

THE POLITICAL ECONOMY OF OIL IN KAZAKHSTAN

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ABSTRACT

THE POLITICAL ECONOMY OF OIL IN KAZAKHSTAN

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This thesis analyzes the political economy of oil in the post-Soviet Kazakhstan. After the dissolution of the Soviet Union, Kazakhstan, which is one of the newly independent states of the former Soviet geography, became very popular in the international arena with its hydrocarbon riches. There have been discussions in the scholarly and international political agendas that the country will suffer from the so called “curse” that is associated with the producing states. This dissertation looks at the political, economic and social dynamics associated with the post-Soviet environment in Kazakhstan and the impact of oil revenues on each one of those domains. It discusses Kazakhstan’s political economy by engaging three relevant literatures on the issue. To this end first it is argued that the rentier state model which has been developed based on the experiences of other oil producing states is useful to understand the political economy of post-Soviet Kazakhstan, however it fails to explain its dynamics fully. Therefore, the dissertation engages with post-Soviet transformation as well as critical geopolitics literatures to overcome some of the gaps in the rentier state model. It has been argued that while analyzing the political economy of oil in Kazakhstan it is possible to identify three major trends with regard to the impact of oil

revenues on the post-Soviet environment. The first one of those post Soviet trends is the consolidation of pre-existing institutions and structures. Second one is the restructuring of pre-existing institutions and third one is the creation of new institutions that was not present during the Soviet environment.

Keywords: Kazakhstan, Caspian Sea, rentier state, post-Soviet, oil.

ÖZ

KAZAKİSTAN'DA PETROLÜN EKONOMİ POLİTİĞİ

Kahveci, Hayriye

Doktora, Uluslararası İlişkiler Bölümü

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Bu tezde Sovyet Sonrası dönemde bağımsızlığını kazanmış Kazakistan'da petrolün ekonomi politiği analiz edilmektedir. Sovyetler Birliği dağıldıktan sonra bağımsızlığını kazanan Kazakistan sahip olduğu hidrokarbon kaynakları sayesinde çok kısa bir sürede popüler hale gelmiştir. Akademik ve uluslararası çevrelerde söz konusu ülkenin de diğer birçok petrol üreten devletin petrol gelirlerine bağlı olarak yaşamakta olduğu "lanet"e maruz kalıp kalmayacağı en önemli tartışma konularından biridir. Bu tez Sovyet sonrası Kazakistan'ına ekonomik, siyasal ve toplumsal boyutlardan bakarak bu boyutların her biri üzerinde petrol gelirlerinin etkisini anlamaya çalışmaktadır. Kazakistan'da petrolün ekonomi politiğini anlamaya yönelik üç literatürden faydalanarak bir bakış açısı oluşturulmuştur. Bu bağlamda, diğer petrol üreten devletlerin tecrübelerinden faydalanılarak geliştirilen rantiyeye devlet literatürünün Sovyet sonrası Kazakistan'ı anlamakta kullanışlı ancak yetersiz bir çerçeve oluşturduğu tartışılmaktadır. Bu yüzden Sovyet sonrası dönüşüm ve eleştirel jeopolitik

literatürlerinden faydalanılarak daha kapsamlı bir analiz yapmanın mümkün olduğu ileri sürülmektedir. Bu teze göre, Sovyet sonrası dönemde Kazakistan'da petrolün ekonomi politiğine bakıldığı vakit petrolün bağımsızlık sonrası siyasal, ekonomik ve toplumsal etkilerine yönelik olarak üç eğilimin varlığını gözlemek mümkündür. Bunlardan birincisi daha önce var olan bir takım kurum ve yapıların devamlılığının gözlemlenmesidir. İkincisi, daha önce var olan birtakım kurum ve yapıların yeniden yapılanması ve üçüncüsü ise daha önce hiç var olmayan bir takım kurum ve yapıların ortaya çıkması olarak özetlenebilir.

Anahtar Kelimeler: Kazakistan, Hazar Denizi, rantiyeli devlet, petrol, Sovyet Sonrası.

To
Birikum
and
My Parents

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LIST OF ABBREVIATIONS

AIST	A coalition bloc composed of Civic Party of Kazakhstan and Agrarian Party
BTC	Baku-Tibilisi-Ceyhan Pipeline
CACO	Central Asian Cooperation Organization
CENTRASBAT	The Central Asia Battalion
CIA	Central Intelligence Agency
CICA	Conference on Interaction and Confidence building measures in Asia
CIS	Commonwealth of Independent States
CMAR	Center for Marketing and Analytical Reserach
CPC	Capian Pieline Consortium
CSR	corporate social responsibility
EEC	Eurasian Economic Community
EIA	Energy Information Administration
EITI	Extractive Industries Transparency Initiative

EU	European Union
EMF	Eurasian Media Forum
GDP	Gross Domestic Product
GNI	Gross National Income
FCPA	Foreign Corrupt Practices Act
FDI	Foreign Direct Investment
FIC	Foreign Investor Council
ICG	International Crisis Group
IIDS	Innovative Industrial development Strategy of the Republic of Kazakhstan
IPF	Investment Privatization Funds
IMF	International Monetary Fund
KIOGE	Kazakhstan International Oil and Gas Exhibition
KTI	Kazakhstan-Turkmenistan -Iran Pipeline,
KPA	Kazakhstan Petroleum Association
NATO	North Atlantic Treaty Organization
NGO	Non governmental organization
NF	National Fund

OECD	Organisation for Economic Co-operation and Development
ODHR	Office of Democratic Institutions and Human Rights
OPEC	Organization for Petroleum Exporting Countries
OTAN	Fatherland Party
PARP	Planning and Review Process
PETKIM	Petrokimya Holding A.S.
PfP	Partnership for Peace
PSA	Product Sharing Agreement
TACIS	Technical Assistance for the Commonwealth of Independent States
TCO	Tengiz Chevroil Co.
SCO	Shanghai Cooperation Organization
SSR	Soviet Socialist Republics
SPC	State Property Committee.
UN	United Nations
UNDP	United Nations Development Programme
USAID	US Agency for International Development

USSR	Union of Soviet Socialist Republics
VAT	Value Added Tax
WTO	World Trade Organization

CHAPTER 1

INTRODUCTION

“Grant me this boon then,” Midas cried eagerly, “that whatever I touch may turn to gold.”

“So be it!” laughed the god...

And Midas left his presence exulting to know that henceforth his wealth was boundless.

The Myth of Midas

Terry Lynn Karl,
“The Paradox of Plenty”

State behavior as the rational actors of the international system has been the main subject matter of the study of international relations for a very long time where it still preserves its prime position. Dissolution of the Soviet Union demonstrated to us, the students of international relations that the need to know more about the inside of the state is vital as well for the understanding of international relations rather than accepting the state as a solid “black box”. The impact of the dissolution of the Soviet Union on the study of International Relations was not only about its contribution to the understanding that there is a need to realize the importance of in-state dynamics for better understanding of the state behaviors in international relations. It also offered a wide geographical range of states to the scholarly research with different ethnic, demographic,

geographic and economic realities. What was interesting in terms of these newly independent states was the very fact that they were providing the scholarly interests with the opportunity of examining an new version of political economy which was different from that of Western Europe which come into existence as a result of a “Great Transformation” as Karl Polanyi (1944) puts it that took more than five hundred years.

Although one can argue for the presence of some parallelisms, this new wave of state building was also different from the state building process and political economy in the post-colonial era in several respects. On top of it all it can be argued that the international political and economic dynamics were totally different especially from the post-Second World War environment (Terry, 1993). While many post-Second World War independences in the Middle East and North Africa emerged in a bi-polar world, newly independent states of the former Soviet Union born into a uni-polar world where political and economic liberalism predominates. It has been argued by some scholars that the bi-polar conditions of the Cold War era provided the previous developing states with the opportunity to maneuver, whereas uni-polar international system limited the options of the newly independent states.

Finally, presence of rich hydrocarbon resources in some of the post Soviet states brings in another dimension to their study. Historically speaking the politics of oil producing states is also considered to present specific characteristics. The literature on the so called rentier state offers perspectives on state formation, state structures and state-society relations in these countries. The post-Soviet oil producing states offer a new set of oil producers with different historical, social, cultural and economic backgrounds than the previous oil producers.

This dissertation focuses on one such post-Soviet state, Kazakhstan. It aims to discuss Kazakhstan’s political economy by engaging three relevant literatures on the issue. To this end first it is argued that the rentier state model is useful to understand the political economy of post-Soviet Kazakhstan, however it fails to explain its dynamics fully. Therefore, the dissertation engages with post-Soviet

transformation as well as critical geopolitics literatures to overcome some of the weakness of the rentier state model.

Oil which is a commodity that is vital for the survival of modern societies sometimes can become a curse for those countries that produce it. There is a general agreement among scholars studying oil producing states as regards to the limitations that oil impose on oil producing state. Majority of the literature perceives the presence of oil as a curse to the political, economic and social development of the oil producing states (Auth, 1993, Gelb, 1998; Ross; 1999; Luong & Weinthal, 2001, Bayülgen 2005; Luong & Weinthal, 2006).

The literature on oil producing states is based on case studies especially from the Middle East region where majority of world's oil is located. The inclusion of case studies from other resource rich states of sub-Saharan Africa and Latin America contributed to the development of the body of knowledge on oil producers. Dissolution of the Soviet Union and the establishment of independent states in the Caspian region introduced the oil riches of this region to the world oil market. The Republic of Kazakhstan emerged as the most important oil producing country amongst them.

Analyzing the political economy of oil in Kazakhstan requires one to look at other bodies of literatures than solely looking at the rentier state literature itself. The main reason behind this is the very fact that Kazakhstan presents us a unique example with its social, historical economic and political peculiarities. To this end it has been suggested that in analyzing the political economy of oil in Kazakhstan rentier state model is useful but has the following weaknesses:

First, study of oil producing states needs to be prevented from falling into the trap of not considering the state of affairs during the pre oil boom era of a state. In fact this deficiency of the literature has been criticized by Chaudry (1989). She argued that the analysis of states who are receiving external remittances leaves the "pre-existing strength of the regulatory institutions and entrepreneurial groups" in obscurity (p.107). According to Chaudry any analysis of the impact

of the boom and bust periods on the state capacity requires knowledge of pre-existing nature of institutions. Similarly Crystal (1990) was addressing the articulation of oil into an ongoing process and the problems that it have caused for the institutional structures of the states where resulted in the breakdown of former ruling alliances –especially between leadership and merchants as it did in the cases of Kuwait and Qatar- due to incoming revenues (p. 7). There are more recent articles that address the need to consider pre- oil political economy as well (Smith, 2004; Bayülgen, 2005). However, their major stress is on the state as a single unit of analysis and they do not address the need to look at the nature of decision making and behavior in a predecessor state, such as an imperial or colonial past.

Second, similar to lack of analysis of the pre oil era, Karl (1997) argues that there is a need to look at the “structured contingency” patterns in a particular state. Karl uses the concept of “structured contingency” to define “...the nature of choice, the identities of actors making such choices, and the way their preferences are formed within specific structures of incentives” (Karl, 1997, p.10). I find it useful to borrow Karl’s conception of “structural contingency” while at the same time suggesting to widen its scope as such that it will cover the inherited structured practices in decision making from a predecessor state as well as be in a constant search for such patterns of choices that leadership makes with regards to different contexts.

These first two points are relevant with the fact that in some cases the analysis of the rentier state model can be a-historical. Based on this conclusion it has been suggested that in analyzing the political economy of oil in Kazakhstan the analysis of the Soviet past has to be an important part of the study. Since such an experience has its legacies on economic, political and social dimensions of the post-Soviet Kazakhstan any analysis of the post-Soviet environment would be incomplete without its inclusion. To this end this dissertation engages with the post-Soviet transition and state building literature especially with regard to

the case of Kazakhstan in order to historicize its analysis of the post-Soviet political economy of oil in the country.

Inclusion of the historicity through the study of the legacy of the Soviet past, into the analysis of political economy of oil in Kazakhstan is especially important in understanding the impact of oil revenues on the nature of post-Soviet political, economic and social institutions in the country. Such an approach provides the opportunity to see whether the nature of some of the institutions are completely changed, reshaped or newly created due to incoming oil revenues or they were just continuation of the previously existing structures and practices.

It has been argued that most of the time some of the economic, social and political developments in independent Kazakhstan could be attributed to the presence of oil revenues in the country based on the experiences of other oil producers. However, this might not always be the case. For example, most of the time incoming oil revenues enable producing states to create an economic environment in which they become the dominant actor shaping the economic decision making where independent market forces were prevented from developing. When we look at the case of Kazakhstan we can see that the dominant role of the state in economy was an inherited practice of the Soviet past and rather than creating such an environment oil revenues only helped to sustain the previously existing practices. Moreover, it is usually argued that in oil producing states the high stakes of profit from the oil revenues results in individual temptations to raise personal gains usually through corrupt behaviors. When we look to the case of Kazakhstan we can see that oil revenues again helped consolidation of such corrupt practices which were already active during the Soviet era. Similarly, the lack of political participation is perceived to be an outcome of the incoming high amounts of oil revenues where relieves the state from the need to generate income domestically and distances the leadership and society from each other resulting in increasing political apathy and lack of political participation. In the post Soviet Kazakhstan it is true that there is a

political apathy on behalf of the society, and it is true that it has not been possible to develop a strong opposition culture in the country. However, it would be wrong to conclude that this is because of the incoming oil revenues. The political culture inherited from the Soviet past does not embrace the opposition or participation culture within itself. Lack of opposition and political participation is a common factor in most of the post-Soviet states whether they have oil revenues or not. So in the case of Kazakhstan it would not be fully correct to argue that lack of political participation is an outcome of the post-Soviet oil revenues but rather a consolidation of the Soviet practices.

Third, the literature on “rentier state model” perceives the state as the main unit of analysis where in most cases the fact that it is being an agent of a global structure has been overlooked. Consideration of the global structure most of the time was limited to the dynamics of international oil market and superpower rivalry. To be able to give a wider picture and locate the case of Kazakhstan into global political economic scene I suggest the study of oil producing states could be enriched by the inclusion of the intermingling of the state with the global dynamics. Kazakhstan has come to international arena where interdependence is at its peak, and with such a commodity like oil that serves as the cement of this interdependence and interconnectedness. In this respect any analysis of post-Soviet Kazakhstan immune from the dynamics of global society as well as dynamics of the global arena would be incomplete. It is suggested that having a geopolitical approach to the political economy of oil in Kazakhstan is useful in overcoming this weakness. However one has to note that employing the conventional understanding of geopolitics, as the mere relationship between the geography and the state, in such an endeavor would be similarly incomplete as well. To this end I argue that Kazakhstan’s integration into global political economy could be better understood by borrowing the arguments of critical geopolitics into the analysis of the political economy of oil and its impact on Kazakhstan. While looking at the classical political and statecraft aspects of geopolitics there is a need to look at the emphasis of critical geopolitics

literature on non- state (nongovernmental) aspects of the multi-level relationships that states coexist in current setting of global politics.

To sum up I argue that, to consider the political economy of post-Soviet Kazakhstan without a reference to the effects of globalization as well as the legacy of its past would be incomplete. I believe although it is not possible to understand post-Soviet political economy of the Republic of Kazakhstan only by concentrating on post Soviet political patterns while ignoring the impact of the oil sector, it would be also be misleading and incomplete analysis at a similar degree if we try to explore the process only by looking from the lenses of the “rentier state model”. Similarly I also argue that today it is not possible to talk about any process within a country that can stay completely isolated from the rest of the world and remain immune from the effects of globalization. So I believe that a comprehensive analysis of the post Soviet political economy of oil in Kazakhstani state could only be made by integration of three major aspects: 1) the legacy of the Soviet past; 2) impact of the incoming oil revenues; and 3) the effects of global political economy on Kazakhstan.

In this dissertation the framework for analysis has been developed based on the assumptions of the existing literature on economic political and social dynamics of an oil producing state. Three groups of assumptions have been extracted from the literature. First, economic assumptions can be listed as: 1) The bulk of the source of income for the state is external; 2) Huge amounts of revenues accruing to the state results in elimination of the need to extract revenue from other sources; 3) Income derived from oil must override the other sources of income; 4) Dutch Disease caused by the over valued national currencies become a major problem; 5) Oil revenues make leaderships to take myopic economic decisions and fail in taking decisions that will bring long term development; 6) Changing nature of Private Sector. Second, societal assumptions can be listed as: 1) Society itself gets distorted and involves in a constant search for access to sources of rents; 2) Oil revenues leads to creation of two communities within the state; 3) Oil revenues leads to sustaining of patrimonial society. And the

political assumptions can be listed as: 1) Freed from the need to generate income domestically leaderships of oil producing states feel themselves free to act independent from their populations; 2) Populations of oil producers develop apathy; 3) The oil revenue accruing to the state treasury is concentrated at the hands of a few people where the rest of the society is included into the process during the distribution phase; 4) Leaderships are reluctant to use national myths as a tool of state formation, instead they prefer to develop a patriarchal leadership behavior which becomes a characteristic of the state; 5) Oil revenues lead to increasing need on behalf of the leadership to preserve security both internal and external; 6) Dependence on external sources: vulnerability to outside dynamics.

Based on the framework provided by the rentier state literature this dissertation aims to provide an analysis of the political economy of oil in the case of Kazakhstan. Inclusion of interventions from post-Soviet transition and state building literature as well as from critical geopolitics has been provided in order to be able to show the lines of continuity and change in the post-Soviet Kazakhstan's social, economic and political structures.

The research for this dissertation is composed of both secondary and primary resources. For the secondary resources the research has been carried out in Turkey, the United States and the United Kingdom. In the United States during eight months of visiting scholarship in 2003 at Boston University library research has been carried out at the Harvard and Boston University Libraries. Furthermore during February – March 2005 library research has been carried out at the various libraries of the University of Oxford in 2005. During both of the research visits interviews have been carried out with various academics in those universities who have an interest in Central Asia at different stages of drafting of this dissertation. Finally the field research of the dissertation has been carried out in Almaty, the oil capital of Kazakhstan in three different occasions in 2003, 2004 and 2005. For the provision of primary resource data for the study empirical research have been conducted through consecutive field researches

during December 2003, December 2004 and June 2005 in Kazakhstan through numerous interviews and observations. The interviews have been conducted with policymakers, civil society representatives, local and international representatives of international organizations, local businessmen, foreign businessmen, lawyers, graduate students and academics. The first field trip of ten days stay in Almaty in December 2003 was mainly for initial observations. The second field trip was for fifteen days in Almaty where eight interviews have been conducted with people composed of businessmen, academics, state officials and a journalist. The last field trip was in June 2005 during which twenty two people were interviewed from the business sector, the banking sector, academics (both local and international), lawyers and government officials.

This study consists of two main parts. The first part consists of Chapters Two and Three which aim to establish the framework as well as the background for the analysis of the dissertation. The second part consists of Chapters Four and Five where an analysis of the relevance of the assumptions of existing literature on oil producing state is provided in reference to post-Soviet political, economic, social, and foreign policy dynamics of post-Soviet Kazakhstan.

Chapter Two provides a review of three literatures namely the literature on “rentier state model”, critical geopolitics and post-Soviet state building within which this study places itself. Furthermore it provides the basic assumptions that are derived from the literature and the assumptions of this study in building on existing body of literature.

Chapter Three aims to provide an understanding of the impact of the pre-independence era in Kazakhstan during the Soviet and pre-Soviet times. The primary aim of the chapter is to provide an understanding of structure of the Soviet command system since it forms the basis of the institutional structure that post-Soviet Kazakhstan inherited. Furthermore, this section aims to provide an understanding of the role of Kazakhstan within the Soviet economy. The emphasis will be provided on the nature of different sectors of the economy in

general and oil sector in particular. The focus will be on i) the state of industry; ii) the state of agriculture; iii) the state of public goods and services; and iv) the state of oil sector. Secondly, this section aims to provide an understanding of the impact of the political legacy of the Soviet era on post-Soviet political order of the Republic of Kazakhstan. The emphasis will be on the nature of the political culture with a concentration on i) the Leadership behavior; and ii) Political participation. Thirdly, the purpose is to provide an understanding of the nature of the provision of public goods and services under the Soviet system. The emphasis will be on i) the provision of services such as health and education system, transportation and communications; ii) provision of subsidies in services such as electricity, gas and water; and iii) the level of equality/inequality within different groups of society.

Chapter Four analyses the question of to what extent “rentier model” is capable of explaining the impact of incoming revenues in Kazakhstan by concentrating on the post-Soviet economic and social developments in the country. The purpose of this section is to look at basic assumptions of the “rentier state model” with regard to the economic and social impacts of oil based economy in relation to the dynamics of post independent Kazakhstan. While looking at the compatibility of those assumptions with the case of Kazakhstan it also provides an analysis on case specific peculiarities.

Chapter Five looks at the post-Soviet political and foreign policy dynamics of the Republic of Kazakhstan. In this chapter the analysis departs with the assumptions of the rentier state literature on the post-Soviet political life in Kazakhstan however tried to complete them with the case specific dynamics. Furthermore it analyses the impact of global dynamics that Kazakhstan coexist in order to provide a comprehensive picture of the political economy of oil in Kazakhstan. The purpose of this section is twofold. On the one hand the aim is to provide an assessment of the effects of global political economy on Kazakhstan by concentrating on the assumptions made by “rentier state model” literature. On the other hand it aims to extend the argument by inclusion of the

role of governmental and non governmental organizations active within the republic

CHAPTER 2

LITERATURE REVIEW AND THE ASSUMPTIONS OF THE DISSERTATION

2.1. Introduction

Any attempt to study the impact of the hydrocarbon revenues on political economy of the post-Soviet Kazakhstan is challenged by the overlap of various disciplines. On top of all comes the literature regarding the rentier states, which is a term that is used to define a state emerging as a result of a particular economic conditions which resulted from the dependence on a single natural resource results in the emergence of a particular kind of state which has similar behaviors in various parts of the world. Due to the presence of invaluable hydrocarbon reserves scholars of oil producing states could not refrain from comparing Kazakhstan to the rest of the oil producers. Based on the literature available on the oil producing states recently scholars like Luong (2000) and Karl (2000) argue that Kazakhstan is following a similar pattern in the post Soviet environment to those of other oil producers in the Middle East, sub-Saharan Africa or Latin America. They are suggesting that the case of Kazakhstan can be another testing ground for the “rentier state model” bearing

in mind the fact that the country is already showing the signs that it is suffering from the “paradox of plenty” (Karl, 1997) .

Secondly such a study is very much related with the globalization studies in International Relations as well as in International Political Economy which can be regarded as a sub discipline within the body of International Relations. Studies on oil itself, as a valuable strategic, political and economic commodity, occupies a central place in the literature of globalization and geopolitics. Integration of this issue specific body of literature to this study is especially important in terms of analyzing the impact of hydrocarbon revenues on the integration of Kazakhstan within the global political and economic system.

Thirdly, the study of political economy process in Kazakhstan is very much related with the literature dealing with the experiences of other post-communist and post-Soviet states in transformation to liberal democracies and market economy while dealing with the challenges of the task of state building. One can go through the body of literature available on the Soviet background and post-Soviet patterns of state behavior in order to explain the transformation process of Kazakhstan. However, most of the time one would realize that those studies are mainly concentrating on general patterns of post Soviet behavior, which is coupled with the legacies of the past and can not escape from falling short in referring to peculiarities of Kazakhstan’s political economic development influenced by the incoming foreign capital due to oil exports in the Post-Soviet environment.

The purpose of this chapter is to depart from the available literature on oil producing states which is called the “rentier state literature” and derive specific assumptions provided by proponents of the literature. Furthermore, it will be argued that a mere concentration on “rentier state literature” would be insufficient to explain the political economy of current day Kazakhstan and there is a need to incorporate and borrow from other bodies of literature as well such as on geopolitics and post-Soviet state building.

