

ISSUE BRIEF

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THE DINU PATRICIU EURASIA CENTER

Kazakhstan and the United States: Twenty Years of Ambiguous Partnership

In looking at twenty years of independence in the former Soviet region of Central Asia, Kazakhstan stands out in most respects as a stable oasis in a desert of uncertainty. It is the wealthiest country in Central Asia. It has not suffered any serious conflict since gaining independence, and the development of its economy, financial sector, and private sector has been steadily moving forward as has its engagement with the global economy. It is little wonder, therefore, that the most stable and fruitful bilateral partnership for the United States in the region over the past twenty years has been with the Republic of Kazakhstan. US-Kazakhstan relations have never experienced a significant crisis, and there has been ongoing cooperation between the two countries in a variety of areas, including nuclear non-proliferation, economic development, and energy extraction.

That being said, this relationship has also always been characterized by a certain ambiguity that primarily relates to Kazakhstan's development as a democratic state that honors human rights and rule of law. The issue of democracy has strained US-Kazakhstan relations on both sides. On the Kazakhstani side, there has been a general suspicion of American efforts to promote democracy and transparency in the country and in the region as a whole. On the American side, there has been frustration regarding Kazakhstan's lack of democratic reform, its human rights violations, and its inconsistency on contracts with foreign commercial entities, particularly American oil companies. Over the last twenty years, these factors have not strained relations to an extent that has threatened the two countries' overall positive relationship, but they have limited that relationship and prevented it from blossoming into a sustainable long-term partnership.

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In order to better understand the trajectory of US-Kazakhstan relations over the last twenty years, this paper provides an historical narrative of how the partnership between the two countries has evolved over time. In particular, it charts this development over three critical periods in the country's development: 1.) 1991-1995, the era of Kazakhstan's entry on the world stage, 2.) 1996-2001, the years during which Kazakhstan began to emerge as the leading country in Central Asia, and 3.) 2002-2011, the period of Kazakhstan's establishment as a stable and prosperous state with a strong "multi-vector" foreign policy. Throughout all three of these eras, the United States has continually found Kazakhstan to be its most critical partner in the region, but that partnership has also

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been restrained by Kazakhstan's own political development and the US response to it.

1991-1995: Kazakhstan Enters the World Stage

When Kazakhstan emerged as an independent state in 1991, the United States had little idea of what to expect from the country. As was the case with all the states emerging from the Union of Soviet Socialist Republics (USSR), with the exception of Russia, one of the primary goals of US policy at this time was to preserve Kazakhstan's independence and sovereignty, protecting it against a Soviet Union reconstitution. Indeed, Kazakhstan faced a territorial threat from Russia in the early 1990s since its northern regions were adjacent to Russian territory and were sparsely populated, but primarily by ethnic Russians. This threat likely encouraged US-Kazakhstan partnership in many ways, but it would be a mistake to suggest that it was the most important issue in the countries' bilateral relations during the early 1990s.

Rather, two other critical issues dominated the US-Kazakhstan relationship in the first years following independence. The first and most important was related to Kazakhstan's nuclear arsenal. Prior to independence, Kazakhstan had been home to the main Soviet nuclear weapon testing site, and there were allegedly more than 1,400 nuclear weapons on the republic's territory. Thus, with the fall of the USSR, Kazakhstan had suddenly become a de facto nuclear power.

The second issue concerned energy security and Kazakhstan's substantial oil reserves. Kazakhstan had been an important source of oil to the Soviet Union, but experts in the field were convinced that the Soviets' poor drilling technology had only touched the tip of the iceberg in terms of the country's reserves.

