for key characters such as Aleksandr Dugin, Dmitry Rogozin and Vladimir Zhirinovskiy.

That is why the integration project with Russia arouses serious suspicions in a large part of the Kazakh population. Aware of this situation, in a television interview with the local channel *Khabar* on the 26th of August, president Nazarbayev indicated that, “[i]f the rules set forth in the agreement are not followed, Kazakhstan has a right to withdraw from the Eurasian Economic Union. I have said this before and I am saying this again. Kazakhstan will not be part of organizations that pose a threat to our independence”. Moscow’s response was instant. Two days later, on the 28th of August, at the *Nashi* youth nationalist movement summer camp, encouraged by the Kremlin, in response to a question that was certainly choreographed by his cabinet, President Putin questioned the historical legitimacy of Kazakhstan as a state, implicitly insinuating that it was another “Soviet error” and indicating that the “overwhelming majority of the population” is committed to strong relations with Russia and to staying within the “Russian sphere” (□□□□□□□ □□□). Although—and this was perhaps the most worrying thing of all—he did not think it necessary to explain where this conviction about the will of this “overwhelming majority” came from. In any case, the warning to Astana was clear.

The Astana government opted for a discrete response, but it has already announced the celebration of the 550th anniversary of the Kazakh state in 2015. This is also meant to pacify Kazakh ethnonationalism, a current that has yet to be soundly articulated but which is likely to be one of the main political forces in post-Nazarbayev Kazakhstan. And it is here that the situation poses serious risks to internal stability and a dilemma that is difficult to resolve. 24% of Kazakh citizens are ethnic Russians concentrated, above all, in the north of the country in regions adjoining Russia. What is certain is that the subject was considered settled mid-way through the 2000s. Kazakh Russians, with the exception of a few incidents and isolated currents, had not shown secessionist impulses, and Moscow seemed to have little interest in the fate of a population that, in broad terms, was reasonably well-integrated into the new state. But Russia’s intervention in Ukraine has changed everything and has taken us back to the early nineties, when suspicions existed about the loyalty of those citizens and about Russia’s intentions. And the most worrying thing is that this subject has the capacity to poison inter-ethnic relations and divide Kazakh society, not exclusively in an ethnic sense.

What is evident is that Astana’s room for manoeuvre has significantly reduced. In foreign policy, Kazakhstan will try to maintain its multi-vectoral focus, that is to

say, it will attempt to develop relations with as many actors as possible and not to get trapped in any bloc. This is an attempt to make a virtue of necessity and to overcome dependence on Russia (and, potentially, China), but its limitations have now become even more evident. In domestic matters, Astana's agenda will continue to be marked by the connection and growing integration with Russia. For better or worse, the fate of Astana will run, in large part, in parallel to that of Moscow. The country will not, thus, face an immediate threat related to its territorial integrity, but the full sovereignty of Astana is in serious question.