2.2. Hydrocarbon Revenues and the State

Although the concept of rent is not a recent phenomenon in the study of economics, it acquired different meanings with the increasing influence of oil on the functioning of international political economy. As early as in the writings of Adam Smith and David Ricardo, economists thought and wrote about the rent factor in an economy. The issue of the impact of hydrocarbon revenues which have an extremely high economic, political and strategic value has become one of the thought provoking subject matters of the study of international political economy of the 20th century.

Especially with the World War I, oil proved to be a very important strategic commodity. Its impact on the nature of war brought a new dimension to the fighting which was previously fought among men. Now, technological advances which are mainly the outcomes of the advent of oil and internal combustion engine led to a change in the nature of land, sea and air transportation that brought a change in the means of fighting itself as well (Yergin, 1992). Throughout the twentieth century the advent of oil had impact on international system on two levels: system level and the unit level. At the first level the stress is on its impact on the changing nature of the international system in the post Second World War era. The second level is the impact of the revenues derived from oil on the nature of the state formation processes of the mainly poor developing countries, especially after the Second World War.

The emphasis of this section is going to be on the latter level which will provide an analysis of the existing literature on the impact of hydrocarbon revenues on the nature of producing states. Such a literature review will form the theoretical basis of the research on Kazakhstan. It is assumed that Kazakhstan as a newly independent oil rich state will provide a useful case study for testing the existing theory on the impacts of hydrocarbon revenues on the nature of the state. Furthermore, there will also be an emphasis on the international level impact of the oil as a strategic, political and economic commodity for the integration of Kazakhstan to the rest of the world.

Initially one needs to look at different concepts that are being used by the scholars dwelling on the hydrocarbon revenues accruing to the states. Despite that fact that there is an important body of literature on the issue it is not possible to argue that there is a complete agreement on the issues discussed although one can not reject the presence of overlaps. Interestingly enough scholars studying the impact of hydrocarbon revenues on the nature of state could not come up with a unified identification of the particular type of state behavior that emerges as an outcome of the rent revenues derived from natural resources.

One of the first and most used terms for defining the nature of oil producing states is the concept of “rentier state”. Initially used by Hossein Mahdavy in an article of 1970 in which he was trying to define the nature of the Iranian state (Mahdavy, 1970). After Mahdavy several authors such as Hazem Beblawi used the concept where most of the time admitting that their usage of the concept was because of the lack of a better one (Beblawi, 1987).

In his article “The Rentier State in the Arab World” Hazem Beblawi argues that “the term ‘rent’ is reserved for the ‘income derived from the gift of nature’” (Beblawi, 1987, p. 49). According to him it is possible to detect the presence of rent factor in every single economy. However what makes oil producing states interesting, is the percentage of the rent income vis a vis the other sources of income in an economy. This particular characteristic of the oil producing states makes them unique cases requiring special treatment different from other developing countries. Although oil producing states has different geo-political, economical and historical backgrounds the very fact of presence of rent income derived from a gift of nature makes them useful cases and eligible samples for the comparison of their political and economic processes. Because despite the fact that they are from different geographical regions let it be Middle East or Latin America, the impact of the hydrocarbon revenues made them to face similar challenges.

It was argued that the presence of a dominant rent factor in an economy leads to the emergence of a particular type of mentality within a society. That mentality is called the '*rentier mentality*' (Beblawi, 1987, p. 52), which also forms the basis of the concept called "rentier state".

The basic assumption about the rentier mentality and that which distinguishes it from conventional economic behavior is that it embodies a break in the work-reward causation. Reward –income or wealth– is not related to the work and risk bearing, rather to a change or situation. For a rentier, reward becomes a windfall gain, an *isolated* fact, situational or accidental as against the conventional outlook where reward is integrated in a *process* as the end result of a long, systematic and organized production circuit. The contradiction between production and rentier ethics is thus glaring (Beblawi, 1987, p. 52).

Secondly, scholars like Giacomo Luciani (1987) and Dirk Vandawalle (1998) find it much more appropriate to use the concept of 'allocation states' instead of the rentier state because of the fact that the mere function of the state is to distribute the revenues accrued externally to the state treasury.

Rather than using the concept of rentier state Luciani makes a differentiation between two forms of state as the basis of his argument in explaining the "strong decisive influence [of oil] on the nature of state" (Luciani, 1987, pp. 68-69). He argues that by looking at the nature of the state revenues it is possible to separate states into two categories. The first group is "exoteric states –being states predominantly based on revenue accruing directly from abroad–" and the second group of states are " 'esoteric states' –predominantly based on domestic revenue and taxation." (Luciani, 1987, p. 69) Furthermore, Luciani suggests a second way of making distinction among states other than looking at the nature of the state itself. It was argued that one also needs to look at the functions performed by the state. Such an approach would provide us with means to make a division among states by looking at the mere functions a state performs which are allocation, production and reallocation.

Departing from a function based approach, Luciani identifies two forms of states. Those two forms are “allocation states” and “production states”. As previously mentioned allocation is one of the normal three functions of the state. However, what makes allocation function a special characteristic of the oil producing states is the nature of the allocation function itself. It was argued that contrary to a balance of all state functions for those states that are dependent on the rent income derived from the sales of natural resources allocation is the only function that they perform. Furthermore, it turns out that the process of allocation becomes the only relationship that they have with their domestic economies (Luciani, 1987, p. 70).

Vandawalle uses the concept of distributive state to define “states that do not rely on local extraction of revenues and that spend inflows of capital generated by commodity sales as their primary economic activity”. He explains his preference for using distributive state by arguing that it is a useful concept which is incorporating various important issues in comparative politics discipline as well as in Third World Politics (Vandawalle, 1998, p. 7).

The conceptions of rentier state and allocation state are not the only terms that are used to define the particular character that develops in the oil producers. Due to the distribution function of the state Delacroix (1980) prefers to call them distributive states, on the other hand due to the fact that resources bringing external revenues are extracted from sources like mines Terry Lynn Karl (1997) calls them extractive states. The concept of petro-states is also used by Karl (1997, 1999) in order to define the states that are primarily dependent on the exploitation of a single exhaustible commodity more than any other state. The commodity that is highly capital intensive, rent generation and dependent on a small circle in the state. Presence of all these factors together presents a challenge over successful economic and political development.

This main patterns of oil exporters flow directly from such properties: the over-reliance on petroleum revenues as a mainstay of virtually all economic activity, which tends to put the needs of the oil industry above else; the lack of productive linkages and the

dominance of fiscal ones; the extreme partiality for highly capital intensive heavy industry coupled with a structural bias against agriculture and other export activities; the perceived necessity to accelerate development very rapidly “before the oil runs out”; and the primacy of the state in the ownership and disposition of oil revenues (Karl, 1999, ¶ 7).

Literature on oil producing states suggests that whether one prefers to call them rentier states, allocation states, exoteric states, oil exporting countries, distributive states, extractive states or petro-states all end up with similar characteristics and performing similar reactions during the crisis times.¹ Karl explains this similarity in the behavioral outcomes of petro-states as “the puzzle of the paradox of plenty”. What she means by that is the fact that despite their differences in “geo-strategic consideration, social structure, culture and size” the leaderships of oil exporting countries “choose common development paths, sustain similar trajectories and produce generally perverse outcomes. Instead of economic efficiency or political learning, petrodollars are substituted for statecraft” (Karl, 1999, ¶ 15).

One of the very frequently used examples for such similar behavior is the times of oil booms and the dilemmas that they created for producing states which is named as “Dutch Disease”. Generally speaking the concept of “Dutch Disease” is used to define the situation where the discoveries of natural gas reserves in nineteen sixties had adverse effects on Dutch manufacturing due to “subsequent appreciation of the Dutch real exchange rate” (Cordern, 1984, p. 359). Bruno and Sachs (1982) defines Dutch Disease as the systematic effect of wealth increase as a result of high oil prices or resource discoveries that influence allocation of resources to different sectors in the economy (p. 845). This shift usually represents itself in the shift from production of tradable goods to non tradable goods sector. The diminishing capacity of tradable sector in this context has become known as the “Dutch Disease”(Bilgin, 2005b, 97-105).

¹ Throughout this study the terms of allocations states and rentier states will be used interchangeably.

Dutch Disease which initially became a phenomenon of the natural gas sectors of Netherlands recently turned out to be a phenomenon that oil producing states are familiar with. During the times of two major oil booms of 1971 and 1979 leaderships of the oil producing states could not avoid falling into the trap of Dutch Disease by performing similar behaviors with their counterparts. Issue of Dutch Disease for a rentier state is a very important challenge that newly independent Kazakh state might find itself into. That is why the threat of Dutch Disease is one of the most repeated warnings of the scholars and policy makers to the Kazakh leadership.

An answer to the question of what is a rentier/allocation state can be given with a synthesis of the characteristics that has been provided by several authors. Firstly it can be argued that although every economy has a rent factor in itself what puts rentier states aside is the very fact that when compared to other elements of the economy rentier states are the ones in which rent factor predominates over others (Beblawi, 1987; Luciani, 1987). Giacomo Luciani(1987) argues that it is possible to call an allocation [rentier] states to “all those states whose revenue derives predominantly (more than 40 percent) from oil or other foreign sources and whose expenditure is a substantial share of GDP” (Luciani, 1987, p. 70). Furthermore while talking about the rent income derived from a gift of nature one has to keep in mind Luciani’s argument on this matter. According to him for a state to be rentier the revenue from external sources does not necessarily have to come from hydrocarbon resources. There can be other sources of revenue than hydrocarbon resources that is accruing to the state treasury in a rent like manner. One can give the example of extensive amounts of foreign aid here as well (Luciani, 1987, p. 68).

A second characteristic of a rentier/allocation state is the reliance of its economy merely on external rent. The very fact of this rent income comes from an outside source make a state to develop a rentier mentality that results in the formation of rentier state. Luciani (1987) stresses that the importance of the external nature of the income derived from the rent come from the fact that the

external nature of the revenues frees the state from tax collection (p. 69). It is usually argued that in the absence of income through taxation and the need to raise income domestically the regime in the rentier/allocation states democracy is not a problem (Luciani, 1987, p. 74). Because it is argued that there is “no representation without taxation” (Luciani, 1987, p. 75). One way or the other leadership manages to overcome the criticisms that way occur against them.

What is the difference between external and internal rent present in an economy then? Beblawi (1987) argues that sometimes it is possible to talk about the presence of substantial amounts of internal rents within an economy. However presence of substantial internal rents in an economy is not a messenger of that economy being a rentier one but of the presence of a strong rentier class or group. Furthermore author argues that presence of internal rent requires the presence of a productive class as well which is not necessary to be present in the rentier economies (Beblawi, 1987; Luciani, 1987).

Third characteristic of a rentier state is the involvement of only a few in the generation of income derived from external sources. This means in a rentier state where the few involved in the generation of oil wealth “...the majority being only involved in the distribution or utilization of it” where this leads us to define the rentier economy as an “economy where the creation of wealth is centered around a small fraction of the society is only engaged in the distribution and utilization of this wealth” (Beblawi, 1987, p. 51). While saying this Beblawi makes a distinction between a rentier state and a rentier economy. He argues that a rentier state and a rentier economy has to be differentiated because the concept rentier is a restrictive definition that says little about economy, that is why a rentier state can only be defined as a “subsystem associated with a rentier economy” (Beblawi & Luciani, 1987, p. 11). This leads to development of a kind of “patrimonial non-national” state because such a system restricts the number of the people who can influence decision making. Luciani (1987) argues that “allocation states does not need to refer to a national myth and as a matter of fact, will usually avoid doing so. A national myth, when

it coincides with the boundaries of the country itself may be interpreted as a basis to claim a say in the allocation process” (p. 75). Furthermore, as another setback of the regime emerges in such states, Vandawalle (1998) argues that in distributive states “oil revenues allow local rulers to skip the historical extractive process typical of productive economies” (p. 8).

As the fourth characteristic of a rentier state, one can argue that in rentier states the government itself is the principal recipient of the external rent accruing to the economy. Luciani (1987) argues that if the income derived from rent does not accrue directly to the state it is not possible to talk about the presence of a rentier state. The importance of these characteristics comes from the very fact that it directly influences the state society relations. Beblawi (1987) argues that “... the ‘economic power’ thus bestowed upon the few would allow them to seize ‘political power’ as well, or else induce the political elite to take over the external rent from them without major political disruption” (p.52).

As a fifth characteristic it is possible to suggest Vandawalle’s (1998) argument on the nature of the state institutions in distributive states. It was suggested that the unique characteristics of such state institutions are determined by the nature of the income of the state in question. He argues that in distributive states, state institutions are performing a premature function compared to the states in the West, since state building in the West is mainly evolved relying on the domestic sources of revenue where state “mechanisms by which the administrative capability of public life is organized, maintained, and extended... through extractive regulatory, distributive and redistributive bureaucratic institutions” (Vandawalle, 1998, p. 7). Nevertheless, regulatory institutions in an oil producing state develop in an unusual way. This irregularity presents itself in the fact that in a distributive state, “state and local institutions emerge not to extract wealth but to spend it in a peculiar fashion” (Vandawalle, 1998, p. 7).

2.3. Assumptions of the “rentier state literature”

Through an analysis of the literature on oil producing states it is possible to come up with a list of assumptions derived from the “rentier state literature” that can be used as tools to test their presence in any oil producing state. I suggest that those assumptions can be useful tools in understanding the impact of oil in post-Soviet Kazakhstan and whether it is capable in explaining the post Soviet policy choices of the Kazakh leadership. To this end three sets of assumptions have been extracted from the literature: 1) Economic Assumptions; 2) Social Assumptions and 3) Political Assumptions.

2.1 Rentier Effect : Economic Assumptions

In the domain of economics as a result of the molding of the literature on oil producing states it is possible to come up with six economic assumptions:

- *Assumption 1: The bulk of the source of income for the state is external.*

The very fact that the majority of the oil resources are exported and not consumed within the state forms the gist of the “rentier state model”. Literature suggests that one of the major reasons for the emergence of rentier behavior is that fact that sizeable amount of revenues that oil producing states receive are from external sources. Those are the revenues acquired in return for purchasing of hydrocarbon resources where domestic production processes does not take part in this process (Mahdavy, 1970, p. 429; Beblawi, 1987,p. 51; Luciani, 1987, p. 69; Abdel Fadil, 1987, p. 83). The externality of revenues in return causes a dependence on behalf of the state on outside dynamics.

- *Assumption 2: Huge amounts of revenues accruing to the state results in elimination of the need to extract revenue from other sources.*

Incoming revenues result in elimination of the extractive capacity of the state and contribute to development of its distributive capacity into a gigantic shape. External nature of incoming revenues accruing directly to the state treasury makes the state “main intermediary between the oil sector and the rest of the economy” (Abdel Fadil, 1987, p. 83). This intermediary role usually takes the shape of distribution of revenues. Development of a primarily distributive role for the state has the following consequences: 1) The elimination of the need for extracting domestic revenues through taxation leads to mal-development of an effective administrative system with the capacity to tax; 2) State becomes the main employer in the economy which results in rapid expansion of the public sector (Mahdavy, p. 432; Beblawi, 1987, p. 56); 3). The distributive function of the state in many cases reflects itself in initiation of large scale public spending programmes developed by the leaderships. Since the leadership was relieved from the burden of tax collection and other forms of domestic income rising, their large budgeted public spending programmes receives almost no opposition from their people since it was not them who are paying for these projects (Mahdavy, 1970, p. 432); 4) In addition to public spending programmes on huge infrastructural projects, it is also possible to mention the provision of public goods and services to the society. Especially during the eras of oil booms it is possible to find out programmes that provides subsidies in services such as electricity, telecommunications and transportation. Furthermore public goods such as quality schooling and health services are provided as well (Chatelus, p. 112; p. 132). Abdel Fadil (1987) argues that “the reasons for this is that such infrastructure fulfils immediate needs related to consumption activities in the oil rentier states” (pp. 84-85); 5) Elimination of domestic income generation institutions creates a challenge to be faced during the crisis era since the external revenues constitutes the main power base of the leadership to balance between different interest groups within the society (Mahdavy, 1970, p. 467).

- *Assumption 3: Income derived from oil must override the other sources of income.*

Literature suggests that the incoming oil revenues in huge amounts results in elimination of partly and in some cases completely of all other sources of income to the state and domination of oil rents over other sectors of the economy (Mahdavy, 1970; Beblawi, 1987, p. 51). In order to be able to think of applicability of the rentier model to a state one needs to bear in mind the fact that oil revenues must represent the majority of budget revenues of a given state (Beblawi, 1987, p.53). It was argued that it is very important to consider the percentage of such income vis a vis the rest of the sources of income of the state. Luciani (1987) suggests that countries who can be called as distributive (or rentier) states are "... all those states whose revenue derives predominantly (more than 40 per cent) from oil or other foreign sources and whose expenditure is a substantial share of GDP" (p. 70).

- *Assumptions 4: Dutch Disease caused by the over valued national currencies become a major problem.*

It was suggested that incoming foreign revenues lead to abundance in the market and overvalued the indigenous currencies. This situation is further complicated by leadership's reluctance to devalue their currencies because of their need to "maximize their foreign exchange receipts from the local expenditures of the oil companies" (Mohdavy, 1970, p. 436). This in turn results in decline of investment sources into sectors of the economy other than oil. It was argued that incoming oil revenues provoke the development of oil related services sector. Those are basically directed at satisfying the needs of oil companies. Those services usually take the form of building accommodation services, construction of pipelines and storage tanks (Abdel Fadel, 1987, p. 85).

- *Assumption 5: Oil revenues make leaderships to take myopic economic decisions and fail in taking decisions that will bring long term development.*

Huge amounts of oil revenues mislead the leaderships in oil producing states and most of the time creates a mind set that this will continue for ever. In such an environment leaderships fail to take decisions that will have long-term implications. They rather concentrate on short term issues which will provide them with the basis for the continuation of their legitimacy. Mahdavy (1970) calls this “myopic” development planning. He argues that “instead of attending the task of expanding the basic socio-economic transformations, they devote the greater part of their resources to jealously guarding the status quo” (Mahdavy, 1970, p. 443). Most of the time huge projects on the industrialization fails and spending are wasted (Chatelus, p. 112).

Industrialization ideology of rentier states is very much influenced by the political considerations of the leadership rather than economic ones. Chatelus argues that “to a large extent, oil states tried to buy legitimacy through conspicuous spending on spectacular industrial schemes” (Chatelus, p. 121).

- *Assumption 6: Changing nature of Private Sector.*

It is suggested that the leaderships of rentier states tend to develop particular class structures. The class of private owners is one of those classes. Crystal (1997) argues that leaderships of rentier states tend to produce a class of private owners (p.146). Whether they are called merchants or entrepreneurs those were created through the kinship networks.

2.2 Rentier Effect: Societal Assumptions

With regard to the society the literature on oil producing states comes up with three assumptions that can be used as tools for analyzing the impact of oil on an oil producing state's society.

- *Assumption 1: Society itself gets distorted and involves in a constant search for access to sources of rents.*

Literature suggests that citizens of oil producing states develop characteristics that makes them to get into constant search for getting access to rent distribution network rather than developing skills that will make them to reach productive capacities (Chatelus, p. 111). It is possible to observe cases in countries such as Saudi Arabia where the citizenship itself became a rent generating factor. Furthermore, it was argues that oil revenues and the need to distribute them within the society results in creation of a second wave of rent factor within the economy of a particular state. Beblawi (1987) calls this "second order rents" (p. 56). Mainly those were grouped under two categories: "real estate" and "stock market speculation". (Beblawi, 1987, p. 56).

- *Assumption 2: Oil revenues leads to creation of two communities within the state.*

Literature suggests that in most of the rentier states it is possible to talk about the presence of two social communities. First group is the citizens of the state where some way or another became associated with the web of benefit distribution. Acquisition of benefits from the state is not the only rent type that citizens of oil producers gain. In some cases their title to citizenship create other sources of rent income such as in the cases of the need of foreign investors to have a citizen as partner in order to be able to start a business in that country. The second group is the ones who are composed of expatriates who are the workforce bound by "work-reward causation" (Beblawi, 1987, P. 59).

- *Assumption 3: Oil revenues leads to sustaining of patrimonial society.*

Literature suggests that oil revenues help to preserve patrimonial society. In the cases of Middle eastern oil producing states, traditional societies does not need to go through a transformation which are usually associated with the capitalist or socialist states where requires participation of women in the workforce as well. This results in continuation of patrimonial ties and low participation of women in workforce (Mahdavy, 1970, p. 444)

2.3 Rentier Effect: Political Assumptions

As for the impact of oil revenues on the nature of political life in an oil producing state it is possible to list six assumptions. Five of them is mainly concentrating on the domestic political dynamics and the sixth one on the state's relationship vis a vis to the outside world.

- *Assumption 1: Freed from the need to generate income domestically leaderships of oil producing states feel themselves free to act independent from their populations.*

Literature suggests that oil revenues enables leaderships of the producing states to act independently without facing major challenges to their decisions. Most of the time the leaderships only develop expenditure policies rather than comprehensive economic policies that will satisfy different forces functioning in the economy. What happens in the end is that elimination of checks and balances mechanism that will bring citizen's influence in decision making. The lack of such a mechanism brings us to the argument that democracy is not a problem of rentier states. Generally speaking, in rentier states it is only elite interests that are being represented but not the interests of average citizens. Experience with the Arab world suggests that parties with a cultural or ideological background are established, such as Islamic fundamentalist groups. Opposition to the leadership may develop of course but most of the time they are not strong enough to bring up change. Even if they success to overthrow the

political leadership, most of the time they fail to bring any change towards a more democratic one but remains only as a shift towards a new institutional set up (Luciani, 1987, p. 75)

- *Assumption 2: Populations of oil producers develops apathy.*

Literature suggests that in oil producing states where leaderships are relieved from tax collection and people are relieved from tax paying, most of the time it becomes an inevitable process among the society to develop and a political apathy vis the ill planned spending policies of the leadership (Beblawi, 1987, p. 53). This apathy is very much associated with the motto ‘no taxation no democracy’. Since elite interests become predominant in determining state policies of distribution people loose their hope and demand for change as long as they are part of the distribution chain.

- *Assumption 3: The oil revenue accruing to the state treasury is concentrated at the hands of a few people where the rest of the society is included into the process during the distribution phase.*

This involvement of the few is also due to the fact that hydrocarbon sector is a “highly automated business” and local work force usually does not take part and does not have the necessary skill to take part in the production. The distribution of revenues are within the responsibility of the leadership where they use this power as a tool to preserve stability and maintenance of solidarity among its citizens within the state (Luciani, 1987, p. 67). However, most of the time the rate of distribution within the society is very much tied to the ruling elite where results in creation of income gap within the society. The difference in the amount of share that people will receive from incoming revenues is very much tied to the web of special social and economic interests. Consideration of this web by the leadership results in the creation of new and various layers of beneficiaries within the society. In many cases where tribal and kinship relations are present this web of beneficiaries becomes very much tied to those relations as well. In the end “the whole economy is arranged as a hierarchy of

layers of rentiers with the state or the government at the top of the pyramid, acting as the ultimate support of all other rentiers in the economy” (Beblawi, 1987, p. 53) In most cases the government expenditures through giant public projects concentrates on few cities where results in creation of regional inequalities and wide gaps among different sections of the population (Mahdavy, 1970, p. 437).

- *Assumption 4: Leaderships are reluctant to use national myths as a tool of state formation, instead they prefer to develop a patriarchal leadership behavior which becomes a characteristic of the state.*

Literature suggests that contrary to the usual practice of state formation in newly independent states leaderships in oil producing states tend to ignore the use of national myths. This could also be perceived as a deliberately avoided policy because a national myth might be perceived as a basis for raising claims by all groups within the boundaries of the state in order to take their parts in distribution of revenues. Instead leaderships prefer to preserve “patrimonial non-national” states which allows only few to have a say, where any opposition can be blocked and kinship networks can be used as the means of distribution (Luciani, 1987, p. 75).