Of these two issues, the presence of nuclear weapons was undoubtedly the most pressing when Kazakhstan became independent in 1991. There was grave concern in the international community regarding the stability of the newly independent states in the former Soviet Union, and the United States was particularly concerned about the potential that these new fragile states could enter the world stage as nuclear powers. Even before achieving independence, Kazakhstan had made a mark for itself as

an opponent of nuclear weapons when Kazakhstan's President Nursultan Nazarbayev ordered the closure of the Semipalatinsk nuclear weapon test-site in August of 1991. Still, the United States was unsure how the new state of Kazakhstan would deal with the Soviet nuclear weapons that had been left on its territory following the fall of the USSR.

This issue was of great enough concern to the United States that the then-Secretary of State James Baker traveled to the country's then-capital city of Almaty during the week that Kazakhstan declared its independence. Over the course of that trip, Baker had famously bonded with Nazarbayev, eating at his house, drinking vodka, and sharing a sauna with him. The question of Kazakhstan's inherited nuclear weapons was obviously first and foremost on Secretary Baker's agenda during the trip. While the full extent of the agreements made between Baker and Nazarbayev in December 1991 is unknown, it is widely speculated that at this early stage Kazakhstan had already agreed to relinquish its nuclear weapons, and the US had agreed to assist in the transfer of the weapons and the dangerous materials associated with them.

Indeed, by 1994, Kazakhstan had fully renounced its claim to the former Soviet nuclear weapons on its territory and was working closely with the United States through the Nunn-Lugar Cooperative Threat Reduction Program to move these weapons quietly to Russia.¹ The secrecy that surrounded this operation meant that it was not met with great public fanfare, but it was an enormous accomplishment made possible through US-Kazakhstan cooperation. Furthermore, cooperation has continued between the two states to ensure that Kazakhstan is free from not only nuclear, but also from biological weapons developed under the USSR. In the early 1990s, it was this collaboration on non-proliferation more than anything else that cemented a strong relationship between Kazakhstan and the United States.

Perhaps in part due to the positive experiences of non-proliferation, the United States and Kazakhstan also took substantial strides towards cooperation on energy

¹ The Cooperative Threat Reduction Program is a US-funded program providing former Soviet states assistance in disarmament. It was established in 1992 by legislation, which was sponsored by Senators Sam Nunn and Richard Lugar. Since its inception, the program has helped to deactivate 7,599 nuclear warheads and has established Kazakhstan, Ukraine, and Belarus as nuclear weapons free zones.

issues in the early 1990s. As journalist Steve Levine has so eloquently documented in his book, *The Oil and the Glory*, US interest in Kazakhstan's oil had begun even before the fall of the USSR. The American-based oil company Chevron had already engaged Moscow on the possibilities of exploration in Kazakhstan's Tengiz oil field in the Northern Caspian during the twilight of Soviet power, and Chevron's interests only grew with the establishment of an independent state of Kazakhstan. There also has been speculation that this was another issue on the agenda of Secretary Baker when he visited Kazakhstan in December of 1991.

By early 1992, Kazakhstan and Chevron had already reached an initial deal, giving substantial exploration rights to the US company for Kazakhstan's most established Caspian oil field in Tengiz. Like the collaboration on non-proliferation, the new US-Kazakhstan partnership on oil extraction was seen as a momentous occasion for bilateral relations. The two experiences, however, were also very different.

If the joint work on removing dangerous weapons materials was shrouded in the mystery of national security, the Chevron negotiations were non-transparent for reasons more related to the murky international business world of natural resource extraction. One of the primary actors on the Kazakhstani side, for example, was an American business negotiator of questionable ethics, James Giffen, who was later tried unsuccessfully on claims that he had violated the US Foreign Corrupt Practices Act as a middle-man in negotiations between the Kazakhstan government and US-based oil companies. This court case, which only ended in 2010, became an enduring thorn in US-Kazakhstan relations for the last decade because it directly implicated President Nazarbayev in transnational corruption.

At the same time, even with the assistance of Giffen as a negotiator, it was widely thought that Chevron got the better of the deal with the Kazakhs over Tengiz. As a result, Kazakhstan has frequently reasserted its rights to renegotiate the terms of the agreement and to find other ways to extract resources from Chevron. In this sense, Chevron's work in Kazakhstan, while overall critical to US bilateral relations in the country, has been a contentious issue that has at times also created tension between the two countries.