- *Assumption 5: Oil revenues leads to increasing need on behalf of the leadership to preserve security both internal and external.*

It is suggested that incoming oil revenues makes leaderships to spend more on preservation of security. Most of the time the security spending was made having two considerations in mind: external and internal security challenges. Literature suggests that there is a tendency of rising domestic security challenges to the leaderships especially regarding their distribution preferences. It was suggested that emergence of such an opposition is primarily valid for states who have low levels of oil revenues when compared to states like Saudi Arabia and Kuwait (Ross, 2001). Furthermore, preservation of natural resources

becomes a national security priority of leadership as well because this would mean the preservation of the sustainability of their state and power.

It was suggested that effects of Oil boom is also reflected in the security spending of oil producers. During the phases where huge revenues accruing to the state treasury, leaderships of oil producers feel the necessity to preserve their power and tend to spend more and more on national defense as well as internal security programmes (Abdel Fadil, 1987, p. 84).

- *Assumption 6: Dependence on external sources: vulnerability to outside dynamics.*

It is suggested that in previous studies that, the very fact that the sources of income creates dependence on external sources for the provision of revenues as the support base of their authority and the state. This has two consequences. Where on the one hand the leadership is cut off from the need to generate income domestically, on the other hand the power base of the state becomes vulnerable to the outside dynamics where in many cases it has no control over it. Most of the time oil exporting countries have only very limited or no control at all over those external dynamics (Abdel Fadil, 1987, p. 83).

2.4. Globalization: Geopolitics and Global Society

The literature on “rentier states” perceives rest of the world as buyers of the resources and overlooks the global dimension of oil in a wider context. Departing from the of the assumption of the “rentier state model” regarding the external world where the model perceives as a relationship that is marked by vulnerability and dependence, I suggest that there is a need to look at Kazakhstan’s relations with the outside world through the prism of interdependence and cooperation.. To be able to give a wider picture and locate the case of Kazakhstan into global political economic scene I suggest borrowing

arguments of critical geopolitics as well in understanding Kazakhstan's integration to global political economy.

In his book "Geopolitics, Re-visioning the World Politics" John Agnew (1998), through the lenses of a historical approach, tries to make an assessment of the "beginnings and development of the modern geopolitical imagination by exposing its component parts and showing how they came under different material conditions and as a results of contestation to produce a succession of different geopolitical epochs" (p.125). While doing so he stresses the influence of European-American experience and its impact on the rest of the world in the task of imagination of geopolitics within different historical episodes.

Agnew suggests that before trying to understand the post-Cold War geopolitical dynamics students of the world politics has to distance themselves from systematic of the previous imagination of geopolitics. He suggests that in order to come up with a new imagination of the geopolitics of the post-cold war era immune from the cause and end relationships of the past he/she has to reject "...both the status quo and the search for a 'new' geopolitical imagination that simply builds on the old foundations" (Agnew, 1998, p. 127).

Agnew identifies three ages of geopolitics starting with the late 18th century till the dissolution of the Cold forming the old foundations of geopolitical imaginations. The first age of geopolitics named is the "civilizational geopolitics" where marked by the hegemony of British economic strength during the 1815 and 1875 (Agnew, 1998, p. 88). The second age of geopolitics according to Agnew (1998) is the "naturalized geopolitics". This age is constituted of time span starting from the late nineteenth century where British power became to be challenged by other European industrial powers till the end of the Second World War (pp. 94-105). The third age is the "ideological geopolitics" which covers the Cold War era (Agnew, 1998, pp.105-119).

Agnew argues the previous three ages of geopolitics to adopt to the changing dynamics of international setting.

The first was based rather more on a sense of the opposition between European and other spaces that was taken as justifying European predominance. The second focused particularly on the exclusive claims to territory and empire of competing states whose interests were economic and whose identities were racial. The third rested on the competing models of modernity offered by the United States and the Soviet Union, two states whose histories of expansion and internal organization differ profoundly from those of the classic European powers (Agnew, 1998, p. 123).

What was problematic in all three ages was the presence of structural continuities in each one of them that restricts the horizons of the study of world politics. Every new imagination has been based on old principles like the supremacy of states as the basic actors, dichotomy between developed and backward regions and the like, where could not go beyond the reproduction of discussions similar to previous ages (Agnew, p. 121). He suggests that what we need for the new imagination of geopolitics is something that is not restricted with the conceptual boundaries of the past, but a new geographical imagination that goes beyond the state as a single unit but tries to understand the influences of social, international organizational, regional and local dynamics as well (Agnew, p. 127).

In 1996 a special double volume has been published by the *Political Geography* journal on “Critical Geopolitics” under the guest editorship of S. Dalby and G.Ó. Tuathail with the purpose of problematizing “the use of geographical knowledge in various orders of power and space” where they call this attempt a critical approach to geopolitics (p.451). This double issue addressed the conventional understanding of geopolitics as “a convenient fiction” making various combinations of studies of geography and politics. The collection of articles by different authors prepared for the volume addresses the act of “ideological production and reproduction” of prevailing imagination of geographical issues with political dynamics by putting the state at the center of analysis which mainly presents a barrier in front of new a political imagination.

Two years after the *Political Geography* volume Tuathail and Dalby (1998) published their seminal book “Rethinking Geo-Politics: Towards a critical

geopolitics” where they make an attempt to come up with the major assumptions of the scholars looking for a “critical geopolitics”. They argue that the literature on critical geopolitics which is a phenomena of late 1990s revolves around five main arguments. First, it is suggested that geopolitics is very much influenced by the realist line of thought in International Relations theory and perceives the scope of the study merely as statecraft affairs with a wise men approach. What proponents of “critical geopolitics” suggest is to break the statecraft chain of the analysis and to look at affairs from a wider perspective. It is argued that “critical geopolitics confronts and analyses the *geopolitical imagi-nation* of the state, its fundamental myths and nationalist exceptionalist lore” (Tuathail and Dalby, 1998, p. 3). This could also be perceived as bringing constructivist approach from International Relations theory into the study of geopolitics. Secondly it was argued that study of geopolitics should be considered within a ‘plurality of space’. It is suggested that “critical geopolitics is not about ‘the outside’ of the state but about the very construction of boundaries of ‘inside’ and ‘outside’, ‘here’ and ‘there’, the ‘domestic’ and the ‘foreign’(Tuathail and Dalby, 1998, p. 4). It is argued that making of foreign policy of states is very much determined by how states define themselves. The third argument of critical geopolitics is the need to complement the study of geopolitics with an understanding of “a broad social and cultural phenomenon”. Such an approach will save geopolitics from being a singularity and make it a plurality of “decentered set of practices with elitist and popular forms of expression” (Tuathail and Dalby, 1998, p. 4). Fourth argument of critical geopolitics is against the ‘objectivist perspectivism’ of the classical geopolitics. Because it is argued that the study of geopolitics can not be ‘politically neutral’ (Tuathail and Dalby, 1998, p. 5). It is argued that almost all of the classical geopolitics literature are forms of interpretations bound to political discourses that they are being produced however denying to do so. To this end it was suggested by the proponents of ‘critical geopolitics’ that their response would be to “...insist on the situated, contextual and embodies nature of all forms of reasoning” (Tuathail and Dalby, 1998, p. 6). Fifthly, it was argued by critical geopolitics that the existing literature on classical geopolitics is basically concentrating on the state

power and its enhancement. State power in the form of ‘national greatness’, ‘territory’ and ‘strength’. This makes the existing works to be bound by knowledge on “the formation of states and empires and the techniques of power that made it possible for them to develop discrete objectifiable territories and societies for management and control” (Tuathail and Dalby, 1998, pp. 6-7). Critical geopolitics stresses the need to break the boundaries around the knowledge that the study of geopolitics are fed from. Instead, it was suggested that critical geopolitics should situate “..its engagement with geopolitics within the context of literatures on the historical expansion of states, techniques of governmentality, and histories of technology and territory” (Tuathail and Dalby, 1998, p. 7).

In 2004 Lasha Tchantourisdze edited “Geopolitics: Global Problems and Regional Concerns” from The Center for Defense and Security Studies. In that volume Tuathail has a chapter titled “Geopolitical Structures and Cultures: Towards a Conceptual Clarity in the Critical Study of Geopolitics” (p. 75). Author argues that conventional “geopolitics presents itself as an objectivist science of world politics with the geopolitician as the detached god-like recorder of ‘realities’ of power politics”. What proponents of critical geopolitics understand from the study of geopolitics was not an objective recoding but an “interpretive cultural practice” (Tuathail, 2004, p. 75). He suggests that critical geopolitics is organized around two key notions “geopolitics as structure” – that “concerns the structures that have generated and characterized modern world as historically globalizing political economy and interstate community” – and “geopolitics as culture” – that “concerns the study of geopolitics as a series of dynamic cultures developed within and shared across an interstate society” (Tuathail, 2004, p. 76) . Tuathail develops five distinct structures of geopolitics taking the three orders a step further developed by Agnew and Corbridge (1995) in their book “Mastering Space: Hegemony, Territory and International Political Economy”. He argues that the first structure is the “geopolitical order” where he defines as the dominant system of “hierarchy, alliance and antagonism in the inter state system” understood with an emphasis on the role of diplomacy,

economy, military, communications, media, institutional and cultural forms (p. 77). The second structure that Touthail identifies is the “geopolitical economy”.

It is suggested that,

Geopolitical economy addresses the management of the trading structures, corporate networks, and resource-financial flows that characterize the contemporary global economy. The environmental impacts of these structures of accumulation should also be included. This management obviously includes conflict, cooperation and coordination between trans-national elites within the largest corporations, world powers and across international governmental organizations and non-governmental organizations (Touthail, 2004, p. 78).

The third structure is the “hegemony and primacy”. Based on the analysis of the US foreign policy during the last couple of years especially with regard to Iraq, Touthail (2004) argues that insistence on hegemonic power and desire for primacy remains a dominant factor of the global politics of today (pp. 78-90). The fourth structure is named as “techno-territorial complex”. This structure is especially related with one of the strongest concerns of conventional geopolitics which is territory. The advances in technology of transportation and communications most of the time changes the meaning of territory as a political entity. He suggests that scholars of critical geopolitics have ignored this structure. The last structure that Touthail (2004) identifies is “geopolitical condition”. He describes geopolitical conditions as an interaction of the all previous structures where creates a “prevailing cultural order of time-space communication within which geopolitics was experienced” (p. 80).

In his analysis of the conceptualization of critical geopolitics Touthail identifies six notions as “cultures of geopolitics” stemming from the existing practices in the literature. He argues that “these concepts concern geopolitical culture or the cultural ways in which dominant institutions (states mostly but also alliances and international institutions like the United Nations) make sense of their position in the world and theorize their role within inter state society” (Touthail, 2004, p. 83). The first one is the “geographical imagination” where can be defined as the practices employed by the powerful elites within a state in

identification of the place of their state and their nation within the world (p.84). The second is the “geopolitical culture” where he argues that it is closely related with the ‘geographical imagination’. He argues that geographical culture is the dynamic behind the formation of foreign policies (p.85). The third notion is “geopolitical traditions” referring to the historical continuities in foreign policy making (p. 89). Fourth notion is “geopolitical visions and geopolitical subjects” where defined as “a normative picture of the world political map organized around an essentialized subject and naturalized social relations” (p. 92). The fifth notion is “geopolitical discourse and the discursive policy process” (p.93). And the sixth one is “geostrategic discourses”. The discourse used in conventional geopolitics is real politic. He finds it useful to employ a similar narrative in order to define the geostrategic discourse which is primarily concerned with the national security (p. 95).

2.5. Plurality of Global Setting: Borrowing From the Critical Geopolitics Literature

I suggest that a better analysis of the case of Kazakhstan can be provided by borrowing the plurality assumption of the critical geopolitics. Proponents of critical geopolitics suggest that a plural approach will provide us with the opportunity to look at dynamics that are combinations of practices throughout different societies. The proponents of critical geopolitics suggests that a “three-fold typology of geopolitical reasoning is useful in loosely distinguishing the *practical geopolitics* of state leaders and the foreign policy bureaucracy from the *formal geopolitics* of the strategic community, within a state or across a group of states, and the *popular geopolitics* that is found within the artifacts of transnational popular culture, whether they be mass-market magazines, novels or movies” (Tuathail and Dalby, 1998, p. 4).

I argue that such a three dimensional geopolitical approach to the Caspian region in general and Kazakhstan in particular will provide us with the means to provide a more comprehensive analysis of the region by incorporating dynamics

active in the region at the present setting. While looking at the geopolitics with a statecraft centered dimension such as foreign policy choices and pipeline politics it will allow us with the opportunity to look at non-state dynamics as well such as international governmental and non governmental organizations. In a complementary attempt to the analysis of the rentier state model I argue that bearing in mind the current nature of international governmental and non-governmental institutions and their individual agendas on mind one also needs to consider the influence of foreign actors on the oil producing states. In the context of current international setting while studying the internal political, economic and social dynamics in oil producing states one also needs to look at those as well. These are necessary to consider since it is not possible to understand the dynamics within a state independent of the global political economy, not only through the lenses of statecraft but non-state actors as well. So as a second suggestion to expand the rentier state model in explaining the case of Kazakhstan I argue that in addition to the need for looking the issues of statecraft such as regional role of the Republic of Kazakhstan, the issue of pipelines and the relations with major global actors, one also needs to look at the non-state dynamics such as the nature of interaction with non-state actors such as multinational companies and international organizations that is active within the state and the region as well.

As derived from the literature on critical geopolitics the following two components of the plurality assumption of critical geopolitics is being suggested to be incorporated in analysis of post-Soviet Kazakhstan.

- *Component 1: practical geopolitics of state leaders and the foreign policy bureaucracy .*

The purpose here is to provide an understanding of the foreign policy choices of the Kazakh leadership and how those choices are influenced by the legacy of the past and the presence of oil resources under its soil.

- *Component 2: formal geopolitics of the strategic community, within a state or across a group of states.*

Here I find it convenient to look at the role of non state actors such as international governmental organizations and multinational companies. Inclusion of impact of international governmental and non governmental organizations on democratization within the state formation process of Kazakhstan I believe has a complementary influence on any analysis of the political developments within the country.

2.6. Post Soviet Transformation and Central Asia

In addition to its lack of consideration of the global dynamics in an interdependent role, a second argument of this dissertation is that the literature on oil producing states is failing to look at the pre-oil era of a particular state. To this end I argue that it is important to incorporate the literature dwelling on post-Soviet transformation and state building experiences to the analysis of post-Soviet Kazakhstan.

Dissolution of the Soviet Union opened up a new era in the studies of rise and demise of empires, post-colonialism and state formation. The second wave of de-colonization started with the end of the cold war where mankind witnessed the emergence of numerous nation-states into the international scene. With the dissolution of the Soviet Union some scholars started to talk about the emergence of a third wave of de-colonization almost five decades after the end of the Second World War. Whether one perceives post-Soviet environment as one of de-colonization or not there is no doubt that ongoing discussions throughout the last two decades are fruitful and helped the students of political science, history and international relations to add up more on the existing body of literature. The purpose of this section is to provide a

review of the literature on post-Soviet transformation from different perspectives.

The volume “The End of Empire? The Transformation of USSR in Comparative Perspective” that is edited by Bruce Parrot and Karen Dawisha in 1997 presents an interesting collection of articles analyzing the post-Soviet transformation in a comparative perspective with previous transformations. In his article “Analyzing the transformation of the Soviet Union in Comparative perspective”, in the same volume, Bruce Parrot (1997) argues that disintegration of the Soviet Union showed the need for cooperation of disciplines of comparative politics and international relations in understanding the dynamics of rise and fall of the Empires especially in the twentieth century (pp.3-5). The purpose of this article is to provide an intellectual framework that will be useful for scholars willing to study rise and demise of empires in a comparative perspective.

Parrot (1997) starts with a general definition of what he means by an empire by saying that, an empire is “...[the] dominant society’s control of the effective sovereignty of two or more subordinate societies that are substantially concentrated in particular regions or homelands within an empire” (p. 7). He suggests that what makes empires different from nation-states is the nature of their societies where in empires societies does not form a single political community. He adds that empires also “differ from alliances and from great power hegemony over small states by virtue of the metropolitan center’s domination of the peripheral society’s internal affairs as well as external relations” (Parrot, 1997, p. 7). Although this broad definition can be useful, author suggests that lack of a unified definition of what an empire is complicates scholars work in defining whether Soviet Union was an empire or not? He suggests that depending on the way you look you can come up with “yes” and “no” answers to this question. Accordingly, he suggests that when one looks at the official Soviet ideology he or she can find out that the definition of Soviet Union was provided as a multi-national state not an empire. Furthermore, according to Soviet ideology all nationalities are equal to each other and not

single one is superior over the other. When reading this one can come up with the idea that Soviet Union was not an empire. On the other hand when one looks at the operational policies that is followed by the Soviet leadership he or she finds out that decisions were taken in such a way that moves with the assumption of superiority of the Russian culture, language and values. This may lead the reader/researcher to think that Soviet Union was an empire (Parrot, 1997, p. 12).

Despite the individual standing in favor of the idea of Soviet Union was an empire or not, Parrot (1997) argues that in order to understand any sort of transformation there are seven dynamics that one has to consider. Firstly, one has to take “the nature of the international environment” in which the transformation is occurring; secondly, the nature of nationalism “among the dominant and subordinate nationalities” has to be considered; thirdly, the degree political violence and the role it played during the establishment and course of an empire has to be considered; fourthly, there has to be a consideration of the degree of liberalization of the structures of empire throughout its lifespan; fifthly, the nature of its armed forces and the degree of cohesion available in the armed forces has to be considered; sixthly, the nature of its economic resources and its relations within the international economic arena has to be considered and seventhly, there has to be a consideration of the “political and economic strategies of peripheral societies during and after the break up of the empire” (p. 14).

Mark R. Beissinger’s (1997) article “State Building in the Shadow of an Empire: The Soviet Legacy in the Post Soviet Politics” provides us an analysis of the inherited structural continuities in social, political, economic domains of post Soviet life. Beissinger (1997) argues that the legacy of each empire continues for a long time over the succeeding states even after their dissolution. This is the case with regard to the Tsarist and soviet Empires as well (p. 158). He argues that although every single empire has its legacies on the subordinate nationalities there was distinct features within the Soviet Union that requires

special attention. In the past most of the empires were constituted over overseas subordinates where there was an apparent boundary between the center and the periphery. However, in the case of the Soviet Union it is not possible to talk about presence of such a distinction. He argues that in the overseas empires the boundaries were "...demarcated not merely by differences in power and culture, but also were palpable geographically and physically, were institutionalized in colonial legal codes, and usually were visible marked by race" (Beissinger, 1997, p. 160). In the case of Soviet Union this was not the case of course. The nature of Soviet state building and the physical proximity of the center and the periphery "...inject a particular dynamic and uncertainty into post-imperial politics that were less salient in the cases of overseas empires" (Beissinger, 1997, p. 161). He argues that there are some characteristics of the Soviet Union which is possible to see in the nature of the post-Soviet states. The first one is the link between Soviet ethno-federalism and its implications on the post-Soviet identity politics. Although the nationalities in Central Asia for example built according to the linguistic differences as an imposition of the federal structure in the post Soviet environment, the nations that were created after the dissolution of the federal structure followed almost identical to the Stalin made nationalities and the borders among them (Beissinger, 1997, pp 163-167). Secondly, the link between the nature of the Soviet institutions and their reproduction in the post Soviet environment. The very good example for the reproduction of the Soviet institutions in the post-Soviet environment is the role that former communist party leaders played in the post-Soviet era. The members of the Communist Party of Soviet Union, an institutions that forms the gist of the Soviet system, became the political leaders of the post-Soviet environment who is promising to pursue political and economic reforms that is the opposite of the Soviet ideology (Beissinger, 1997, pp. 167-172). Thirdly, the link between the Soviet institutions and the resources that has been inherited to build the post-Soviet states. He argues that

For all the post-Soviet states Soviet rule has had lasting institutional consequences precisely because the Soviet government did not simply seek to control geopolitical space, as it

often said that empires aim to do, but also sought to create a particular kind of state and a particular kind of society. In the process, it so transformed the social structures, technologies, demography, and social processes of these societies as to make them practically unrecognizable (Beissinger, 1997, p. 172).

In the immediate post Soviet environment what newly independent states inherited in terms of resources was the human, physical and institutional organizations that was develop according to the needs of the Union. Most of them either became meaningless or sources of big problems for the newly independent states such as the task of building national armies. Under the Soviet administration the distribution of the military forces and their control were highly restricted at the hands of Russians, in the post Soviet environment most of the newly independent states had no experience and capital to build their national armies (Beissinger, 1997, pp172-175). Fourthly, Beissinger (1997) talks about the influence of the cultural legacies of the Soviet rule which was reflected in the ways of thinking and behaving of the post-Soviet societies (p. 175).

While considering the process of transformation of former Soviet Republics from being constituent parts of Soviet federal/imperial structure to individual states, the challenge of transition that they have to cope with needs a special attention. The literature on previous experiences of transitions in Latin America and Southern Europe notes a process of double transition that those countries had to go, that is marketization and democratization.

Based on the experiences of Latin America and Southern Europe scholars were concentrating on the processes of democratization and how far market economy have been realized. In his article "Capitalism by Democratic design, Democratic Theory Facing the Triple Transition in East and Central Europe" Claus Offe (1991) was adding up the issue "state-ness" into the study of transition in addition to democracy and marketization. In his seminal article "Transition in Post-Communist States: Triple or Quadruple?" of Taras Kuzio opens new horizons for students of post-Soviet studies in understanding the

content of transition in the case of post Soviet states. With this article he attempts to fill the gap that is left by the previous scholars' generalizations and insistence on presence of continuity studying post-communist transitions and the previous ones. Kuzio argues that the triple transition thesis is quite useful while studying the central-eastern Europe, where presence of multiple national groups is not an issue. However, he adds that such a tool would be inadequate while studying the constituent republics of the former USSR where which composed of multiple national groups (Kuzio, 2001, p.169). He argues that most of the time scholars used "state-ness" as to define the statecraft affairs as well as nationhood. In their comprehensive work "Problems of Democratic Transition and Consolidation" Jaun J. Linz and Alfred Stephan (1996) provides a comprehensive comparative analysis of transitions in South Europe, South America and post-Communist Europe. As a prerequisite of any democratization process Linz and Stephan (1996) argues that presence of modern states and nations are vital. They argue that democracy is a form of governance that is associated with the modern state. In case of no modern state it is not possible to talk about the presence of democracy as well. Furthermore they argue that democracy in a modern state can only acquired with the participation of people (demos/nation) (Linz and Stephan, 1996, pp. 16-37). In the study of transitions they recognize the fact that the existing literature have somehow ignored the issues of state-ness and nationalism. This may be because of the lack of such conditions in previous cases (Linz and Stephan, 1996, pp. 366-367). By adding up to the contributions of Offe and Linz and Stephan, Kuzio (2001) argues that in the case of studying former Soviet republics these two requires to be treated as distinct subjects although interrelated. So what he talks about is a "quadruple transition" treating democratization, marketization, state-ness and nationhood as distinct components on transition that former Soviet republics were experiencing (Kuzio, 2001, p. 169).

2.7. Rationale for Case Selection and Relevance with the Assumptions

I argue that in an attempt to rethink the existing body of theorization on the “rentier state model”, Kazakhstan presents us an important case study, to look at the challenges that this study puts with regard to the existing body of literature. By looking at the assumptions of this dissertation one can find out that there are two main challenges being argued: 1) literature on “rentier state model” is a-historical due to its concentration on boom era and immediate post boom policy choices, 2) Its emphasis on state as the main unit of analysis however ignores the fact that state being an agent of the global structure.

Kazakhstan is an interesting case in addressing the first challenge on “rentier state model” and it being a-historical. Understanding the nature of the state-building in Kazakhstan and post-Soviet characteristics of the decision making and institutions requires us to look back beyond the oil boom that Kazakhstan is experiencing and even beyond the point in time that Kazakhstan became an independent republic. Understanding the policy choices, nature of institutions, political culture requires us to go far back to the Soviet era. Such an approach will provide us with the opportunity to understand the continuity and change in various aspects of life in Kazakhstan ranging from economy, polity and society. It will also help us to overcome the limitations on the literature on “rentier state model” making it a-historical.

Secondly, it can be argued that Kazakhstan’s independence into such a globally interdependent environment provides us with the opportunity to look Kazakhstan as an agent of global environment. “Rentier State Model” was assuming the external dynamics to the state as static with the exception of global oil prices and buyers of oil and gas. However, this turns out to be a handicap over the analysis of oil producing states. Because bearing in mind the complexity of current global setting and its actors, it would be deterministic to study the state in vacuum especially with regard to the effects of a commodity that has implications going far beyond the borders of the state it being extracted.

2.8. Conclusion

To sum up I argue that, it is not possible to consider the case of post-Soviet state building process in Kazakhstan in such an immunization from the effects of globalization as well as the legacy of its past. So I believe that a comprehensive analysis of the post Soviet political economy of Kazakhstani state could only be made by integration of three major aspects: 1) the legacy of the Soviet Past; 2) impact of the incoming oil revenues; and 3) the effects of Global Political Economy on Kazakhstan. The study aims to contribute the body of knowledge on oil producing states and post Soviet literature, with its emphasis on the need to extent the scope of analysis of the theorization on oil producing states. It aims to be inspiring for further research by students of international relations and area studies.

CHAPTER 3

KAZAKHSTAN : A HISTORICAL BACKGROUND

3.1. Introduction

The purpose of this chapter is to provide a historical background to the Republic of Kazakhstan. The chapter will be composed of two main parts. The first part provide a brief background on the pre-Soviet state of art in a geography what is today called Kazakhstan. Starting with the initial encounter with the Russian Empire till the establishment of the Tsarist control over the region. Second part aims to provide a comprehensive understanding of the Kazakhstan under the Soviet Rule. To this end the aim is to provide an understanding of the political, economic and social dynamics of the Soviet era. While doing this a special emphasis will be given on the evolution of the petroleum industry in the region, and different phases that have been experienced during the periods of the Russian Empire, Soviet Union and today. Furthermore, the last section of the chapter will provide an analysis of the legacies of the Soviet past in terms of politics, economics and society in order to be able to provide a background to better understand continuities and changes in today's picture.

3.2. Kazakhstan during the Pre-Soviet Period

The history of Kazakh people is relatively a recent phenomenon. Most of the written history on Kazakh people dates back to the era of Russian conquest. That is why, much of our knowledge of Kazakh history is primarily based on the observations of the eighteenth century Russian emissaries and officials who were traveling into the region and recording their experiences (Olcott, 1995, p.3). Furthermore, it is only by the end of the 15th century that one can find the beginning of the usage of the term Kazakh which has a theoretical richness on the origins of the term. In her book *The Kazakhs* Martha Brill Olcott lists four of those rather speculative theories that was developed regarding the origins of the term. According to the first argument the term Kazakh came from the Turkish word *qaz* which means to wander. It is argued that the steppe-man who were wandering in the region were called the Kazakhs. Second theory suggests that the term came into existence as a result of the combination of two Kazakh tribal names which are Kasper and Saki. According to the third theory the term was originated from the Mongol word *hkasaq* which means a wheeled cart that is used by Kazakhs for the transportation of their *yurts* (tents) and other belongings. The fourth theory originates from a Kazakh legend, Alash who is accepted to be the first Kazakh. According to the legend, Alash is the son of a white goose who turned into a princess and gave birth to him. It was argued by this theory that the term Kazakh is stemmed from the legend of white goose because in Turkish the word goose means *kaz* and the white means *ak* (Olcott, 1995, p. 4).

The legend of Alash is one of the most important legends that is considered one of the main unifying components of Kazakh identity formation in recent days as well. It has been argued that Alash is the founding father of Kazakhs and his three sons established the three hordes that formed the social and political organization of the Kazakh society. Alash legend is so important that first Kazakh political party and autonomous government which was established in

1917 with the fall of the Tsarist government were named as Alash Orda (horde of Alash) (Olcott, 1995, p. 4)

3.2.1 Socio-Political Organization of Kazakhstan Before the Russian Conquest

By the early sixteenth century increasing number of the population and territories of the Kazakh tribal confederation and the complexity in organization that was imposed by the growing numbers of tribes and populations forced a structure of organization upon the Kazakhs. This showed itself in the forms of three units where some people argue that those three groups are still influential on the structure of the Kazakh society. Those were the Greater Horde that was located around the lake Balkash, the Middle Horde, which was located in the northern and central part of Kazakhstan and the Lesser Horde which was located near the Caspian Sea and the Ural River (Wheeler, 1964, p. 12).

The economy of nomadic Kazakh society was based on livestock-breeding through an established migratory route between the summer and winter camps of the nomadic society. This pastoral nomadic economy of the Kazakh tribal system was also the basic economic weakness of the society as well. Mere dependence on natural conditions was their main vulnerability. Animals of the *auls* -tent villages- were most of the time badly influenced by the draught during the summer months as well as of harsh weather conditions of the cold winter months (Olcott, 1995, p. 16).

The basis of culture and religion in the pre-Russian Kazakh society was also nomadism. The nomadic life forced the emergence of a self-contained closed society which was very much tied with the customary rehearsal. The dominant cultural practices were inherited from the previous Turkish tribal traditions. This closed nature of the Kazakh society demonstrates itself in the process of expansion of Islamic culture and traditions in the region. Although introduction

of Islam in Central Asia began as early as the eighth century by the Arab conquests, the acceptance of these traditions by the Kazakh society could be observed only by the late eighteenth and early nineteenth century. Nomadic Kazakhs had almost no ties with the settled cities which were the centers of the Islamic practices in terms of established mosques and religious education through mullahs. Due to their isolated nature for a long period of time the basic religious practices of the Kazakh society contained elements of shamanism, animism, and ancestor worship. Even after their adoption of Islam, it was still based on the previously existing beliefs and practices since there was lack of knowledge of the Arabic language and direct teachings of Koran. Olcott (1995) argues that “the Kazakhs believed that there was a struggle between good (*kei*) and evil (*kesir*), and when Islam was ultimately adopted it was set upon this framework, with Muhammad and his teachings assuming the identity of *kei*” (pp.18- 20).

3.2.2. Russian Conquest of Kazakhstan

Russian move towards Central Asia and Kazakhstan was mainly motivated by the need to secure her trade routes rather than an eagerness to conquer more territories. Southward expansion of Russian Empire towards Kazakhstan and Central Asia began in the eighteenth century. The need for securing the trade routes later on coupled with the need of the Russian Empire to establish new markets for trading her goods. It can be argued that Russian conquest of Kazakhstan and Central Asia has been conducted in two phases. The first phase is constituted of the conquest of the region what is now called Kazakhstan and the second phase is constituted of the conquest of the remaining parts of the Central Asia, the region that is today composed of the Republics of Kyrgyzstan, Uzbekistan, Turkmenistan and Tajikistan (Allworth, 1994).

The initial approach towards the Kazakhstan and the rest of Central Asia started as searching for means of control over the region. These means of control

showed themselves in the form of establishment of towns and ports in the Southern Part of Siberia and some parts of today's Kazakhstan namely the towns of Omsk, Semipalatinsk, and Ust-Kamenogorsk which was built during the years between 1716-1719. Furthermore, through these towns and forts Russian officials were aiming to develop their influence over the indigenous clans and tribes especially by exploiting the existing divisions and conflicts between them (Anderson, 1997, p. 8). Establishment of such a control over the Kazakhs of the Steppe would mean securing the trade routes for Russian Caravans in reaching the markets of Central Asian Khanates. During the early 18th century leaders from the Kazakh hordes got under the protection of the Russian Empire, however disorganized and chaotic nature of the relationship between different clans and tribes created a barrier in front of securing the trade routes.

Historically, nomadic tribes of Central Asia had a much closer political tie to the Imperial Russia than their relatives in the settled Khanates. This closeness was mainly due to their need for protection from Dzungarian attacks. As early as 1716-19 Allworth argues that some parts of the Kazakh hordes (juz) were already appealed to Russia for the imperial protection (Allworth, 1994, p. 47). In 1731 Little Horde (Kishshi Jüz) of the Abulkhayr Khan (1716-1731) came under Russian protection (Allworth, 1994, p.48).

Russians thought that protecting the Khan will serve as a precedent for the other tribes as well and this will help Russians to secure the trade routes for their caravans, which was often threatened by the people of the Steppe (Wheeler, 1964, p. 52). However this did not stop the threat to the Russian Caravans. Second half of the eighteenth century is marked by the Russian's realization of the fact that they need to find a way of securing their trade routes if they want to pen up and establish new markets. This made them to decide to bring the Steppe region under Russian control. On the other hand Kazakhs of the Steppe which were mainly disorganized and weak tribal confederations realized the fact that they are not strong enough to block the Russian encroachment. The

lack of a strong resistance on behalf of the Kazakh tribes to the Russian expansion resulted in a rather smooth process of establishment of control over the Steppe Region. Only form of resistance was a couple of not serious risings. The most serious one of them was the Kenesary Kasimov revolt that took almost 10 years (1837-1847) (Wheeler, 1964, p. 53).

In the Middle Horde the situation was a bit different from the Little Horde. During early 1730 some of the Middle Horde sultans also accepted Russian protection. However, some other sultans become subjects of the Ts'ing (Manchu) Empire in the second half of the eighteenth century. Pressured by the external attacks and influenced by the decisions of the other hordes during the first half of the eighteenth century Great Horde as well appealed for Russian protection but many of the sultans of the Great Horde did not become Russian subjects till the early nineteenth century, only a small portion of the horde became Russian subjects (Allworth, 1994, p.48).

Russian conquest of Kazakhstan can be regarded as a milestone in the history of the region in terms of its both positive and negative impacts on the political, economic and social setting of the indigenous society. Before the conquest of the region the main motive of the leadership was economic, mainly targeting the need of securing the trade routes and reaching to new sources of raw materials and markets. When the region first came under Russian control the Tsarist leadership did not have serious plans regarding the development of a system of administration of the newly conquered territories. What they did was to follow a colonial pattern in which resulted in the elimination of local power structures and their replacement with colonial power structures. Exploitation of the natural resources from both agricultural production and extractive industries constituted the gist of the colonial power structure that has been established by the Tsarist forces in Kazakhstan (Dunn & Dunn, 1967, p.148).

Furthermore, the Tsarist administration did not have any cultural proximity to understand and respond to the issues emerging specific to the region. It is

possible to argue that because of the lack of cultural proximity and increasing exploitative attitude, the forces of the Russian Empire developed an indifferent attitude towards the indigenous population where gave no political significance to the ethnic and linguistic differences to the indigenous population of Central Asia and the Kazakh Steppe. This can be observed in the historical writings of Tsarist Russia were mainly based on dynastic or regional lines and the intermingling peoples and cultures rather than on the differences and similarities of different groups peoples of the conquered lands. The most commonly given for such Tsarist policies' indifference to the indigenous people is their tendency to call Kazakh as Kyrgyz since they did not want them to get confused with Cossacks (in Russian Kazakh). Similarly they were using the term Kara Kyrgyz for defining Kyrgyz (Wheeler, 1964, p. 7).

The introduction of settled way of life into the Kazakh culture is an important impact to the Tsarist administration over the region. It would not be exaggerated to accept the transfer of Russian population to the region as another important milestone which has its influence still today. The initial transfer of Russians sow the seeds of settled life among the sedentary population which eventually resulted in conversion of some of the Kazakhs to agricultural production process. The decision to move Russian people eastward had two primary reasons for the Tsarist administration. Firstly they wanted to overcome the ongoing social problems in European Russia emerging from the abolition of serfdom in the Russian Empire(Dunn & Dunn, 1967, p.148).

Furthermore, the Russian government was convinced that the region would not be fully exploited economically and secured militarily without the presence of a considerable number of Russian population in the region. Therefore, the Tsarist administration started to make necessary arrangements in terms of land tenure, taxation and urban development. The military nature of the administration made it much easier for the Russian government to quickly implement its plans on the development of infrastructure. The plan was to establish control over the region by developing new cities with a European look.

3.2.3 Economic Structure and Oil Production in the Russian Empire

The introduction of petroleum into the Russian market as a valuable commodity starts with the introduction of American kerosene into the big cities of the Russian Empire as the “new light”. For the American petroleum producers huge territory of the Russian Empire with a need for artificial light was a promising market. The history of the development of petroleum industry within the Tsarist economy starts with the unification of Baku within the boundaries of the Russian Empire. Nevertheless, the history of oil production in Baku has deeper roots than the Russian conquest. The following paragraph from the Science Journal of 1886 describes the state of oil production in Baku at the end of the nineteenth century as following:

The earliest oil-wells date back for centuries. A Persian inscription has been found which fixes the date of one of them at 1594. After the cession of the country to the Russians in 1813, the oil industry was under the control of the government, and up to 1873 the entire revenue derived from this source did not exceed fifty thousand dollars. The manufacture of kerosene commenced in 1858, after which the industry began to develop slowly; but within the last fifteen years it has increased with greater activity. At that time land was sold at auction, and brought as high as five thousand dollars per acre. The old crude methods and shallow wells were abandoned, and at present there are more than five hundred borings (Science, 1886, p. 149).

As can be seen from the above quotation as well, it is possible to come across with knowledge and exploitation of oil even during the earliest historical records on Caspian region but very much specific to Caucasus only. It was one of the best known oil regions of the world for a long period of time. Nobel Brothers (Robert and Ludwig Nobel) are the ones who brought the Tsarist petroleum industry to a considerable position in the world market. Despite the difficulties of their time, over a period of 50 years Nobel Brothers managed to establish more than 500 wells. Throughout those years it is estimated that their production was approximately 150 million barrels of petroleum which turned out to be a very famous fortune for them where still today continues to be the “source of famous Nobel price” (Meyerhoff, 1983, p. 306). The Rothchilds are

the second famous oil producers of the pre-Soviet Russian empire who started their life working together with the Nobel companies. In the beginning they have worked as marketers, however later turned out to be purchasers of very important production leases. Both companies were transporting oil through the Caspian Sea by the small tank steamships that they have built. During the early 20th century there were discoveries of oil fields in the Southern provinces of Asiatic Russia and Eastern Caspian. Those new fields such as Emba Valley of today's Kazakhstan. were very promising but mainly due to the outbreak of WWI they could not be intensively exploited (Meyerhoff, 1983, p. 308).

During the second half of the nineteenth century the Russian kerosene market was mainly dominated by the American kerosene. However this was not going to last long due to increase of oil production in the Caspian region, particularly in Baku. For a very long period of time till the Bolshevik Revolution and as well as in its immediate afterwards Baku remained as the oil producing center of the Russia. Although it was a rather new industrial sector it still constituted one of the important manufacturing sectors of the empire. As early as the first decade of the 20th century oil production in the Russian Empire accounted half of the world crude oil production (McKay, 1984, p. 606).

3.3 Establishment of Soviet Control over Kazakhstan

Outbreak of the Bolshevik Revolution coincides with a very interesting time span in the political life of the Central Asia in general and Kazakhstan in particular. Because it coincides with a time when local dissatisfaction reached to a peak with regard to the policies of the Tsarist regime. Tsar's decision to enroll thousands of Central Asians to Russian war fronts in the World War I caused resistance from the region and even erupted into uprising in northern Kazakhstan which was crushed down by the Russian troops. Initially it was thought by the local Kazakh elites that Bolshevik revolution could bring an end to their problems as well. It was perceived as an opportunity to express their

own political demands. To this end they have organized Alash Orda government in 1917 as the first independent ethnically Kazakh government in the history of the region. Members of the Alash Orda government thought that they can preserve their autonomy through establishing alliance with the anti-revolutionary forces in such an environment. The administrative structure of the Alash Orda government have been composed of two administrative zones. Such a division thought to be the best solution in order to be able to keep variable tribes of Kazakh steppe who are not always in good neighborly relations with each other. Those two constituent administrative zones called Alash Orda West, which covered Uralsk provinces, and the areas of Inner (Middle) Horde, and Alash Orda East covering Semiriche, Semipalatinsk and Akmolinsk regions (d'Encausse, 1994, p. 236).

Occupation of Orenburg in 1918 by Bolsheviks led to the break up of the unity of the two zones of Alash Orda government when part of the Orenburg-Tashkent railway was occupied by the Red Army. In reality there was not too much ideological unity among the East and West Alash Orda other than their mutual desire to prevent spread of Bolshevism over their land. However, neither of them had the military capability to fight back nor the attractiveness for the anti-revolutionary forces to gain their support against Bolsheviks (d'Encausse, 1994, p. 237).

Despite the Alash Orda governments decision to stay away from Bolsheviks this did not mean that there were no Kazakhs at that time who believed in communist ideology. On the contrary there were working to attract the local people's support for Bolsheviks. It did not take long for Bolshevik leadership to establish control over the Alash Orda government and in 1920 the Kyrgyz Autonomous Soviet Socialist Republic was set up (Gleason, 1997, p. 51; Olcott, 1997a, p. 204). During the initial years of Kyrgyz ASSR former Kazakh political elite of the Alash Orda government was active in decision making under the new setting. This was mainly because of the practical purposes. However due to continued nationalist aspirations of former Alash Orda leaders

it did not took long for Bolsheviks to curb their political powers (d'Encausse, 1994, p. 240).

Under the Soviet rule there were several important milestones in the history of Kazakhstan that has been influential on the course of shaping the nature of the republic. Among those it is possible to mention the establishment of the Kazakh SSR in 1936, conversion of Kazakh lands into agricultural use through the Virgin lands policy in 1954, introduction of industry, and establishment of educational and research facilities.

3.3.1 Establishment of Economic Control Under Soviet Rule

Establishment of economic control by the Soviet powers of Kazakhstan is very much linked with the structure of the whole union economy where every single republic is designed to have a specialized role within the union economic structure. The initial role for Kazakhstan that was thought by Moscow was neither to be a major industrial producer nor a supplier of hydrocarbon resources but of a source of agricultural production. Virgin Lands policy of Nikita Khrushchev was initiated in 1954 as an agricultural campaign aiming to solve the problems with regard to wheat supply for whole of the Union. The success of the campaign can be seen from the rise in the amount of land used in wheat production during the 1954-1961: it reached to a 47% rise where approximately 90 % of this was due to introduction of Kazakh SSR's land into wheat production (Gleason, 1997, p. 52).

In addition to the importance of Kazakhstan as an agricultural producer within the whole union economy it is possible to list three more domains where made Kazakh SSR an important component of the Soviet economy. First, Despite the achievements in agricultural capacity of Kazakhstan through the Virgin Lands policy of 1954, during the Soviet era, Kazakhstan was also became an important industrial center as well. The country had the third largest coal-production

facility of the former Soviet Union which was established in the Karaganda region. Second, although not comparable to Baku reserves oil has been discovered in the Emba region and the central planning was encouraging the development of the oil production, And third the Balkash and Karsakpay regions of Kazakhstan were developed as centers of copper mining under the Soviet economic planning (Kalyuzhnova, 1998, p. 6).

Soviet administration have divided Kazakhstan in nineteen Oblasts where grouped them into four according to the economic specialization that they have. Those economic delimitations of Moscow still has their influence on the Kazakh economy today. The first group was covering the cities of Atyrau, Aktubinsk, Mangshtau, Western Kazakhstan (Uralsk), part of Kyzyl Orda and Jambul Oblasts. Those oblasts' main characteristics was their possession of valuable strategic mineral resources especially hydrocarbons, and their potential for being built up as a center for industrial development. The second group was consisted of Northern Kazakhstan, Eastern Kazakhstan, Pavlodar, Karaganda, Jezkazgan, Kostanai and the city of Almaty. These regions were characterized with their potential for the development of high technology production. Even today Kazakh leadership is planning to turn Almaty into a technological center of the region. The third group is composed of the regions of Northern Kazakhstan, Akmola [Tselinograd- later Astana], Kostanai, Jambyl, Almaty, Kokshetau, Taldykorgan (Southern Kazakhstan), and Western Kazakhstan. This group was characterized as the agricultural center of the Republic. Throughout the Soviet administration the main agricultural commodity that was produced by Kazakhstan was grain. Although the country was among the top wheat producers of the world such as Canada and Australia, the level of industrial processing of agricultural goods were far below the international levels. It was even below the USSR average. The fourth group of oblasts are Torgai, Kyzyl-Orda, Semipalatinsk, agricultural regions of Atyrau, Mangystau, Jezkazgan and Southern Kazakhstan. This group of oblasts were rather characterized as being backward regions of Kazakhstan. They lacked the investment attention of the central planning (Kalyuzhnova, 1998, pp. 6- 8).

3.3.1.1 Soviet Economic Planning and the Place of Oil in the Soviet Economy

As previously mentioned during the Soviet Era the place of Kazakhstan in the command economic system was totally conditioned by the needs of the Union economy. Understanding Kazakhstan's role in the Soviet economy requires us to look further at the determining aspects of Soviet economy and the place of oil industry within it. The development of the Soviet petroleum industry has been realized in a virtual isolation from the other petroleum producers as well as the West. This was basically an outcome of the nature of the Communist regime on one hand but on the other traditional nature of Russia as it is isolated from the rest of the world even during the Tsarist times (Jensen, 1983, p.4).

In terms of the state of industrial development of Kazakhstan on the eve of the Soviet take over one can say that coal, copper and silver mining in Kazakh lands have started during the second half of the eighteenth century. During Tsarist times it was Kazakh plains at first that were developed as industrial centers among the whole of Central Asia. Proximity to the center, presence of Russians as well as discoveries of new crucial natural resources in the region played an important role in that (Matley, 1994, p.314). Although during the Tsarist times an industrial infrastructure composed of mining and food processing has been established over the Kazakh plains, due to the outbreak of civil war after the Bolshevik revolution, industrial production in the region almost come to an end. This was mainly due to destruction caused by war on factories, oil fields in the Emba region and other industry related installations. When the civil war was over and Bolsheviks managed to establish their control over the whole Union, they started to restructure what is being left after the war.

In Kazakhstan the first thing that Soviet leadership did in terms of industrial planning was to restore the agricultural processing industry. Those industries requiring simple technological infrastructures. It is possible to name facilities that is specializing on meat packing, wool washing and floor mills (Matley, 1994, p. 338). Soviet leadership was also aware of the fact that they need to

recover oil and mining industries as well in order to boost up their economy. To this end the recovery of the oil fields in the Emba region started by 1925 but since the needs of the Soviet economy in terms of oil were satisfied with Baku this was not their primary concern in Kazakhstan. The investment and recovery situation was complicated with regard to the mining sector and industries related with it. The recovery of coal and nonferrous metals mining related industries, it was obvious that it will require more time than the agriculture related industries. The reason was the need of this sector in huge capital and sophisticated technological instruments. The recovery of coal and nonferrous metals mining and related industries starts with the introduction of First Five Year Plan which urged the concentration of Soviet economic planning on the development of mining industry starting from the 1930s onwards. This decision was so crucial for the Soviet leadership and their economic development strategies that it has been done at the expense of other sectors (Matley, 1994, pp. 338-9).

The initial decades of the Soviet Economic planning was marked by the predominance of coal as the main source of energy for the development of Soviet Economy. The share of coal in the total energy balance during the years of 1927-28 was about 50 per cent which rose to approximately 66 per cent by the year 1950 (Lamet, 1952, p. 1). As the primary source of energy, coal was used in railways, as well as electric power stations, which altogether accounted for the two-thirds of the overall coal production. By the year 1950 oil was still not occupying a real important place in satisfying energy needs of the Soviet economy by a share of approximately 15 percent in the total energy balance. Of course this low popularity of oil had several reasons where the outbreak of the Second World War was the primary one.