During the first years of the transition from socialism, the United States had also provided substantial aid to Kazakhstan in the form of technical assistance and financial resources. Yet this aid did not necessarily translate into a positive view of the United States among the country's populace. US assistance in the early 1990s had helped Kazakhstan work through the difficult process of privatization and the adoption of austerity measures, but these efforts put intensive economic pressure on the country's populace over the short-term and contributed to the institutionalization of a large income gap over the long-term. While many of the reforms adopted at this time were critical to Kazakhstan's eventual economic success, they also helped to entrench an elite class, whose rise was not necessarily guided by meritocracy.

Overall, however, the early years of US-Kazakhstan relations should be considered a great success for both countries. The United States was able to establish a close working relationship with Kazakhstan on critical international security and economic issues in a part of the world that was completely new to US diplomats and businessmen. For Kazakhstan, this relationship offered balance to its economic and political dependence on Russia, generated important financial capital at a time of difficult economic transition, and rid the country of weapons of mass destruction that were more liabilities than assets for the new state.

1996-2001: Kazakhstan Emerges as a Regional Leader

By the mid-1990s, Kazakhstan was quickly becoming the leader in Central Asia. Initially after the fall of the USSR, many of the international organizations and businesses founded regional headquarters in Tashkent, the Uzbek capital, but it soon became evident that Uzbekistan was not adopting the economic reforms it required to fully engage the global economy. Thus, Kazakhstan's capital of Almaty de facto became the center for the region's international engagement. Kazakhstan's combination of economic reforms, natural resource wealth, and human resources made it clear by 1996 that it was quickly becoming the regional leader both economically and politically. Furthermore, while Kazakhstan, like most former Soviet republics, suffered from the 1998 Russian economic crisis, the country was in a growth mode that helped it weather the crisis.

In this context, the already strong relationship that the United States had cultivated with the country became all the more important. Being landlocked and dependent on Russia, Kazakhstan's relationship with the United States was similarly critical. As a result, the United States and Kazakhstan continued to cooperate on issues of non-proliferation, the development of the country's vast natural resources, and economic reform.

In the area of economic development, the government of Kazakhstan worked closely with US foreign assistance programs to develop a vastly improved climate for foreign investment, perhaps the strongest domestic banking system in the former Soviet Union, and, by the end of the 1990s, a domestic mortgage market that helped fuel middle-class growth in the country. These developments, along with increased oil revenues, helped Kazakhstan turn the corner on economic development, and the country's GDP real growth rate skyrocketed in 2000 to 10.5 percent, a dramatic increase from the 1.7 percent growth rate of the previous year.

The United States also began collaborating with Kazakhstan on international security issues during this time. With the growing threat of global terrorism emanating from Afghanistan, the United States provided significant technical and financial support to Kazakhstan to improve its border security. Likewise, Kazakhstan became an important member of the NATO Partnership for Peace in the late 1990s, and US bilateral military relations with the country expanded.

However, in the second half of the 1990s, the United States became increasingly concerned about lack of progress on democratic reform and protection of human rights in Kazakhstan. In particular, the US government was concerned about Kazakhstan's decision to not hold presidential elections in 1995 and to hold instead a referendum that would approve Nazarbayev's presidency until the year 2000.

While Nazarbayev used this uncontested mandate to push through some important reforms in the later 1990s, the referendum set a precedent where the president could essentially decree an indefinite maintenance of the political status quo. Around the same time, Kazakhstan greatly hampered the development of independent media and a multi-party political system, strengthened the role of the

president in governance, and reduced that of the parliament. Thus, by the later 1990s, it was obvious that Kazakhstan was not moving quickly towards liberal democracy, unlike the Eastern European countries.