Despite its low profile when compared with the concentration of the Soviet leadership on coal mining, the revolutionary period which came to an end by 1920 with the communist seizure of power was a period of turmoil for the oil industry as well. Throughout this era all of the oil industry was nationalized and refined products which was obtained as a result of nationalization process was

used to threaten European markets with the competition of cheap goods. Under Lenin's leadership there has been realization of the fact that nationalization had gone too with a high speed. In order to cope with the problems stemming from over nationalization process and in 1921 a New Economic Policy has been announced laying the grounds for admitting foreign investment (Meyerhoff, 1983, p. 308).

The negotiations regarding the shape of investments by the foreign companies most of the time resulted in endless processes without actually reaching to an end until Stalin's take over the leadership. The First Five Year Plan that was announced by Stalin in 1927 put an end to the process of discussing the possibility of admitting foreign investment. The responsibility of development and achievement of goals related to it has been transferred to the central planning which will be responsible for the determination of the place, time, method, types and capacities of refineries, amounts of production and modes of transportation (Meyerhoff, 1983, p. 308). Central planning on oil production proved to be successful because, within a year the production level surpassed that of 1901 peak. During the late 1920s new methods were developed such as the "seismic-refraction methods" that were applied in Grozny in 1929. Accordingly, during the First Five Year Plan further emphasis has been given on the development of oil production in the North Caucasus and Emba (today's Kazakhstan) regions. Although not in a consistent way the growth of oil industry continued during the Second Five Year Plan era as well. It was mainly due to the time of the Second Five Year Plan where old methods of drilling were replaced by new ones and new technology have been imported and started to be used. In 1938 the oil production was 263.2 million barrels mainly coming from Baku region. During the pre World War Two years some people were arguing the need to diversify Unions energy supplies through oil exploration in other parts of the Union. They were suggesting that "...Soviet Union would not be secure until it had a strong petroleum industry in many areas of the country, particularly in the interior where foreign armies could not reach, and near

population centers where oil transportation would not be so expensive” (Meyerhoff, 1983, p. 310).

By the beginning of the Third Five Year Plan (~1938) due to developments in the automobile and truck technology and increasing numbers, thirty per cent of gasoline, seventy per cent of kerosene, and eighty per cent of ligorine that was produced in the Soviet Union was consumed domestically within the mechanized and collectivized farms of the Soviet Union (Nazaroff, 1941, p. 85). On the eve of the Second World War, Soviet exports of petroleum products were decreasing due to increasing domestic consumption. By 1938, the level of exports were below the one million tons and the country was even importing aviation gasoline. Early 1940s were the years that one can talk about “oil thirst” in the Soviet Union which was the second biggest oil producer in the world (Nazaroff, 1941, p. 86.) This situation was an outcome of increasing domestic consumption and Russo-Finnish War of 1939?. However, although there was a campaign going on the newspapers on the need for being careful while consuming oil the Soviet authorities were not successful in implementing those precautions and stop negligence on wasting the petroleum products. A striking example can be given from an article that came out in Pravda newspaper on March 9, 1941:

In the outskirts of Odessa... there were special railroad yards for flushing and reconditioning oil and petroleum product tank cars. Hundreds of such cars arrived there daily, from all over the Ukraine. They were supposed to arrive empty and, indeed, they always came so labeled. But in reality, *Pravda* asserts, most of them were still filled 10 per cent, 25 per cent or even half was with crude oil, gasoline, or other oil product. In the beginning, the administration of the yards reportedly drew the attention of the institutions concerned to this fact. But, getting no response, the yard managers merely ordered these residues to be “dumped below the hill”. ((Nazaroff, 1941, pp. 86-87.)

The Second World War is a historical milestone itself for numerous reasons, among those it is possible to mention the Soviet Oil industry as well. Third Five Year Plan of the Soviet Union (1938-1942), which coincides with outbreak of

the Second World War is a demonstration of the rising hopes and expectations from the oil industry by the Soviet leadership. The purpose of the Third Five Year Plan was to achieve a 77% of increase in oil and gas production of the Union. The aim was to increase 30.7 million tons of 1937 production to 54 million tons of production in 1942. Furthermore, the plan aimed to decrease the dependence of the Union on Baku oil and develop and increase the production capacity of Eastern Russian oil industry as well as production in the other Asiatic regions of the Union. This eastward orientation in oil industry was important because as an oil base Baku was so much vulnerable to outside attacks due to its closeness to Russo-Iranian border (Nazaroff, 1941, p. 81).

In the Eastern Russia Soviet geologists discovered the presence of rich oil deposits that could be developed as an alternative to Baku. This region which was between the Volga River, which joins the Caspian Sea within the Russian border and Ural Mountains which lies between the Russian and Kazakhstan borders and parallel to the Ural River which joins the Caspian sea within the borders of Kazakhstan. This region was called the “2nd Baku” and with its development the Soviet economic planners aimed to reach a production 2 million tons in 1939 which will be increased up to 11.772 million tons in 1942. In addition to its ambition to develop oil and gas production, the Third Five Year Plan also aimed achievements in scientific and technological developments in the Soviet oil industry, in terms of increasing the industrial capacity in exploration, drilling, processing, storage and transportation (Nazaroff, 1941, p. 81).

When the plan started to be actually initiated, the outcome was not in line with the expectations from the process. The production levels of oil and gas was below the levels that was stated in the plan. The production was 30.7 million tons in 1937 and it was only rose to 32.2 million tons in 1938. However, in the year 1939 rather than increasing the oil production level, it decreased to the level of production of the year 1937. The year 1940 witnessed an increase and reached to 34.2 million tones of oil (Nazaroff, 1941, p. 83). These figures were

clear indications that the Soviet leadership were not going to reach the target that it set to itself at the beginning of the Third Five Year Plan. However, the low level of oil production was not the only failure of the Third Five Year plan in terms of its targets in the development of oil industry. Soviet government could not achieve its target in being more eastern oriented and diversifying the source of oil. By the year 1940 Baku was still the main source of oil for the whole Union. In addition to Baku, oilfields in Georgia was developed as well, nevertheless both of these regions which constituted almost seventy five per cent of the production of the whole Union, were suffering from the same illness of vulnerability. That is being very close to the borders which makes them vulnerable to the outside attacks. Development of Second Baku oil production was left far behind the predictions at the beginning of the Third Five Year Plan. Instead of increasing the production to three million tons in 1940 which was two million tons in 1939, the increase was only about three hundred thousand tons (Nazaroff, 1941, p.84).

Third Five Year Plan was terminated before coming to its end due to the outbreak of the Second World War. Of course this also meant refocusing of nations objectives according to the necessities of war. One of the primary reasons behind the German attack on the Soviet Union was its desires to establish control over the oil reach Baku. During the German attacks many oil wheels in the Makeup region have been destroyed by the Soviet forces in order to not to surrender them to German forces. Although the German attack could not managed to go further to Baku and Soviet forces managed to stop them near Grozny fields, during the war years the overall oil production of the Soviet Union decreased sharply, approximately 35 per cent between 1940-1945. War also lead to decrease in the production levels of Baku as well. Post World War II era is the era of new discoveries of oil fields in the Soviet Union. Major discoveries were made in the Northern Caucasus and the Volga-Ural Region. In addition to new discoveries there were new policies of the Soviet leadership with regard to its oil industry. Post-second world was also an era of secrecy in the Soviet oil industry. In 1947 oil statistics were placed under the official state

Secrets Act and have not been released till the dissolution of the Soviet Union. A decade after the end of the Third Five Year Plan which had a stress on the development of oil industry. The periods of 4th, 5th and 6th five year plans were also of periods of impressive achievements in the Soviet Oil industry (Meyerhoff, 1983, p. 310).

Nazaroff (1941) provides several answers for the failure of the Soviet government in achieving its goals set in the Third Five Year Plan. The first one is the lack of adequate oil drilling equipment. By the year 1938 the existing equipment were already being overused. Although the Soviet government had orders for purchasing new equipment from the United States, it was never able to receive them. This was mainly because of the outbreak of the Second World War and the “moral embargo” put on the Union (p.84). The second reason is the presence of more deeper factors than the lack of equipment. The situation of oil drilling was done in poor conditions with ill methods. Nazaroff (1941) argues that the exploitation of oil resources in various parts of the Soviet Union and especially in Baku have been carried out with primitive methods that resulted in destruction of many oil wells. Most of the time oil wells were drilled and exploited without making any long term development calculations but rather in a manner giving more importance to be able to show the speed and high figures in their exploration and exploitation activities. In addition to sometimes unnecessary drilling being carried out sometimes “...even potentially useful drilling was often carried in such a hasty, clumsy, and inexperienced way, that valuable layers of oil were submerged in water and ruined for exploitation” (p 85). Such clumsiness in oil production has been frequent during the first two five year plans where oil was not considered to be the primary source of energy for the whole Union economy. Nevertheless, it would not be possible to say that such treatment of oil resources have been totally eliminated during the following five year plans (Nazaroff, 1941, p. 85).

In 1951 a ten-year plan has been introduced with regard to the development of Soviet oil. This plan was supposed to end in 1960 and aimed improvement of

the petroleum industry in the USSR. However before reaching 1960 after six years from its start in 1957 this plan was stopped and a new fifteen year plan was launched with the goal projections to be reached by 1972. The purpose of this plan was to raise the production quotas of the Union through a 'gradual reduction in the consumption of fuel oil in metallurgical industries, at power plants, and by railroads until 1960 such uses of fuel were to be completely eliminated' (Lydolph & Shabad, 1960, p. 461). The fifteen year development plan calls for an increase in the production of oil between 350,000,000 and 400,000,000 and gas between 270,000,000,000 and 320,000,000,000 (Lydolph & Shabad, 1960, p. 461). With this increase in the oil production Soviet economy planners aimed to revolutionize their industrial technology as well as influence the domestic life of the citizens of the Soviet Union. Lydolph and Shabad (1960, p. 461) argues "...that this program should be viewed not merely as a quantitative expansion of the oil and gas extraction, but as a fundamental qualitative change in the industrial structure of the country and the lives of the people".

The decision of the Soviet government to increase oil production was an outcome of a decision towards a shift to an economic policy based on economic principles rather than over-conservative policies of the past. Economic principles were showing the need to shift dependence on coal to fluid fuels merely because of the high production cost of coal which was four times expensive than oil (Lydolph & Shabad, 1960, p. 462). Furthermore, economic principles were addressing two more developments to be occurred with this shift to fluid fuel consumption. In addition to the development of many consumer items which will be produced as a result of developments for example in chemical industry –in terms of detergents, plastics and synthetic fibers-, on the one hand establishment of pipelines to transport oil will help to reduce the burden on railroads, and on the other "... the conversion of railroad locomotives to Diesel and electric traction will greatly reduce the need for long coal hauls and will increase the efficiency and power of the locomotives" (Lydolph & Shabad, 1960, p. 462). Increase in the use of oil will also result in

improvement in the defense technology. Shift to oil will bring modernization of equipment as well as strategic industries.

One has to keep in mind that Soviet authorities were never generous about disclosing information about the state, its economy and society. This closed nature of Soviet state was even deeper when it comes to the information regarding petroleum industry. Before the Bolshevik revolution in 1913 Russian oil production capacity was seven million tons in total. After the revolution due to increasing demand and technological advances, the production capacity have been increased to 33.7 million tons in 1938. However despite the increased levels of increased production the capacity of the existing pipeline system that is supposed to carry oil was not sufficient. Nazaroff (1940) provides us with the information that the length of the whole union's pipeline system were approximately 4,900 kilometers which is argued to be extremely insufficient to serve the needs of a vast geography as Russia where resulted in the dependence on the sea, river tanker and the railway tank cars for the bulk oil transportation (p. 89).

3.3.1.2 Regional Distribution of Oil Industry Under the Soviet Administration

Up until the outbreak of Second World War Baku was still the center of oil production in the former Soviet Union. The oil production capacity of Baku was the 75-80 percent of the total oil output of the USSR. However, in the post war era although Baku remained as the most important oil region of the Union, its importance has fallen with the discoveries in other parts of the Union. Lamet (1952) argues that Baku never reached the pre-war production levels in the immediate post-war era (p.11).

There might be several reasons for that, including the discoveries of oil in other parts of the Union. But it can be argued that the enemy threat to Baku that was

experienced during the war was signaling the danger to the resource security of the Union in terms of oil if they remain completely dependent on the oil production in Baku. Because any enemy attack would mean a great threat to the Soviet economy, industry, agriculture as well as military use of oil. The discoveries and utilization of new fields also created an opportunity for region, like Volga, Urals, Western Siberia to be less dependent on for distant resources for oil. Furthermore, one needs to add the fact that the easily accessible resources of the Baku fields was exhausted and the extraction of oil from deeper strata of the Baku field meant higher costs and the need for better technology (Lamet, 1952, p. 11).

Before the war although there have been advances in Soviet oil technology there were uneven developments in the exploration and production capabilities both of which were behind the development level of world industry. One of the important post war developments of oil industry in the Soviet era was the development of oil fields in the Eastern regions of the Caspian Sea. Those were the oil fields that was discovered in the Emba Valley (today's Western Kazakhstan) and Fergana. Nevertheless, the discoveries of what was called the "Second Baku", which are the vast oil regions that are located West of Urals, were the most crucial developments in the post-war Soviet oil industry.

Oil was discovered in this region only at the beginning of the 1930a, first near Perm (Molotov), and later at Ishimbaev (Bashkiria). On the eve of the war the output was nearly two million tons a year, coming principally from the Bashkirian centers, Ishimbaev and Tuymazy, from Buguruslan (Chakalov Province), Syzran (Kuibyshev) and from the Molotov fields. During the war development was accelerated in order to compensate for loss of production in the West. But it was in postwar years, when large quantities of modern equipment became available for drilling, pumping, etc., that the most striking progress was made. By 1950 output there was probably well over 10 million tons; expansion continued in 1951 during which Bashkiria increased production by a further 23 per cent (Lamet, 1952, p. 11).

Table 1. Regional Distribution of Oil Production in the Soviet Union

	1913	1927-28	1932	1937	1940	1950	
						Plan	Actual Prod.
Total Number of crude oil (in mit. T.)	9.2	11,75	22,3a	30,5b	31,0c	35,4	37,5
Including:							
Baku	7.67	7,7	12,6	23,2		17,0	}
Grozny	1,2	3,7	8,0	2,8			
Maikop	0,086	0,1	1,0	1,48			
“Second Baku”	--	--	0,01	0,98			
Emba	0,118	0,25	0,25	0,49		1,2	}
Fergana	0,023		0,66	0,39		1,2	
East Caspian	0,129		0,034	0,45		1,1	
	--		0,2	0,36			

(a) Planned output 21.7 mil. tons. (b) Planned output 46.8 mil. tons.. (c)Planned output for 1942, 54 mil. tons.

Sources: *Sots. Stroitelstvo*, p. 113; Report on fulfillment of second five-year plan, p. 80; Law on the five-year plan, 1946; *Planovoe Khoz.*, no. 3, 1946, p. 13; *Pravda*, April 17th, 1951.(Lamet, 1952, p. 10.)

3.3.1.3 Development of Oil Industry in Kazakhstan

During the Soviet era in terms of the energy supply to the Soviet economy Kazakhstan was an important supplier of energy not in the form of oil but in the form of coal. While during the first decades of Soviet Era Donets (Donbas) Basin was the only important mining region providing energy for the development of Soviet Industry, discoveries of new coal fields in Siberia, Kazakhstan and Urals resulted in the further increase in coal production in the Soviet Union (Lamet, 1952, p. 5). The outbreak of the Second World War had its negative effects on the coal production as well where some of the coal fields of European Russia was occupied or destructed by the enemies. Presence of such threats to the lifeblood of industrial development of the Soviet economy clarified the need for the creation of a powerful industrial base in the eastern parts of the Union against any threat.

During the Third Five Year Plan there were discoveries of oil and gas fields in eastern Caspian region. In Kazakhstan explorations in the Emba oil field which was discovered in earlier years was expanded and new discoveries of oil deposits were found in Kulsary- in Atyrau Oblast- were found. Discoveries of coal fields in the Karaganda region of Kazakhstan brought a reduction in the transportation charges which somehow helped to decrease the pressure on the Soviet Administration (Nazaroff, 1941, p. 83).

The production increase in the Emba region during the initiation of the Third Five Year Plan could be mentioned as one of the rare achievements of the Soviet government within the framework of development of Soviet petroleum industry in terms of eastward orientation and diversification of resources. However, the production increase in the Emba region was only a small percentage that can not be counted as a real improvement in terms of competition with Baku (Nazaroff, 1941, p. 84).

During the initial five year plans of the Soviet Union Kazakhstan was not much of a center of attention in terms of development of the oil sector Lamet (1952)

argues that although development of oil production was among the contents of Soviet five year plans this was not a smooth process and the difficulties experienced in this sector has been drastic. He adds that “in the first five-year plan output was doubled; in the second the output rose by some 30 percent but fell for short of the target; during the third the industry failed to make any progress” (p. 9).

Demand for oil products in USSR rose mainly during 1930s which coincides with the third five-year plan. This was basically due to the mechanization of the agricultural sector. Lamet argues that “in the whole of the USSR there were 148,000 tractors in 1932 and 454,000 in 1937; consumption of oil products in agriculture was 1.7 million tons in 1932 and nearly 6 million tons in 1937. Production of automobiles, principally trucks and lorries, rose from 23.9 thousand in 1932 to 200 thousand in 1937; the latter was doubled in the third five-year plan.” (Lamet, 1952, p.9).

However the outbreak of Second World War urged the necessity to cut oil consumption in agricultural and industrial sector and saving the resources for armament purposes. The situation of oil production during the Soviet era worsened with the occupation of the Northern Caucasus oil fields by the enemy. The war also contributed to a decrease in oil production of oil in Baku as well.

Restructuring of the oil sector began as early as 1943 but till the war is over there was not much progress. In the post war environment the primary concern was to rebuild the Caucasian fields as well as expansion of the eastern oil fields. All of this tried to be achieved in immunization from the developments of the oil sector in the Western world. Especially starting with Stalin’s rule Soviet leadership put an end to any possible negotiation that would allow foreign companies to invest. During the Gorbachev era a new opportunity for international oil companies to look for the development of Caspian has been provided with the liberalization attempts of the new leadership. Gorbachev administration have invited western companies first to establish joint ventures. However by that time the technological capacity of the Soviet oil industry were

far below the West. It was basically “...outmoded and inefficient, with a decaying infrastructure” (Akiner, 2004, pp. 8-9). Soviet leadership’s openness to foreign investors wet the appetites of international giants such as US oil company Chevron who was willing to invest in rich oil fields of Kazakhstan. During 1980s Chevron have entered into negotiations with the Soviet leadership in order to gain the exploration rights of the giant Tengiz field of Kazakhstan who has been discovered in 1979 (Akiner, 2004, p. 9).

3.3.1.4 Kazakhstan as the Agricultural Crutch of the Union

“Virgin Lands” Programme of Nikita Khrushchev which started in 1954 were covering approximately 30 millions of hectares of “virgin and non-fallow lands” of the semi-arid steppe in European Russia, Southwestern Siberia, Eastern Siberia and Urals and Kazakhstan (Laird & Chappell, 1961, p. 320). Although there were controversial opinions on the achievements of the “Virgin Lands” Programme one has to note that in 1960 62% of the state’s grain purchase were from this region. The Kazakh “Virgin Lands” were accounted 55 % of the whole Union total. This made Kazakhstan “the crutch” of the Soviet Agriculture especially of the effort to increase food production (Laird & Chappell, 1961, p. 327).

There was several challenges to the success of the “Virgin Lands” policy. Climatic conditions as well as the nature of the soil was causing the initial obstacles for the achievement of expectations from the cultivation. In northern regions of Kazakhstan Virgin Lands, the soil alkalinity was high and the weather conditions were low to the level of frost which makes these conditions very harsh for cultivation (Laird & Chappell, 1961, p. 329). But more important than the natural challenges caused by the soil or climate it is possible to mention the problems between the indigenous habitants of the region and the incoming Russian population.

State agricultural production was organized under two administrative units. Those were the sovkhozy (Sovetskoe Khozyaystvo- state operated large scale agricultural production facilities) and kolkhozy (kollektivnoye khozyaynstvo- collective farms). The New Lands programme has a special emphasis on the use of sovkhozes. By 1958 nearly sixty per cent of the New Lands area of Kazakhstan were comprised of sovkhozes. The purpose of high dependence of sovkhozes was to increase production and decrease dependence of state on peasantry where sometimes can be uncooperative (Laird & Chappell, 1961, p. 335).

Table below provides the figures for increase in agricultural production in Kazakhstan during the years of 1953 and 1960. In the year 1958 the Kazakhstan region provided state 15,082,000 tons of grain where 90% of it were wheat. This success was mainly an outcome of firstly, the substitution of corn with small grains as agricultural production.; secondly, soil saving efforts that aimed at keeping fertility at constant levels; and thirdly, steady decline in annual drought.

Table 2. Grain Output in Kazakhstan during 1953-1960 as a result of Virgin Lands Program

YEAR		1953	1956	1957	1958	1959	1960
1	Barn harvest of all grains, in 1000s of metric tons	5,439	23,823	10,575	21,991	19,085	18,706
2	1000s of hectares sown to all grains	7,026	22,514	22,823	23,245	21,988	22,269
3	1000s of hectares in corn	40	n.a.	1,063	1,172	1,438	2,100
4	% of total grain area in corn	0.57	n.a.	4.7	5.0	6.5	9.4
5	Corn yield, centers/hectares	24.0	17.5	21.9	25.3	24.1	25.0
6	Corn harvest (hectares x yield) in 1000s of metric tons	96	n.a.	2,328	2,965	5,466	5,250
7	1000s of hectares sown to small grains (all grains minus corn)	6,986	n.a.	21,760	22,073	20,550	20,169
8	Small grain yield, centers/hectare	7.6	10.0	3.8	8.6	7.6	6.6
9	Barn harvest of small grains, in 1000s of metric tons.	5,343	n.a.	8,247	19,026	15,619	13456

(Source: Laird & Chappell, 1961, p. 337)

3.3.1.5 Soviet Industry and Kazakhstan

Industrial development was at the top of the agenda of the Soviet leadership. This is primarily because of the policy to close the gap between Western capitalist countries. On the eve of the Second World War Soviet Union achieved an exceptional level of industrial development close to the levels in Japan and Germany (Rodgers, 1974, p. 226). Bearing in mind the vast geography and population that I present under the umbrella of Soviet Union hints can be found on the challenge that Soviet leadership has to take. It is the challenge of the need to develop a very complex web of economic planning that will cope with regional imbalances in terms of structure of the population, resources and development investment covering all of the constituent republics.

Most of the industrial infrastructure inherited from the Tsarist past was primarily centered in the Russian regions of the Union. During the first decades of the Union the same trend continued however mainly due to the rising costs of transportation and challenges brought by the First and Second World wars pushed Soviet leadership to think diversification of the industrial base of the Union.

By late 1950s Moscow decided that there is a need to reorganize the industrial structure of the Soviet Union. The primary agenda of this reorganization was decentralization of the industrial infrastructure all over the Union. The decision was to establish hundred and five economic administrations within the different republics of the Union where nine of them were to be placed in Kazakh SSR. Russian SSR was getting the seventy of economic administrative units where Ukraine was getting eleven and Uzbekistan was getting four. The remaining eleven units was distributed among the rest of the Republics (Lydolph, 1958, p. 295).

The industry in Kazakhstan had a wide range of sectors including extraction of ferrous and non ferrous metals, their processing, coal mining, heavy engineering, oil exploration and extraction. The main function of the Kazakh

industrial output was to provide supply for the military purposes (Akiner, 2004, p. 8). Accordingly Kazakh SSR possessed a significant part of the Soviet military complex within its territory including nuclear testing and space research. Semipalatinsk nuclear testing site which was located in Kazakh SSR played an important role in the development of Soviet nuclear capacity. Similarly Baikonur space center has been an important factor of the space race between the Soviet Union and United States during the Cold War.

The distribution of economic administration units all through the Union provides us with a picture where Russian SSR remains the central actor of the industrial economic planning and Kazakhstan SSR becomes the third largest industrial administrative unit of the Union. It can be concluded that despite the fact that the purpose was decentralization it has been done in a very controlled way. Keeping Russian SSR as the largest industrial unit is a reflection of the fact that although the regional elites were given a degree of power in economy, the shape of the economic structure and industrial planning will be decided by the center (Lydolph, 1958, p. 299).

3.3.5. Establishment of Political Control by the Soviet Rule

In terms of political administration the pattern that was followed in Kazakhstan was similar to other parts of the Soviet Union. Establishment of the Communist Party in Kazakhstan dates back as early as 1920 as soon as the region got under Bolshevik regime. During the first couple of years due to turbulent years till the effective establishment of the Soviet control all over the region there was relatively a free environment for the members of the Kazakh Communist party to express their ideas, this soon to be changed. During those years there were some nationalist groupings within the party defending ideas similar to the nationalistic views of Alash Orda government. When Stalin came to power these political divisions within the party soon to be changed as it did in other Soviet republics as well. Starting from early 1930s onwards most of the local

elites defending the idea of importance of the indigenous nationality and its preferences were killed as a result of purges campaign of Stalin. Purges helped Stalin administration to introduce people in power as such who has similar ideological preferences with the Russian Communist Party. Until Stalin's death these new elites ruled the Kazakh SSR strictly in line with the preferences of Moscow rather than the indigenous priorities. After Stalin's death the policy of loyalty to Moscow continued however not with the pressure of a sharp sword as was the case during Stalin's rule (Gleason, 1997, p.55).

During the Brezhnev era all over the union there has been a relaxation period experienced by the local elites. Starting from Brezhnev era it is possible to observe development of local patronage networks which helped local elites to establish a degree of control over their affairs. During when Dinmukhamed Kunaev became the leader of Communist Party of Kazakhstan, local Kazakh elites became more active in the political, economic and social life of the Kazakh SSR. Although Kunaev was perceived as a successful leader by the local elites of Kazakhstan in Moscow the perceptions was different. Especially on economic affairs he perceived to be unsuccessful due to decreasing level of production in the Kazakh SSR. This was due to decreasing levels of labor productivity where Kunaev was unable to solve due to strengthening patronage networks within the republic. In 1986 Moscow saw the need to change Kunaev with Gennadi Kolbin a leader outside of Kazakhstan who is from a Russian origin in order to cope with the problems of strong local patronage networks leading to corruption and low productivity. However this was perceived by Kazakhs as a source of humiliation to them and resulted in eruption of strong demonstrations against this policy which was named as famous jeltoksan movement. The majority of demonstrators were students from Almaty who were on the streets protesting against Gorbachev's decision. Demonstrators heavily crushed down by Moscow resulting in hundreds of deaths (Olcott, 1997a, p. 206).

Despite the fact that with the support of Moscow Kolbin managed to stay in power as the leader of the Kazakh Communist party he could not be successful

in curing the ills of Kazakh SSR. Decreasing economic trends continued, as well as the social unrest which was demonstrated itself as rising nationalistic tendencies which was flourishing all over the Soviet Union. In 1984 Gorbachev decided to change Kolbin with another ethnic Kazakh community party leader Nursultan Nazarbayev who played an important role in managing the complex ethnic structure of the republic as well as harmonizing the economic structure of Kazakhstan with the reforms initiated by Moscow (Olcott, 1997a, p. 206).

Historically, Russian literature names people of Kazakhstan as Kyrgyz in order to prevent any confusion with the Cossacks. The traces of this terminology can be found in the first Bolshevik administration, which was established over the region covering most of today's Kazakhstan: Kyrgyz Autonomous Soviet Socialist Republic in 1920. Soviet differentiation of two groups of people starts with the establishment of the Kazakh Autonomous Soviet Socialist Republic in 1925. Almaty became the capital city of the Kazakh ASSR where converted into a Soviet Socialist Republic in 1936 (Olcott, 1997c, p. 17). Soviet treatment of Kazakhstan can be considered as colonial in nature by looking at the Soviet leadership's cruel attitudes towards indigenous peoples and coarse treatment of the natural resources of the country. The demonstration of this argument can be found in the practices of collectivization process of agriculture and the purges policy implemented against the local political elite in the Kazakh SSR and other regions of the Union as well. Additionally the "virgin lands campaign" was another reflection of this cruelty and coarseness which showed no respect to the indigenous practices of local people.

Up until the Gorbachev's reforms Kazakhstan has been ruled with an iron hand commanded from Moscow. During the perestroika years Kazakhstan was following the liberalization attempts of Moscow. However, the harmony between the Gorbachev and Dinmukhamed Kunayev a 73 year old man who was the first secretary of the Kazakh Community Party at that time, was not as it was supposed to be. The younger generation within the Kazakh communist party whom were mainly represented by Nazarbayev, Chairmen of the Council of Ministers of Kazakhstan, and Kamaidenov, the Second Secretary of the

Communist Party of Kazakhstan, was not very happy of the Kunayev's leadership and were criticizing him and the situation in the republic to the center by asking for a change in the leadership. In 1986 due to the poor level of relations between Kunayev and Gorbachev, Kunayev submitted his resignation. This was followed by the appointment of Gennady Kolbin as the first secretary of the Communist Party of Kazakhstan. This has been met with reactions from Kazakhs whom arguing that Moscow made a wrong decision by nomination a person who has no experience with regard to and never been in Kazakhstan before (Kalyuzhnova, 1998, pp.14-15).

These events which was immediately crushed down by the Soviet troops became known as Jeltoksan (December) Events. Throughout the Soviet Union Jeltoksan movement represents the first serious event organized to protest a decision of Moscow. It is a turning point in the Soviet political history of Kazakhstan as well. The process of democratization in Kazakh SSR starts with the process of national awareness in 1989 as it did in many other Soviet Republics. However, the issue of Kazakh national consciousness goes far beyond the language policies of 1989. As early as 1975, starting with the writings of Kazakh intellectual Olzhas Suleimanov, rising to bloodshed in Jeltoksan Movement of 1989, there was a hidden wave of awakening national consciousness moving under the ocean. It was the beginning of a new era where the discussions with regard to the national sovereignty of Kazakhstan over the affairs of the republic during the late 1980s. The issues of language, environmental protection, and autonomy in economic affairs were at the top of the agenda of people demanding respect for national rights. These demands resulted in the organization of pressure groups within the Kazakh SSR during the late 1980s. During the period of weakening of the Soviet command system starting with 1980s Kazakhs find the way of representing their ethnic demands through the organization of environmentalist groups. Especially in the Semiplatinsk region where witnessed numerous nuclear testing and decay of environment and destruction of people's lives, made Kazakhs to get together and organize into strong public pressure groups. The Nevada-Semipalatinsk movement that has been organized under the leadership of Kazakh writer and poet Olzhas

Suleimanov has been the most active of those political groupings (Caspiani, 2000, p.2). Suleimanov's environmental group is important in one other respect as well. In the post-Soviet environment the most active civil society organizations who have been to attract popular support among people have been the ones which has been established with the environmental. Other civil society organizations that was established with concerns such as human rights or empowerment of women most of the time remained with a very limited member base whom primarily run by a few people less than fingers of one hand (Personal communication with civil society representatives, December 2003).

In 1990 as part of the internal pressures as well as due to the wind of reformism that has been going through all over the Union a law passed in Kazakh SSR allowing political parties. However, during March 1990 legislative elections all of the deputies elected were from the Kazakh Communist Part. Despite the election results the months following the law witnessed a blossoming of political parties in the republic where in October 1991 almost two years after the law there were 120 political groups and parties established in the Kazakh SSR. Among them there were strong opposition groups developing mainly with nationalistic views. Political parties such as Azat (liberation), Jeltoksan (established in memory of events of December 1986) and Alash Orda were all Kazakh nationalist political parties whom became strong political actors of the initial independence years of the post-Soviet Kazakhstan. In addition to Kazakh nationalist political parties and rising nationalism among Kazakhs, a similar trend has been active among the Russian citizens of the Kazakh SSR. Among those Russian nationalist parties Interfront (Association for the Defense of Russian Interests) and Edinstvo (Unity) is worth mentioning. (Caspiani, 2000, pp. 2-3).

3. 4. Legacy of the Soviet Past on Independent Kazakhstan

The seeds of today's Kazakhstan as a separate geographical and political unit were sown during the Soviet Era. Although Stalin's intention with his delimitation policy of the year 1924 and later 1936, was not to empower these geographies as distinct political units but rather to establish effective control over them. The delimitation policy aimed to prevent emergence of a unity among the peoples of Turkistan Autonomous Soviet Republic. His ambition was lying in the principle of divide and rule rather than giving any political power to various ethnic and political units. It would not be wrong to say that increasing disruptions in the Central Asian peoples and the rest of the Soviet Union contributed to the evolution of this policy. In Central Asia even before the outbreak of the Bolshevik Revolution there were some kind of political organizations among the Turkic peoples of the region. Among those groupings one needs to mention the Pan Turkic movements that voiced by Ismail Gaspirali and the later the Basmachi movement of the early 20th century which is an outcome of the discontent among the Turkic population of the region as a result of the soldier recruitment policies of the leadership during the First World War. The policy of delimitation was successful in the sense that it put an end to the Basmachi Movement and prevented emergence of any other Pan Turkic movement (Anderson & Promfret, 2004, p. 2). In the long run however, this delimitation policy served for a completely different political setting than Stalin wished to see. With the dissolution of the Soviet Union, Kazakhstan became an independent republic with the geographical boundaries that was provided by delimitation policy of Stalin.

The purpose of this section is to provide a general understanding of the legacy of the Soviet political and economic system over the Central Asia in general and Kazakhstan in particular. Such a background will help to understand the legacies of this historical experience on current day Kazakhstan and will also provide us with the means to make comparisons with the other oil producing geographies of the world.

3.4.1 Political Legacy

The legacy of Soviet political institutions on the former Soviet republics have been determining on their course of post-Soviet institution and state building. It is useful here to employ McAuley's (1995) four item list of political features of the Soviet era having a legacy over its constituent republics and adding four more over them that will be useful to analyze the post-Soviet Kazakh political life. First feature was the 'centralization of political authority' which left individual republics without necessary experience as well as institutions for policy making. Instead of taking active role in decision making what political elites from each constituent republic responsible for was execution of policies made by Moscow at Republican level. Such a centralization of political authority leaves politics and policy making with several handicaps that has impact still today. First of all bearing in mind the vast geography the Soviet state was covering as well as complex demographic structure that is living over its geography, concentration of decision making was at the hands of a very small group of people. Accordingly this could create limitations on decision makers where was not in a position to take decisions after a proper public debate process. Secondly, such a system of decision making would lack the necessary flexibility to cope with multi layered problems of the Union. Thirdly, decision making in such an environment turns out to be over politicized where most of the time technical and social considerations with regard to the decision making may fell into secondary concerns in situations that they should be primary (McAuley, 1995, p. 257).

The second feature with regard to the political legacy of the Soviet system was 'centralization of administrative responsibility'. Similar to the problems stemming from centralized political authority and incapacity of individual republics to make policies themselves, individual republics did not have the necessary administrative capacity as well. They did not have any experience and institution to pursue normal functions of a government. Third feature that has been listed by McAuley (1995) is the fact that Soviet system kept individual republics isolated from the rest of the world. This isolation that has continued

for about a decade kept independent republics away from the rest of the world without any experience of foreign policy making or qualified personnel to capable of conducting foreign policy. The fourth feature of the Soviet political legacy was very much linked with the Soviet leadership's stress on security and monopolizing everything related with the defense and military. The composition and concentration of army was mainly at the Russian hands where no one of the individual republics had any knowledge of managing an army or even had control over its actions. The lack of capacity to secure its territory, integrity and borders was another legacy of their past for the post-Soviet states which creates a challenge to their state building processes (McAuley, 1995, p. 258).

In addition to the four features of McAuley (1995) it is important to note four more that have been influential on the dynamics of today. Firstly, it is necessary to point out the role of the presence of charismatic leadership during the Soviet era is crucial and its effects can be traced in the presidential leaderships of the post-Soviet republics. Secondly, it is necessary to mention the lack of political participation and opposition everywhere in the former Soviet Union. This can be counted as an important legacy of Soviet political culture over the problematic progress of democracy in most of the former Soviet republics. Thirdly, complex ethnic structure that was managed through an Iron hand during the Soviet era has been inherited by some post-Soviet republics including Kazakhstan, where this can also be an explanation for the ill progress of democracy in some post-Soviet republics mainly due to the inherited demographic structures and political culture. Lastly but not less important than the previous, a crucial aspect of centralized decision making has to be emphasized where McAuley (1995) does not touch upon. It seems that some of the post-Soviet republics inherited the political culture of Soviet leadership in decision/policy making through a limited group of individuals without really going through a public debate process before the decisions were actually taken.

3.4.2 Socio-cultural Legacy

The main socio-cultural legacy of the Soviet rule over Kazakhstan was the consequences of the Sovietization policy that was followed in Kazakhstan and elsewhere in the whole Union. The primary outcome of Sovietization policy was the unique demography that it had created where indigenous Kazakh population became a minority. The migration of Russians towards Kazakhstan starts as early as the nineteenth century. Eastward migration of Russians continued during the Soviet era as well. During the Soviet era it is possible to talk about two waves of Russian migration towards Central Asia. While the number of Russians in Kazakhstan were increasing the number of Kazakhs living in the region was decreasing due to a series of terrible events in which many Kazakhs have died. Among those it is possible to mention the Tsarist crush against the 1916 uprising, 1917 revolution and the civil war that followed it, as well as the agricultural collectivization drive of 1930s and the purges resulted in the death of millions of Kazakhs. The First wave of Russians arrived during 1930s coinciding with the collectivization drive of the Soviet administration in the region. During the years between 1926 and 1939 the number of Russian people living in Central Asia rose from 600,000 to 1,900,000. The second wave of Russian migration to Central Asia began with the outbreak of Second World War which is coupled with the “Virgin Lands” campaign. According to 1959 census results Kazakhs constituted only 30 % of the whole population especially due to the Virgin Lands campaign of 1954 (Laird & Chappell, 1961, p. 332; Babak, Vaisman and Vladimirskaia, 2004, p. 98).

In addition to Russian immigrants, Soviet leadership’s efforts to impose Russian culture and language over the region presents another socio-cultural legacy of the Soviet past where especially in the urban areas almost all of the indigenous Kazakhs have been Russified. The process of Sovietization had harsh influences over the indigenous Kazakh population. Intolerance to the intellectual and spiritual practices of the Moslem religion caused lots of suffering on behalf of the Turkic population. Policies were formulated from

Moscow in a manner in which Moslem culture was being slowly eliminated. Those policies were taken a step further “by alphabetical reforms which replaced the Arabic script, in which the religious texts are written, first with the Roman alphabet (1920s) and then with a Cyrillic (late1930s). This cuts younger generations off from the body of Moslem learning, placing them at an even greater handicap than their Russian Orthodox counterparts in Europe” (Laird & Chappell, 1961, p. 331). Indigenous Kazakh population were treated as a second class individual in his own land especially due to the predominance of traditional Muslim customs in daily lives although it is not possible to say that the Kazakhs were a religious community. Soviet antagonism to traditional Muslim customs and practices created a harsh blow to the traditional indigenous way of living (Laird & Chappell, 1961, p. 332).

Due to oppressive nature of the Soviet system issue of different ethnic groups of Kazakhstan did not become a major problem until 1986 demonstrations against the change of Kunaev with Kolbin as the leader of the Communist Party of Kazakhstan. The stress on indigenous Kazakh nationality became apparent after this event. The language law of 1989 was an important step towards strengthening ethnic consciousness as it did in the rest of the Soviet Republics. A Kazakh origin academic argues that at the time of independence most of the high ranking officials in Kazakhstan were of Russian origin and after independence most of them left to Moscow. This has created a huge human resources gap in the newly independent republic (Personal Communication, December 2004).

3.4.3 Economic Legacy

Soviet economic structure was not designed in a way to equip individual republics to function as independent economies. On the contrary Soviet experience made them to develop institutional weaknesses that are still influential today. The initial weakness stems from the very nature of the command system where leaves elites in each one of the individual republics

without the capacity and means to practice policymaking. This was primarily due to the over centralized policy making structures of the Soviet Union. Secondly, still as part of this over centralization, and command system of governing economy, individual republics could not develop necessary institutions capable of functioning independently. This dependence on the rest of the Union republics presents itself in need of every single republic to trade with the other. Thirdly, under the Soviet command system the structure of the provision of public services were developed in such a way that despite their differences in the level of economic development, population size and other variables each one of the republics should have a similar structure. This means that even if their own budgets is not capable of providing the health, education and social welfare services on their own they would be subsidized by the central budget. In the post- Soviet environment without the support of the central budget it became very hard for the leaderships of the individual republics to cope with people's expectations (McAuley, 1995, p. 256).

3.5 Conclusion

Emergence of today's Kazakhstan as a geographical unit is rather a very recent event when compared to other parts of the world. The social, political and economic structuring of the Kazakh SSR during the Soviet era has a determining effect on the nature of the today's republic of Kazakhstan more than and other historical past that the geography and its people's experienced. This chapter provided us with the necessary tools to understand the historical continuities and changes in the post-Soviet Kazakhstan. Understanding Soviet background and its economic, social and political legacies will also provide us with the tools to overcome the a-historicity of the analysis of the rentier state literature on oil producing states with the case of Kazakhstan.

CHAPTER 4

KAZAKHSTAN AFTER INDEPENDENCE: ECONOMIC AND SOCIAL DEVELOPMENT

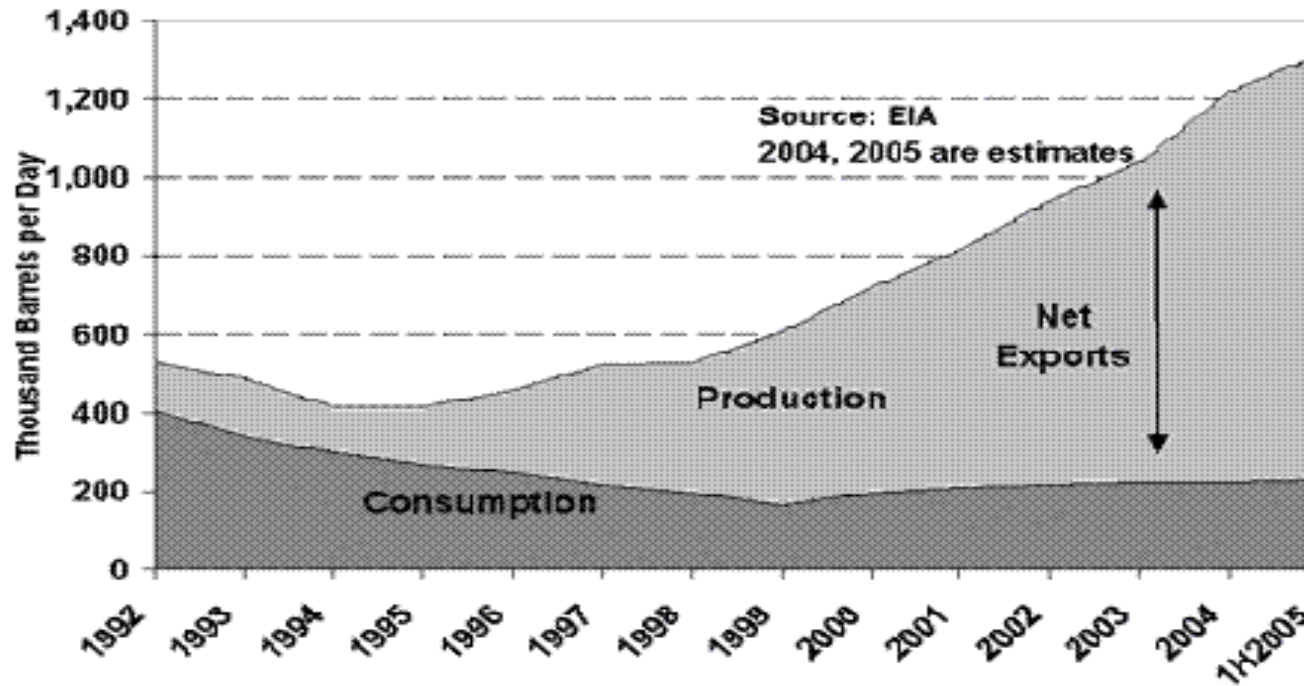
4.1 Introduction

Newly independent Kazakhstan with a 2,717,300 sq km total area and 15,233,244 (July 2006 est.) population inherited the largest portion of recoverable crude oil reserves of the Caspian region (EIA, 2005, ¶ 1). It is estimated that Kazakhstan's proven hydrocarbon reserves is somewhere between 9 and 29 billion barrels – which is comparable to some OPEC members such as Algeria on lower end and Qatar on higher end. This estimation covers both on shore and offshore reserves. During the early 1990s initial estimations regarding the hydrocarbon potential of Kazakhstan were around 16 billion barrels (EIA, 2005, ¶ 5). However discoveries in the offshore Caspian proved that Kazakhstan has more potential than it is known during early 1990s (see Appendix 1 for major oil projects; Appendix 2 for major oil fields)..

The initial excitement of the international community of the oil market and the Kazakh leadership has reached to its peak with the discussions regarding the capacity of the offshore reserves of the country lying under the Caspian Sea bed. In 1996 several seismic studies has been conducted on the seabed of the Caspian

regarding the hydrocarbon potential of the region by the Caspian Sea Consortium. As a result of this studies it was estimated that Kazakhstan's share in the Caspian Sea bed posses "173 billion barrels of oil and 2 trillion cubic meters of natural gas" meaning that Kazakhstan's share from the Caspian resources is ten times bigger than its on shore Tengiz resources where "much larger than] Russia's entire oil reserves of 6.7 billion tons [48.9 billion barrels]" (Luong, 2000, p. 82).

The purpose of this chapter is to look at oil producing Kazakhstan from a wider perspective than the conventional "rentier state model" approaches prevailing in the study of oil producers. The aim is to depart from the assumptions of the "rentier state model" and analyzing them in the context of post-Soviet Kazakhstan. While doing that there will be an emphasis on the structured contingency in decision making in terms of inherited practices of the Kazakh leadership from the Soviet era.



Source: Energy Information Administration , Country Analysis Brief : Kazakhstan , <http://www.eia.doe.gov/emeu/cabs/kazak.html>, retrieved at June 30 2006.

Figure 1. Oil Production and Consumption in Kazakhstan 1992-1995

4.2 Post Soviet State Era in the Republic of Kazakhstan

It is possible to argue that in the post-Soviet emphasis of Kazakh leadership was mainly on economics. In that sense it would not be wrong to claim that for the sake of achieving economic transition, political transformation was neglected. In the aftermath of the dissolution, independent Kazakhstan was one of the two Central Asian states who decided to go for a “Shock Therapy” in transition to market economy. This widespread reform package that was designed for the achievement of transition through “Shock Therapy” began in 1993. This cooperative approach of Nazarbayev regime towards the international economic system was very well appreciated and supported by the international donors as well, because on top of that Kazakhstan was especially important for them due to its vast amount of hydrocarbon reserves. Of course in a newly independent state’s unstable atmosphere these reform policies had their own influences on the escalation of instability, which resulted in the emergence of political oppression. When compared to other Central Asian countries it would be just to say that Kazakhstan has a leading role especially in terms of economic transition and development. However, despite the positive progress in the development path, it is still not immune to the region specific challenges. The main reason behind this achievement can be attributed to the involvement of foreign investors into the oil and gas sector of the country, however still this brought with itself several new challenges.