Furthermore, the United States in the late 1990s made promotion of democracy a more central part of its policies throughout the former Soviet Union, Kazakhstan included. The Russian financial crisis of 1998 had shown that economic liberalization without accompanying political reforms and checks and balances created a precarious development path where corruption was difficult to control. As a result, democracy promotion activities increased proportionately to economic development efforts in the US foreign assistance to Kazakhstan, and US diplomats became more assertive in calling on the government of Kazakhstan to account for human rights abuses and restrictions on political competition.

By 2000, this created a new dynamic in US-Kazakhstan relations. Predictably, the Kazakhstani officials did not appreciate criticism from the United States concerning its political system, and the United States became less comfortable with Kazakhstan as a close ally. While these developments did not negate the strong positive relationships between the US and Kazakhstan in the areas of security and economic mutual benefit, they did limit their ability to expand.

The United States was not always willing to defend Kazakhstan in international contexts, fearing that it would be seen as supporting a non-democratic government for economic and short-term security gains. Kazakhstan, in turn, began looking to China as an alternative source of international economic engagement, especially in the oil and gas sector. Thus, in 1997, following years of fruitless discussions between the United States and Kazakhstan about building a pipeline under the Caspian Sea to bring oil directly to Europe while bypassing Russia, China signed an agreement with Kazakhstan to build a new pipeline from the Caspian all the way into China. By 1999, the political relationship between China and Kazakhstan also expanded with the establishment of the Shanghai Cooperation Organization, a regional security institution that has frequently criticized US influence in Central Asia. As a result, by 2001, the US role in Kazakhstan's international relations had decreased significantly in contrast to the immediate aftermath of the Soviet Union's demise.

2002-Present: Kazakhstan's Multi-Vectorialism

In many respects, the September 11, 2001 terrorist attacks on the United States once again changed the context for US-Kazakhstan relations. As was the case with US foreign policy in general after 2001, US policy throughout Central Asia became focused first and foremost on security issues and the global war on terrorism. Having already built up a strong partnership with Kazakhstan on military and security issues, the United States quickly sought support from Kazakhstan and its Central Asian neighbors for the US-led war and reconstruction efforts in Afghanistan. In particular, Kazakhstan had given the United States permission to use Kazakhstan's airspace for flights headed towards Afghanistan, and the United States had stepped up its cooperation with Kazakh security and intelligence on regional anti-terrorism efforts.

While the Afghanistan war and anti-terrorism cooperation have framed US-Kazakhstan relations over the last decade, the United States continued to assist Kazakhstan on economic development issues, and US foreign assistance in the country has even entered into a joint funding relationship with the government of Kazakhstan on economic development projects. Likewise, US-Kazakhstan cooperation continues in the energy sector, both with regards to oil and, more recently, nuclear energy.

In both economic development and energy, it is notable that Kazakhstan's relationship with the United States is less important now to Kazakhstan than it was in the 1990s. Since 1999, Kazakhstan's economic growth has been considerable, with its GDP real growth rate averaging near 10 percent between 2000 and 2007, and the country is now much less dependent on foreign economic assistance. Furthermore, Kazakhstan has increasingly begun collaborating with China in trade and energy exploitation, making the country less dependent on the United States and Russia. While Kazakhstan continues to view its relationship with the United States as critical, President Nazarbayev has embarked upon a more diverse "multi-vector" foreign policy in which the United States is only one of several key players.

This situation has also allowed Kazakhstan to be more assertive of its position vis-à-vis US oil companies involved in the country. In addition to fining US oil companies on the

basis of alleged environmental violations, Kazakhstan forced the western oil companies consortium involved in exploration of the Kashagan field to renegotiate the terms of its agreement with the country ten years after the fact. Likewise, Kazakhstan has unilaterally changed some of the terms of its agreement with Chevron regarding the Tengiz field as well as its terms with western companies working in Karachaganak. Although Kazakhstan supported US interests in the construction of the Baku-Tblisi-Ceyhan (BTC) pipeline (a less ambitious version of the "under-the-Caspian" pipeline), it is clear that the importance of BTC to Kazakhstan had diminished with the completion of the pipeline to China in 2003.