While on the one hand inflow of high percentages of foreign investment decreased the importance and urgency of the reform process and especially of privatization. On the other it contributed to the rise of nationalistic attitudes within the country against foreign involvement. Recent brawl between Turkish and Kazakh workers is a good demonstration of rising antagonism and dissatisfaction of foreigners in the country. Despite occasional incidents there are some other reflections of increasing nationalist rhetoric especially in business life as well for example with regard to the privatization of public assets. Country Watch reports that recently Kazakh government have taken decisions in favor of indigenous ‘oligarchic structures’ at the expense of foreign

investors (Kazakhstan Country Review, 2003, p.30). In addition to that the rising levels of corruption is another demonstration of the post-Soviet problems specific to the region. Increasing amounts of revenues from oil and gas sector have been at the control of a limited number of people, where in many cases accountability of them are almost at the zero level. Country Watch 2003 report on Kazakhstan suggests that in 1999, 4200 Kazakhstani officials have been put out of office due to corrupt behavior where shadow economy were estimated to be around 20% of all of the economic activity in the country (Kazakhstan Country Review, 2003, p.30).

During the initial years of independence up until the second half of the 1990s, it is possible observe a leadership that has more tolerance towards opposition and media. Furthermore, it can also be argued that the leadership was allowing “independent political organizations to develop virtually uninhibited and decentralized decision making over many aspects of the economy” (Loung, 2002, p. 13). However, this was soon to change. In the second half of the 1990s the government of Kazakhstan changed its rather democratic approach and initiated policies for the concentration of political authority in the hands of executive especially presidential office. This was mainly due to leaderships attempt to secure the control of Foreign Direct Investment.

Moreover, complex nature of the multi ethnic society of Kazakhstan had its own impacts on the instability and increasing oppressiveness of the regime. Compared to other Central Asian leaders Nazarbayev had a harder task for achieving stability in the process of state building . This was particularly due to the threat of emergence of nationalist aspirations either among titular nationality Kazakhs or among Russians, which is the other equally big ethnic group of the republic. Loung (2000) argues that inconsistent economic and political policies have sent mixed signals regarding the degree and direction of change in the relative powers of established and emergent actors. Furthermore she argues that “in particular, it [transition] promoted perceptions among both central and regional leaders in the executive branch that their influence was increasing and would continue to increase - both in absolute terms and relative to other.

Moreover, the nature of the transition in Kazakhstan reinforced regional rather than national cleavages, while at the same time enabling divisions between the titular and non-titular nationalities (primarily Kazakhs and Russians) to persist and indeed flourish (Loung, 2002, p. 37). However she adds that central government of Kazakhstan made “conscious effort to discourage the outbreak of nationalism, its approach was unique that it sought to achieve this by both appeasing and cracking down on social movements and political parties based on ethno national criteria” (Loung, 2002, pp.136-7).

Third dimension of post- Soviet transformation in Kazakhstan, which is the issue of transition of Kazakhstan to a market economy. Roeder 1999 argues that this can be analyzed by asking the question of: “were economic decisions concerning production, pricing, and distribution made in the private sphere and marketplace rather than in governmental agencies?” (p.855). According to the answer that is given regarding Kazakhstan and its economic transition, the result is not much different from the fate of the democratization process.

Especially in the post September 11 international context international community once again realized the importance of diversifying its dependence on one region for natural resources. The reserve capacity of the Caspian region proved to be less than it is estimated during the mystic Soviet days where no one had access to information on the issue or in the immediate dissolution days. Nevertheless it was proposing international community a new source for hydrocarbon reserves which was still at a considerable amount. Eagerness of the newly emerged states to get integrated into the global economic system and readiness of some to open up their oil field for international investment did not need much time to attract international attention to this region. Among those Kazakhstan had a special place considering the rather stable political conditions, a charismatic leadership who is giving importance to having good relations with West.

4.2.1 Building of Market Economy from the Scratch

At the time of the independence no one in Kazakhstan were expecting this process to be non painful. People recalling those days are saying that they did not even sure of what they can do or how they can utilize their personal skills in this new unstable environment where they have left without previously existing state security system as well (personal interview with a Kazakhstani former history teacher in his 60s, December 2004, Almaty). Let individuals alone it was such an unpredictable time to imagine how state institutions need to be constructed with the capacity to cope with the process of transforming from a planned economy to a market one.

Schroeder (1996) suggests that for a state which is at the stage of transformation from a planed economy to a market one there are seven essential steps to be followed. Firstly, there is an urgent need to achieve stabilization through creation of a credible currency, and provision of appropriate fiscal and monetary atmosphere; secondly, liberalization of prices, economic activity, and foreign trade and so on has to be a primary focus; thirdly, privatization of the state assets has to be initiated; fourthly, creation of necessary institutional framework such as “social safety nets, financial institutions, and legal, accounting, and statistical systems”; fifthly, regulation of the market in order to sustain its functioning; sixthly, “ alteration of the structure of production, trade, and investment in accordance with market signals”; and seventhly, “behavioral adaptation of firms, individuals, and civil bureaucracies to the new market-created environment incentives” needs to be completed (p. 13).

Although the recipe to follow during transition from a planned economy to a market economy is available and clear what makes this process complicated and different in each case is very much related with the policy choices that post-Soviet leaderships had to take depending on their inherited decision making practices as well as the state of their current conditions. Under deteriorating economic conditions and unpredictable political conditions, Kazakhstan was equipped with a leadership that has distorted capacity to make and implement

reforms necessary for transition during the initial years of independence as specified in the various recipes.

4.2.2 Oil as the Engine of Independence

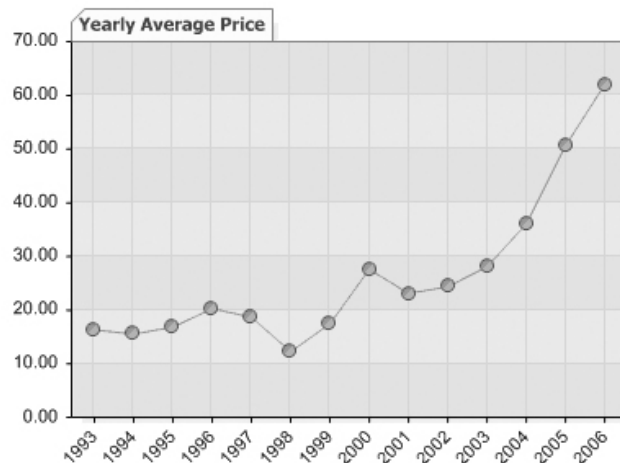
The economic reform programmes of 1993 and 1994 set the major priority of Nazarbayev's independence strategy: that is urgent need to concentrate on stabilization and development of the economy more than anything else. Emphasis on economic development as part of the state building process raises the importance of development of hydrocarbon reserves of Kazakhstan. International oil giants have turned their attention over the hydrocarbon resources of Kazakhstan even before the dissolution of the Soviet Union. Although Kazakh leadership was not a direct part of the process just before the declaration of independence, Chevron were negotiating the possibility of developing Tengiz oil-field with Moscow. At the time of independence, despite the fact that Nazarbayev was aware of the republic's need for revenues that would come from raw materials, he was also aware of the fact that most of these are non-renewable resources and in the long run such a dependence process has inherent illnesses. Starting from late 1980s one can find Nazarbayev stating that behavior of oil giants and their incorporation into the economy through the concession rights acquired with regard to the exploration and extraction of hydrocarbon resources as "the robbery in the daylight" (Olcott, 1995, p. 181). However the development plan set forward for the newly independent Kazakhstan had a systematic that aimed to overcome the negative aspects of the foreign involvement as well as dependence on one single commodity. It was suggested that for the first couple of years of independence till mid-1990s the country would have a purely economic concentration in terms of stabilization of economic indicators and satisfaction of consumer needs in the market. It was only after achievement of rapid transition to market economy the leadership believed that Kazakhstan will be ready for another phase of transition that is from being a supplier of raw materials towards being a manufacturing and

processing economy. It was suggested that only after the completion of those two phases Kazakhstan can become one of the leading actors of world economy in terms of manufacturing and exporting. It was further suggested that after the completion of economic transition Kazakhstan would be able to enjoy a democratic political system with the presence of a multiparty structure, guaranteed individual rights and liberties (Olcott, 1995, p. 181).

Being aware of the negative effects of the dependence on hydrocarbon revenues and having in mind a strategy to cope with these did not keep Kazakh leadership from making urgent calculations about the scope of possible revenues to come. During the initial days of its independence it was estimated that Tengiz oilfield were holding approximately ten billion barrels of oil, where Uzen and Karachaganak were estimated to have approximately three billion barrels of oil each. Dissolution of the Soviet Union made Chevron to discuss the issue of getting rights to develop Tengiz Oil with the newly independent republic of Kazakhstan. The process of negotiations with the new leadership ended in 1993 with the formation of a new partnership with the company and the newly independent state. In 1993 Kazakhstan had its first oil deal with Chevron. This was a joint venture that will have a life of 40 years with a budget of 20 billion US dollars. An agreement was signed between the government of Kazakhstan and the US oil company Chevron establishing the first joint venture of Kazakhstan: Tengizchevroil. According to the agreement it was expected that the eventual production from the joint venture would be 700,000 barrels per day ready for export. Tengiz was to be followed by other agreements between the Republic of Kazakhstan and the international companies. One of these was Karachaganak, a huge oil and gas condensate field in Western Kazakhstan. Like Tengiz, it had been discovered in 1979, but not fully developed during the Soviet period. In 1992, BG (British Gas) and Eni (Italy) were awarded exclusive rights to negotiate contract for the rehabilitation and development of this field (Luong, 2000, p. 82).

4.2.3 Target of the Republic: Kazakhstan 2030

According to April 2005 Report of the Energy Information Administration by the time of the publishing of the report there were eighteen major oil and natural gas projects active in the Republic of Kazakhstan. Some of them were already active projects at the time of independence inherited from the Soviet past such as Emba but majority of them are post-Soviet creations. In addition to increasing number of hydrocarbon projects in the country there has been an increasing trend in oil prices. Since 2001 oil prices rose at a skyrocketing pace almost doubling the prices of 1991- which was at an average of 30\$ per barrel, which was again an era of oil boom due to the war in Iraq (BBC Business, June 2000)



Source: retrieved from <http://www.opec.org/home/basket.aspx>, retrieved at July 24, 2006.

Figure 2. Yearly Average Oil Price

In the October of 1997, in his message the people of Kazakhstan president Nazarbayev set the target of 2030 for the achievement of prosperity, security

and welfare for the people of Kazakhstan. Although, it may be true that Nazarbayev has not initiated a personality cult as in the cases of Turkmenistan and Uzbekistan, but Kazakhstan 2030 can be perceived as a 'target cult' that dominates the streets of Almaty with huge signboards over the very wide Soviet streets and huge billboards all around the city (Personal Observation, December 2003, December 2004 and June 2005). In his introduction to present 2030 Nazarbayev was saying:

Today we live in an epoch of ever growing globalization and ever close interrelationships when powerful outer forces would inevitably play a pretty substantial role in determining our future. If we are serious and clever enough in our intentions, if we are capable of honest analysis of both external and internal factors of our development, then we do have a chance of choosing the right way: to identify priorities and elaborate the relevant strategy on the basis of our general consolidation, on the basis of our history and unique circumstances (Kazakhstan 2030, ¶ 6).

From the above sentences he was making it sure that the path that the country was going to follow in economic domain was a prerequisite for the prosperity of the today's and future Kazakhstanis and there were priorities that needs to be considered first bearing in mind the conditions of the global world. As the task in front of Kazakhstan he was giving the supreme priority to economic development by saying that;

Nothing comes easily and at once. Objectively inherent to a successful and stable development are certain stages which defy over skipping at one stroke. We shall be unable to build a powerful state and its armed forces, to solve demographic, ecological and social problems, to raise the living standards of each and every person if Kazakhstan fails in shaping up a healthy, prosperous economy. In its turn, achieving high rates of economic growth demands political stability, energetic and purposeful reforms. This would require a highly professional, intelligent, courageous and patriotically minded Government capable of pursuing the right policy, of overcoming resistance offered by the old and the discarded, of inspiring the doubtful. (Kazakhstan 2030, ¶ 42)

One year after the declaration of Kazakhstan 2030 goals in January 28 1998 with a the Presidential Decree Number 3834a strategic plan for the years 1998-

2010 has been declared by the President. The Strategic Plan puts priority on economic development with a model like Asian Tigers. The plan consists of 13 sections where issues like economic reforms, educational reform, development of transport and communication systems and better education system comes as tasks to be completed initially. Reforming political system, finds its place only as the 11th section of the programme which is followed by “the Administrative Reform” and “Decentralization of the State Functions”.

4.3 Rentier Effect : Economic Assumptions

4.3.1 Oil Revenues and External Dynamics

There is a general understanding on oil producing states, which was derived from the past experiences of other oil producers regarding the chain reaction of their dependence on sales of hydrocarbon resources resulting in emergence of vulnerability to outside dynamics. Literature suggests that one of the major reasons for the emergence of rentier behavior is the fact that oil producing states receive sizeable amount of revenues from external sources. Those are the revenues acquired in return for purchasing of hydrocarbon resources where domestic production processes does not involved (Mahdavy, 1970, p. 429; Beblawi, 1987,p. 51; Luciani, 1987, p. 69; Abdel Fadil, 1987, p. 83). The externality of revenues in return causes a dependence on behalf of the state on outside dynamics.

Departing from this assumption we can analyze the evolution of oil market and decisions taken in this regard by leadership in the newly independent Kazakhstan. Bearing in mind what Kazakh leadership inherited from the Soviet past in terms of infrastructure available –which was not sufficient to overcome the transition towards a market economy- makes it easier to analyze leadership’s policy choices through the lenses of pragmatism. In that sense Kazakh leadership was challenged by the need to take urgent steps to transform its economy and to use these initial steps as a catalyst effect to boost up its

economic and political development. What they believed to be the most urgent step to take was to prepare the necessary ground for attracting foreign investors to the country. Kazakh leadership thought that privatization would be one of the most urgent steps to be taken towards a market economy. It was obvious that such an attempt would allow them to attract foreign investment to boost up the economy. Secondly one needs to stress that Kazakh leadership was very much aware of the fact that promotion of hydrocarbon reserves of the country would bring in the desired foreign investors faster than any other sector that newly independent Republic of Kazakhstan would like to develop.

4.3.1.1 Attracting Foreign Investment : Privatization of the Hydrocarbon Sector

The need to attract foreign investors into the country was seen as vital prerequisite for the post-Soviet economic development strategy of the Kazakh leadership. The process of privatization was one of the important decisions taken by the leadership in order to provide the ripe environment for foreign capital to come in, especially into the hydrocarbon sector. Starting from the very early stages of independence Kazakhstan introduced a program for privatization. In 1990 it was the first among the former Soviet republics to have such a programme. During the premiership of Akezhan Kazhegeldin (1994-97) “the government introduced foreign management contracts, whereby large domestic enterprises were handed over the foreign companies to manage” (Cummings, 2003b, p. 31). In the post independence period Kazakhstan chose to privatize a huge amount of its energy sector which opened the way for incoming of international investment into the country’s development, production and export of energy reserves.

The prime strategy of the leadership in the post-independence period was to attract and secure as much as foreign direct investment as possible. Prime Minister Akezhan Kazhegeldin who was the leader of the Republic of

Kazakhstan's privatization programme stated that the goal of privatization during its first year alone is to get \$1.2 billion direct investment as a result. As it was estimated the majority of the FDI accrued to the energy sector of the country, which made Kazakhstan one of the largest FDI recipient among the members of the Former Soviet Union (Cummings, 2005, p. 3). However, some specialists were stressing that the Kazakh leadership's desire to attract foreign investment in a fast manner had a negative consequence as well. They argue that the high speed of privatization of the oil and gas sectors resulted in undervaluing of those sectors. The initial attitude of the leadership looked so desperate that they allowed foreign companies to come in at lower prices than the average of the global market (Luong, 2000, pp.88-90).

Such a fast introduction of foreign capital into the country generated social, political and economic illnesses which resulted in rising local and regional expectations from foreign companies for improving the socio-economic conditions, increasing levels corruption both among the competing elite groups and government officials due to the income that those companies are providing, corruption at all levels of government, and concentration of power at the hands of a small group of people. An optimism regarding the future of the revenues helped the country to attract the attention of international institutions, whom provide funding for the development projects promoting development of market economies, democratic societies and human rights. Those were the institutions such as US Agency for International Development (USAID), European Union's TACIS Programme, International Monetary Fund, World Bank and European Bank for Reconstruction and Development. Massive privatization helped the government to satisfy its need for revenue in the initial aftermath of the dissolution of the Soviet Union. Those revenues helped to keep republic together when the life blood of republic that was coming from the planned economy was cut. Luong suggests that "if current trends continue, Kazakhstan will emerge as a quasi-state –that is, one with international legitimacy but without the domestic capacity to generate sufficient revenue, address basic social problems, and promote even minimum levels of economic growth" (Luong, 2000, p. 80).

Before rushing into such conclusions based on past experiences on oil producers one needs to consider what other choices does leadership was suggesting to take in addition to privatization process. In December 2001 while he was declaring the “The strategic plan of development of Kazakhstan till 2010” President Nazarbayev was saying that the privatization stage of the republic was close to its end and assessing the process as: “Privatization has opened a route for investments in Kazakhstan. However, the activity of the new proprietors of the enterprises is aimed at gaining the momentary results, instead of development of the branch and creation of new productions” (President Nazarbayev, December 2001, www.akorda.kz). He was adding that despite increasing investments in Kazakhstan the country is still facing the challenge of being competitive in the international market and that should be also a target to overcome by the republic.

4.3.1.2 Foreign Direct Investment into the Oil Sector and Vulnerability to Outside Dynamics

It is not surprising to argue that as a newly independent state Kazakhstan is very much influenced by dynamics external to its borders. This vulnerability to outside becomes a more serious issue when one considers the factors aggregated together specific to the case of Kazakhstan. Among these case specific factors one needs to mention the Soviet past, transition to market economy, land locked geography, regional economic and political atmosphere, and the presence of tremendous amounts of oil and natural gas reserves within its borders. Any one of these ingredients are adequate on their own to spoil or at least harden the process of state building, where the Kazakh leadership had to struggle with all of them at the same time. In addition to all, regional problems and instabilities contributed to hardening of the process. At the same time the Kazakh leadership knew that they had to attract foreign investors into the country and especially they were aware of the fact that it would be easier to pull investors into the hydrocarbon sector. However, this policy brought its own handicaps.

“Rentier State Model” suggests that dependence on sales of resources creates vulnerability especially in fiscal matters on behalf of the producing states towards outside dynamics. The first decade of independence of the Republic of Kazakhstan has been a turbulent era in many respects. While on the one hand the leadership was struggling to overcome institutional gaps stemming from the dissolution of the Soviet command system, on the other hand it could not escape from getting involved in mass borrowing from outside sources in order to keep up the stability and the unity of the state. End of 1990s witnessed the peak years of economic and political vulnerability of the newly independent Kazakhstan to outside dynamics. This vulnerability was stemming from three main sources: 1) Russian Economic Crisis of 1998; 2) Asian Crisis; and 3) the decrease in the price of oil in international markets.

Despite the fact that Kazakhstan is an independent state, it is still very much influenced by the economic and political fluctuations in the former Soviet geography and especially in Russia. This interconnectedness and the trauma associated with it was at its peak during the first decade of independence. When compared with most of the former Soviet Republics the leadership of Russian Federation preferred to initiate a fast in speed and wide in scope transition process. Of course this brought with itself dramatic levels of inflation, high levels of deficit and several financial crisis. Those financial crisis of the Russian economy was one of the primary reasons for the Kazakh leadership to decide to leave the ruble zone and establish Tenge as the national currency. However, despite the fact that they left the Ruble zone Kazakh leadership could not avoid the economic problems stemming from the Russian economy within the borders of the Republic of Kazakhstan. The Russian economic crisis of 1998 and its influence on the Republic of Kazakhstan can be regarded as a crucial reflection of the legacy of the Soviet command system. This was a dynamic merely stemming from the past links and had nothing to do with the fact that Kazakhstan being an oil producing state.

Secondly, the Asian economic crisis which initially began in 1997 in the economies of South East Asian countries soon spread beyond their borders and

influenced the world as a whole. Of course the effects of such crisis felt more severely in their neighboring regions and Kazakhstan was not an exception to this. Thirdly, when these two regional crises and their impact on the Kazakhstani economy coupled with the low oil prices at the international market Republic of Kazakhstan experienced its first major crisis stemming from vulnerability to outside. By the end of the 1999 its net debt rose sharply and reached to 31 % of the GDP (IMF, Selected Issues and Statistical Appendix, November 17, 2000, p. 5). The leadership managed to overcome this crisis only after the recovery of the Russian economy and the rising oil prices in the international market.

Although slowed down by these economic crises periods, Kazakhstan has been one of the most successful post-Soviet republic in managing to attract FDI. Since independence Kazakhstan has been one of the leading former Soviet Republics in receiving foreign direct investment (FDI). Majority of this (approximately %60) FDI went into the hydrocarbon sector, where this in turn resulted in development of the hydrocarbon sector into the primary income generating aspect of the Kazakhstani economy (IMF, Selected Issues and Statistical Appendix, 2000).

One also needs to note that the leadership's decision to attract FDI dates even before the independence. As part of the 'glasnost' and 'perestroika' policies of the Soviet leadership FDI started to move into the Union economy as early as late 1980s after a long break started with the Stalin's rule. However it would be wrong to argue that the balance of FDI was equal all over the Soviet geography. In Kazakhstan the initial attempts to prepare the necessary grounds for FDI started as early as 1990s, with the legal changes introduced by the supreme Soviet of the Kazakhs SSR. These attempts has not been adequate for making foreign investors to come in due to lack of necessary legal preventions. The unattractive environment tried to be resolved as early as 1994 with the introduction of a new investment law "with the purpose of provision of protection of foreign investors from nationalization/expropriation, changes in legalization, and illegal actions by the state agencies or officials and guarantees

the unrestricted use of income and currency convertibility for dividends and other users” (Saudabayev, 2001, p. 5). The new investment law

...aimed to overcome these obstacles by establishing ‘national treatment’ to investors, and by guaranteeing investors would not be negatively affected by legal changes implemented after the investment. This legal foundation offers one of the favorable conditions of FDI in the former Soviet Union. However, it does not resolve all concerns by investors because its application in practice remains unclear. Confusion has been caused for instance by contradictory regulations, and by the abolition of tax privileges at the same time. (Meyer, 1998, p. 8)

By looking at the FDI levels in Table 3 (1993-2000) it is possible to see that between the years on 1993-1996 there has been a steady level of FDI coming into the country as perceived by IMF. Despite the low level of FDI it is possible to observe that majority of it was flowing into the extractive industries sector. It seems that legal framework prepared by the leadership to satisfy the needs of foreign investors served to its purpose to some degree but the regional and international economic crisis of late 1990s changed the direction of investment trend into a decrease again. With the recovery of markets it is possible to observe an increase in the FDI levels in the republic of Kazakhstan in the post 1999 era. However, in January 2003 a new foreign investment law has been adopted bringing limitations to the guarantees and rights to search for international arbitration possibilities provided for international investors (Cutler, 2003, ¶.1). Having said this when we look at Table 4 we can see that during the year 2003 there is a decrease in the level of FDI in Kazakhstan especially with regard to the oil and natural gas sector.

It seems that there are two main reasons for hesitancy of foreign investors. The first one is the increasing strength of the Kazakh leadership vis a vis the foreign investors and second is the persistent corruption within the oil sector. According to the representative of a Canadian oil company this decrease is primarily due to the changing treatment of the Kazakh leadership towards foreign investors especially in the oil sector. He suggests that Kazakh leadership became bolder when they were compared to almost a decade ago. The new tax law is

extremely problematic for foreign investors since it requires payment of higher fees for exploration licenses, restricts the right for transfer of ownership of licenses and many other restrictions. In addition to the restriction introduced through changes in laws, the representative of the Canadian oil company suggests that the day to day survival of the foreign companies in Kazakhstan is complicated as well. For example, he argues that leadership at all levels forces them to do business with local people whom they favor. Furthermore, he argues that corruption and lack of transparency in the oil business is a persistent problem for the investors. No oil company knows the terms of agreement that other oil companies have with the government (Personal Interview with a Canadian Oil Men working in Kazakhstan, June 2005). A representative of an American oil company who has been living in Kazakhstan since 1993 also stressed similar complaints regarding the increasing restrictions imposed by the Kazakh leadership. Especially favoritism being carried out by one of the son in laws of President, Timur Kulibayev who is in charge of almost everything related to oil sector creates problems for them. According to him the reason behind this behaviors of government is that the leadership thinks that they have given away so much in the beginning so now they have to cover up for that however this has negative impact on the level of foreign investors into the oil sector. He argues that the Kazakh leadership realized that and they are trying to scale up the prestige of the Kazakh oil sector through insisting on membership for World Trade Organization and Extractive Industries Transparency Initiative (Personal Interview with an American Oil Men working in Kazakhstan, June 2005).