As is the case in many parts of the developing world today, the government of Kazakhstan is more generally finding China to be a partner in development that, unlike the United States, has no concern about the character of its political system. Meanwhile, during the 2000s, issues of democracy and human rights have continually plagued US-Kazakhstan relations. Over the last decade, President Nazarbayev had consolidated his rule in Kazakhstan, and his government had carefully dismantled any credible opposition political force. This situation has only made it more difficult for the United States to engage Kazakhstan as a partner internationally. At the same time, Kazakhstan had become increasingly suspicious of US democracy promotion efforts, particularly after the 2005 color revolutions in Georgia, Ukraine, and Kyrgyzstan. Furthermore, the court case of James Giffen that implicated high-level Kazakh officials in corruption began in 2003 and only ended in 2010, putting further strain on the relationship between the two countries over most of the last decade. While these factors have not overwhelmed US-Kazakhstan relations in the last decade, they have continued the trend from the later 1990s of diminishing the centrality of these relations to both countries.

Kazakhstan and the United States: Looking Forward

After twenty years of positive and constructive engagement that has benefited both countries, the bilateral relations between Kazakhstan and the United States remain critical to both states, yet constrained on both sides. Concerned about Kazakhstan's record in democratic reform and human rights, the United States has stopped short of touting Kazakhstan as a close ally. Concerned about US

criticism of its political system and benefiting from Russian and Chinese support that is not accompanied by such criticism, Kazakhstan has likewise been non-committal concerning its alliance with the United States.

Although this situation may be predictable given Kazakhstan's geographical location (sandwiched between Russia and China), and the difficult geopolitical position this imposes on the country, one can imagine that the next twenty years of US-Kazakhstan relations could bring the two countries closer together and foster a return to the great collaborative successes of the bilateral ties we saw in the early 1990s.

Kazakhstan is likely to retain its position as the leading country in Central Asia into the future, making it an important partner for the United States as it seeks to engage the region's shifting geopolitical relevance. At the same time, Kazakhstan will likely benefit much from close relations with the United States, especially as China expands its influence in Central Asia both economically and politically.

At present, the government of Kazakhstan finds China to be a convenient international partner, but as China becomes the dominant international player in Central Asia, Kazakhstan, in line with its highly successful "multi-vector" foreign policy, will need to find other partners to counterbalance Chinese influence. There remains much suspicion in Kazakhstan concerning China's regional ambitions, and one of the rare substantial public protests in Kazakhstan in recent years focused on China's expanding influence in the country. In this context, the United States will remain critical to Kazakhstan as one of the few potential counterbalances to China's growing power in Central Asia into the next decade.

While lack of democratic political development in Kazakhstan has restrained the bilateral relations between the two countries to date, Kazakhstan's relatively stable state, liberal economic policies, and engagement with the world all suggest potential for the country to yet embrace democratic reforms in the near to medium term. If this were to happen, the United States should be ready to offer the support and assistance that such a transition might require.

As the world becomes more multi-dimensional geopolitically, the importance of Kazakhstan as a global player between Europe and Eurasia is likely to only increase. In that context, there are great mutual benefits to be gained by both

countries in forging a strong and sustainable partnership between the United States and Kazakhstan that is less ambiguous and more reliable. Furthermore, such a relationship remains in reach over the next twenty years given the remarkable strides towards collaboration already made by these two countries. Despite being located literally on the other side of the globe from each other, and having taken divergent paths during most of the twentieth century, the United States and Kazakhstan have found common language on a multitude of issues over the last two decades.

If both countries continue to engage each other, these points of commonality could lay the basis for a strong and lasting friendship of mutual support in the increasingly uncertain context of a globalized future.

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