Table 3. FDI in Kazakhstan between the years of 1993-2000

Sector	1993-1996	1997	1998	1999	2000
Agriculture Hunting and related activities ¹	0.0	0.0	0.3	0.0	0.1
Mining and Quarrying ²	55.3	62.6	44.2	75.7	71.9
-- Oil and gas sector	38.8	30.4	41.1	74.1	71.0
Manufacturing ³	19.1	17.6	8.3	9.1	8.7
Electricity, gas and water supply	3.2	6.4	7.0	1.2	1.5
Construction	0.3	0.2	0.2	0.1	0.5
Wholesale and retail trade; repair of motor vehicles and household goods	0.6	1.1	2.3	1.3	1.7
Hotels and Restaurants	0.2	0.6	1.1	0.3	0.4
Transport, storage and communications ⁴	0.8	0.4	0.6	1.1	3.5
Financial Intermediation ⁵	0.6	1.0	6.6	2.0	0.9
Real Estate, renting	0.0	0.5	0.3	0.1	0.3
Business activities ⁶	12.0	4.5	28.6	9.8	9.2
Public administration, education, health and social work	0.1	5.1	0.1	0.1	0.2

Source: IMF Selected Issues and Statistical Appendix, April 2002, p.99.

¹ Agriculture, hunting and related activities, fishing, operation of fish hatcheries and fish farms, service activities incidental to fishing.

² Mining of coal and ignite; extraction of peat; extraction of crude petroleum and natural gas, service activities incidental to oil and gas extraction excluding surveying; mining of uranium and thorium ores; mining of metal ores.

³ manufacture farm products; manufacture of coke, refined petroleum products Mnd nuclear fuel; manufacture of chemicals and chemical products; manufacture of rubber and plastics products; manufacture of non-metallic mineral products; manufacture of basic metals; manufacture of fabricated metal products, except machinery and equipment; ferrous metallurgy; non-ferrous metallurgy; manufacture of machinery and equipment; manufacture of office, accounting and computing machinery; electrical machinery and apparatus; medical, precision and optical instruments, watches and clocks; manufacture of radio, television and communication equipment and apparatus.

⁴ Land transport; transport via pipelines; air transport; post and telecommunications.

⁵ Monetary intermediations; other financial intermediation; insurance and pension funding, except compulsory social security; activities auxiliary to financial intermediation.

⁶ Legal, accounting, book-keeping and auditing activities; tax consultancy; market research and public opinion polling; business and management consultancy; architectural, engineering and other Technical activities.

Table 4. FDI in Kazakhstan between the years of 2001-2004

Sector	2001	2002	2003	2004
Agriculture Hunting and related activities ¹	0.1	0.1	0.3	0.0
Mining and Quarrying ²	67.8	51.7	47.5	64.5
-- Oil and gas sector	67.1	50.4	45.9	63.5
Manufacturing ³	14.1	20.3	21.7	6.1
Electricity, gas and water supply	0.7	0.5	1.5	0.1
Construction	0.7	1.1	1.1	1.8
Wholesale and retail trade; repair of motor vehicles and household goods	1.4	2.6	3.6	3.2
Hotels and Restaurants	0.6	0.3	0.2	0.2
Transport, storage and communications ⁴	3.5	2.3	1.6	1.0
Financial Intermediation ⁵	1.0	0.3	1.1	0.8
Real Estate, renting and "business activities" ⁶	10.0	20.6	21.6	21.3
Public administration, education, health and social work	0.1	0.3	0.1	1.1

Source: IMF Selected Issues and Statistical Appendix, June 8 2005, p.36.

¹ Agriculture, hunting and related activities, fishing, operation of fish hatcheries and fish farms, service activities incidental to fishing.

² Mining of coal and ignite; extraction of peat; extraction of crude petroleum and natural gas, service activities incidental to oil and gas extraction excluding surveying; mining of uranium and thorium ores; mining of metal ores.

³ manufacture farm products; manufacture of coke, refined petroleum products Mnd nuclear fuel; manufacture of chemicals and chemical products; manufacture of rubber and plastics products; manufacture of non-metallic mineral products; manufacture of basic metals; manufacture of fabricated metal products, except machinery and equipment; ferrous metallurgy; non-ferrous metallurgy; manufacture of machinery and equipment; manufacture of office, accounting and computing machinery; electrical machinery and apparatus; medical, precision and optical instruments, watches and clocks; manufacture of radio, television and communication equipment and apparatus.

⁴ Land transport; transport via pipelines; air transport; post and telecommunications.

⁵ Monetary intermediations; other financial intermediation; insurance and pension funding, except compulsory social security; activities auxiliary to financial intermediation.

⁶ Legal, accounting, book-keeping and auditing activities; tax consultancy; market research and public opinion polling; business and management consultancy; architectural, engineering and other Technical activities.

4.3.1.3. Soviet Past and the Structured Contingency on Externality of Sources

Simply by looking at the levels of FDI and their concentration in a specific sector one can argue that Kazakhstan's economy is becoming an economy that is dependent on a single commodity. The problematic that is at concern regarding concentration of FDI in one sector is not only the fact that it is being attracted to only one commodity, but a commodity that does not involve any internal production activity: oil and gas. This rings the bells in minds familiar with the so called "curse" associated with oil wealth. Revenues accruing to the state treasury from outside sources create both internal and external curses on the development path of a state. At the internal level it turns out to have incapacity in making necessary reforms both required for democratic political development and, economic development and diversification. On the other hand external curse is most of the time associated with the vulnerability to dynamics outside, such as price changes in international oil market.

However, looking at the levels of FDI and their concentration in the hydrocarbon sector will tell us an incomplete story with regard to the nature of Kazakh state and its dependence on outside dynamics especially in economic terms. This misconceptions are usually caused by basing an analysis merely on the assumptions of the "rentier state model" where suffering from being a-historical. While studying Kazakhstan one always needs to keep in mind that the history of the state did not start with the dissolution of the Soviet Union. Understanding various dynamics active at present one needs to look at the Soviet past as well.

Under the Soviet Union as a Soviet Socialist Republic, Kazakhstan has always been tied to the dynamics outside its borders. This dependence was apparent in two categories. On the one hand the republic was bound by the command system in terms of budget allocation, determination of production policies, and

spending programmes. On the other hand it was vulnerable to any to any internal and external political and economic challenge that Moscow had to face.

In that sense vulnerability to the outside due to externality of income is not a new phenomena associated with the oil production in the case of Kazakhstan. Although this should not be taken as an argument suggesting that vulnerability due to increasing oil production is not a problem for Kazakhstan on the contrary despite the fact that it is a problem I suggest that it would be more complete if we look at it though the lenses of history as well. I argue that there is a customary institutional apparatus that is used to outside vulnerability in the Kazakhstan's inherited state structures. Those structures are already problematic in themselves. Assuming that such vulnerability crisis are stemming merely from the oil revenues would be an incomplete analysis.

4.3.2 Changes in the Nature of Revenue Extraction and Distribution

The literature on oil producing states suggests that incoming revenues from the sales of hydrocarbon resources results in elimination of the income extraction capacity of the state from other sources. This elimination in turn contributes to development of only the distributive capacity of the state into a gigantic shape. External nature of incoming revenues accruing directly to the state treasury makes the state "main intermediary between the oil sector and the rest of the economy" (Abdel Fadil, 1987, p. 83). This intermediary role usually takes the shape of distribution of revenues. Development of a primarily distributive role for the state has the following consequences: 1) The elimination of the need for extracting domestic revenues through taxation leads to mal-development of an effective administrative system with the capacity to tax; and 2) State becomes the main employer in the economy which results in rapid expansion of the public sector (Mahdavy, p. 432; Beblawi, 1987, p. 56); 3). The distributive function of the state in many cases reflects itself in initiation of large scale public spending programmes developed by the leaderships. Since the leadership

was relieved from the burden of tax collection and other forms of domestic income rising, their large budgeted public spending programmes receives almost no opposition from their people since it was not them who are paying for these projects (Mahdavy, 1970, p. 432); 4). In addition to public spending programmes on huge infrastructural projects, it is also possible to mention the provision of public goods and services to the society. Especially during the eras of oil booms it is possible to find out programmes that provides subsidies in services such as electricity, telecommunications and transportation. Furthermore public goods such as quality schooling and health services are provided as well (Chatelus, p. 112; p. 132). Abdel Fadil (1987) argues that “the reasons for this is that such infrastructure fulfils immediate needs related to consumption activities in the oil rentier states” (pp. 84-85); 5) Elimination of domestic income generation institutions creates a challenge to be faced during the crisis era since the external revenues constitutes the main power base of the leadership to balance between different interest groups within the society (Mahdavy, 1970, p. 467).

Since independence oil and gas sector of the Kazakhstani economy has been the fastest growing and transforming aspect of the state. By the year 2002 the share of the oil and gas sector of GDP reached to 45% where it was 11% in 1990. Foreign companies from US, Europe, China, Russia and India are the major players while there are too many other companies from different countries are present. According to the Kazakhstan Petroleum Association, their members are consisted of “...47 companies from 20 countries that are involved in the exploration and/or production of hydrocarbons as well as in the service sector of the oil and gas industry of Kazakhstan” (2004 Catalogue, Kazakhstan Petroleum Association, 2004, Almaty, p.11).

4.3.2.1 Income Generation through Taxation

When one talks about the nature of revenue extraction and distribution in the Republic of Kazakhstan and possible changes in this nature, s/he needs to understand the extend of such capacities of Kazakhstan under the Union. Before the dissolution of the USSR, all aspects of extraction and distribution were controlled by Moscow, not only in Kazakhstan but in all other former Soviet republics as well. As an entity alone Kazakh SSR was only implementing the commands coming from Moscow and had no control over the decision making mechanisms with neither to the methods and strategies of revenue extraction nor distribution within Kazakhstan. The change that was experienced in Kazakhstan was not a result of the incoming revenues but an imposition of the unexpected independence that cut them of from planning of extractive and distributive functions. In that sense contrary to the assumptions of the 'rentier state model' with regard to elimination of all sources of revenue extraction other than oil and natural gas sector, the change being experienced in Kazakhstan has been just the opposite. The change that Kazakhstan experiencing is towards the creation of republic based individual state capacities both in terms of extraction and distribution.

At the time of independence, in terms of a taxation system Kazakhstan only had what it did inherited from its Soviet past. Under the Soviet administration it is not possible to talk about the presence of a western-style taxation system. There was a specific system of taxation under the union that is applicable to all constituent republics which is merely consisted of appropriation of profits made by state owned enterprises. Those taxes were collected by the central administration and incorporated into the central treasury. Individual republics had not power to take share from these taxes up until the reform era- introduced by Gorbachev as part of glasnost and perestroika. It was only Moscow who was deciding what will be the share of individual republics. After the glasnost and perestroika in addition to this tax all of the individual republics including Kazakhstan introduced republic taxes as well over the income derived from state enterprises (Nerré, 2001, ¶3).

The newly independent republic of Kazakhstan passed its law on taxation in 1995 which was a relatively early date when compared by the other former Soviet republics. Luong and Weinthal (2001) suggests that the primary reason behind this early move was the pressures put down by the international investors (p. 216). In Kazakhstan currently there are seven forms of taxes namely corporate tax, income tax withholding, VAT, personal income tax, social tax, pension fund contribution, social insurance fund contribution (Deloitte, 2005, p. 37).

Table 5. Forms of Taxation Available in the republic of Kazakhstan

Tax	Tax Rate as of January 1, 2005
Corporate Income tax	30%
Income tax withholding	5-20%
Value Added Tax (VAT)	15%
Personal Income Tax	5-25 %
Social Tax	(local) 20%-7%, (foreign) 11%-5%
Personal Fund Contribution	10%
Social Insurance Fund Contribution	1.5 %

Source: Deloitte, Guide to Taxation in Kazakhstan, January 2005, p. 37.

However, despite the fact that Kazakhstan was one of the pioneers and initially managed to establish a viable system on paper, the leadership experienced difficulties in having it in practice. Specialists suggest that the problems in the taxation system is one of the important sources of Kazakhstan's fiscal vulnerability. It was suggested that "the low level of overall tax revenue in Kazakhstan is attributable to ill-designed tax incentives and low yields of taxes explained by weak tax administration" which coupled with tax evasion caused by under invoicing (IMF, Republic of Kazakhstan, Selected Issues and Statistical Appendix, November 17, 2000, p. 11).

The main problem today that Kazakhstan's taxation system has, is the source of tax income that it derives. Similar to some other post-Soviet Republics such as Russia in the post-Soviet environment, main source of tax income for Kazakhstan was derived from the energy sector. However, there was a very important difference between the two countries. While Russia privatized its energy sector to local business, Kazakhstan did to foreign investors. Luong and Weinthal (2002) argues that the this primary difference between the two countries is the primary reason why Russia has been successful in having a wider based local tax collection mechanism where Kazakhstan turned out to be dependent on tax collection from foreign firms (pp. 220-221).

When one looks at the tax income of Kazakhstan it is possible to see that there is a considerable level of personal income tax (between 5-30%) being collected by the state, however this has been primarily from the energy sector. Value added tax collection has been in increase in Kazakhstan since its introduction in 1992, however, percentage in GDP has been at a very low level. Kazakh leadership aims to increase the viability of tax collection mechanism through the technical assistance provided by the world bank. It was suggested that the leadership is willing to implement tax cuts in order to increase the level of tax payments with wider groups (IMF, Republic of Kazakhstan, May 17, 2006, p. 13).

Among those tax cuts it has been stated that from 2007 onwards the VAT rate will be reduced 1 per cent reaching to 14% with the aim of reducing 12% by 2012. Furthermore, personal income tax will be implemented through a flat rate of 10 per cent starting from 2007 onwards. Through this flat rate leadership aims to overcome problems like under-voicing that caused by 5-20 percent progressive rate structure which makes people reluctant to declare their real incomes. Furthermore, from 2008 leadership aims to reform the structure of the social tax with a 30 per cent decrease reaching to 5-13 percent and harmonizing the difference between foreign and domestic employees (IMF, Republic of Kazakhstan, May 17, 2006, p. 13).

Although it is not possible to argue that Kazakhstan has a perfectly functioning and viable tax structure compared to West, it is taking important steps to have an effective one (Luong and Weinthal, 2006, pp.250-252). However, presence of a huge amount of oil sector and income associated with it decreases the importance of tax collection through other sectors and speeds down the reform process. However, despite the fact that the reform process is progressing slowly it would be wrong to argue that presence of hydrocarbon revenues completely eliminated extractive capacity of Kazakhstan in tax collection. Such a capacity was almost non-existent almost a decade ago.

4.3.2.2 Income Distribution: Public Expenditures

The experiences of the oil rich states suggest that oil curse demonstrated itself especially in the distributive capacity of the state itself. This distortion to the distributive capacity of the state most of the time reflects itself in inequalities in distribution of revenues acquired especially from the oil revenues throughout the country. The purpose of this section is to provide an understanding of the distributive dynamics prevailing in Kazakhstan.

Literature on oil producing states suggests that due to elimination of almost all of the non-oil sector, state turns out to be the main employer. This leads to emergence of a huge public sector where in the end turns out to be problematic (Mahdavy, p. 432; Beblawi, 1987, p. 56). Payment of salaries becomes one of the main distributive function of the state. Furthermore, such states become initiators of large scale public spending programmes where most of the time characterized by the lack of a public discussion process before spending actually happens. Especially during the boom periods there is a tendency in oil producing states to spend more on public services such as education, health and social assistance, as well as provision of state subsidies in services like telecommunications and electricity. However, most of the time such a public

spending attitude lacks any strategic planning as well as evaluation and monitoring mechanisms.

Since its independence Kazakhstan took important steps towards liberalizing its economy and transferring it to a market one. Towards this end, large scale reforms implemented especially in the privatization of the major enterprise which has been completed by the end of 1990s. Furthermore, there has been reforms in monetary policy such as tax code and elimination of previously present barriers over trade has been succeeded.

However, reforms were not that successful in the public expenditure sector. Although Kazakh leadership managed to achieve a degree of stability there are still required policies to be implemented in order to have sustainability and preserve stability in the long run. This of course requires a step further in the reform process which will enable the country to organize its mobilization of resources, eliminate dependence on a single non-renewable source of income and diversify its economy. Furthermore, there has to be a long term public expenditure policy based on structural programmes which will have sustainability even during the times when hydrocarbon revenues might drop down.

“State will tell you we do a lot in education, and there is this education reform we do spend in pensions because of the pension reform but I do not think they are successful, because they are trying to do a lot of thing at one time” says an academic from Almaty (Personal Communication, December 2004).

At the time of independence public spending in Kazakhstan has already been high due to the inherited legacy of the Soviet system, however, the problems stemming from the transition and the economic crisis of 1990s lead to worsening of the situation. Furthermore public employment was also inherited as a legacy of the past where wages constituted approximately one fourth of the public expenditures although they are very low when compared to western

middle-income countries (World Bank, Kazakhstan Public Expenditure Review, Volume II, June 27, 2000, p. 4)

Privatization of the state expenditures is an important dimension of establishing a sustainable and functioning public spending policy. Despite the fact that Kazakh leadership has a policy to spend on health and education services and there is an increasing allocation of resources to these sectors, the construction of Astana absorbs a tremendous amount of spending where puts spending on education and health services to a secondary position. According to the *Kazakhstan Public Expenditure Review* prepared by World Bank, “Astana’s construction has been conducted outside the state budget; as such it is beyond public purview” (World Bank, Kazakhstan Public Expenditure Review, Volume 2, p. 35). Same report states that in 1999 Astana had a 13 billion Tenges of budget and 8.3 billion Tenges have been spent on the construction of Astana (World Bank, 2000, p. 35).

Cost of construction of a new capital and the degree of state involvement in all aspects of this process is perceived to be as an over involvement of state into economy where this was not a satisfactory promise towards transition of a market economy and restricting the involvement of public sector. Furthermore, it is perceived as an attempt contradicting to the logic of economics –in need for better provision of social sectors like health, education and social services– and diversification of its economy through the development of private sector in non-oil dimensions as well (World Bank, 2000, pp. 35-36).

According to World Bank standards the public expenditure share of health from GDP should be around 10% where education should be 4 %. The Kazakh leadership suggests that they are aware of the need for further spending in health, education and social services sectors however they have to act carefully before doing that. The reason they provide for such an attitude is the unstable state of the international market and oil prices. However this argument of them is not convincing for some of the intellectuals in the country. The words of a female Kazakhstani consultant to international organizations is reflective of this

dissatisfaction; “It is okay to be careful to the dynamics of the global market and spend income derived from oil carefully. I can understand them to some point but when I see the tremendous amounts of money spent in huge budgeted public projects they fail to be convincing to me” (Personal Interview with a Woman Consultant to International Organizations, June 2005).

Table 6. Public Expenditures in Kazakhstan by Sector

Sector	Units of measure	In brackets (%)	1995	1996	1997	1998	1999	2000	2001	2002
Current expenditure, total	bln. tenge	%	260.2	280	341.9	377.4	468.4	602	759.6	834.2
General state services	bln. tenge	%	8.2	14.2	29.4	31.7	28.9	35.1	50.8	45.6
Defense	bln. tenge	%	10.8	16.3	17.9	19	17.2	20.4	32.5	37.7
Security	bln. tenge	%	17.5	30.7	28.2	31.1	32.5	47.7	64.3	77.7
Education	bln. tenge	%	45.8	65.6	73.4	69.5	78.5	84.7	106.4	121.1
Health Care	bln. tenge	%	30	35.7	35.3	26	44.8	54.3	62.3	71.1
Social Security	bln. tenge	%	7.8	9.2	26.6	53.6	159.1	171.1	186.7	201.4
Recreational and cultural activities	bln. tenge	%	-	-	11	11.8	12.2	17.5	18.1	22.8
Housing utilities and services	bln. tenge	%	-	-	5.7	4.3	6	22.1	30.5	24.7
Fuel and energy	bln. tenge	%	0.9	1.4	1.1	0.5	-	-	5.5	7.4
Agriculture, forestry, water and fish industries, environmental protection	bln. tenge	%	5.9	10.2	10.6	5.9	6.9	11.4	23.2	28.8
Mining and minerals excluding fuel, manufacturing, construction	bln. tenge	%	0.5	1.3	5.7	1.9	2.9	7.2	4.8	5.5
Transport and communications	bln. tenge	%	1.5	2.3	0.3	0.2	12.9	37.8	44.2	57.4
Other services related to economic activities	bln. tenge	%	131.2	93.1	28.2	24.6				
Expenditures not grouped	bln. tenge	%	-	-	45.5	72.4	-	-	-	-
Debt service	bln. tenge	%	-	-	-	-	19.4	35.5	37.8	38.9
Official transfers	bln. tenge	%	-	-	-	-	-	-	-	12.6
Credits	bln. tenge	%	-	-	23.2	25	21	25.8	33.6	33.1

Source: UNDP Kazakhstan, <http://www.undp.kz/infobase/tables.html?id17>, retrieved at 21/12/2006,

4.3.2.3.1 Education System

From the table above it can be seen that since independence there is a continuous increase in state expenditures in education. However, looking at the state of education sector in Kazakhstan requires us to think that there is a problem with the prioritization and degree of public expenditures. Because although there is a constant increase in state spending on education the state of schools in terms of academic and basic infrastructure are very poor. Furthermore, the level of salaries of the academic personnel are too low which results in a decrease in the quality of work provided.

In the post-Soviet environment most of the educated people are either leaving the country or now became incapable to catch up with the requirements of the new system. This incapability mainly stems from the lack of knowledge of a Western language and especially English language. For example according to the observations of an American oil man Soviet educated engineers are very good in terms of theoretical knowledge but they live problems in coping with the new technology of the oil industry (Personal Interview, June 2005). Corruption is so widespread in the country to the extent that it can be observed at every level of the society. For example, in the education system. People who were educated during the Soviet era has a certain degree of intellectual capacity. However, in the post-Soviet environment it has not been possible to keep up with the previous levels of quality of education. The low levels of salaries of education personnel creates an environment where bribes are taken from students in return for good grades and diplomas. To give a better illustration of the situation the following example can better describe the picture: An associate professor living in Almaty receives approximately 150 US dollars as a monthly salary. An average apartment in central Almaty costs approximately 400 USD. Bearing in mind that this individual has to take care of a family and survive with this salary makes that person prone to take bribes from students (personal Interview with academics and students, June 2005).

The stress on development of education standards was part of Kazakhstan 2030 and Strategic Plan 2010. In this respect Kazakh leadership developed a scholarship programme called “BOLASHAK”, where each year approximately 3000 students are being sent to Europe, US or Russia for education without binding them with any responsibility to return. It would not be wrong to assume that this scholarship programme is also a form of distribution of oil revenues. Again corruption plays an important role in this scholarship programme. It was mainly the ones who are close to the ruling elite who can benefit from the BOLASHAK system (Personal Communication with a Kazakh economist working for government, June 2005; Personal Communication with Member of International Organization 1, June 2005).

4.3.2.3.2 Health and Social Services

In the post-Soviet environment provision of health services declined in the Republic of Kazakhstan partly due to the pressures of the transition itself and partly due to the emigration of many doctors and specialists. The OECD average with regard to the percentage of public expenditures on health sector is 7% of the GDP. In the post-Soviet environment deterioration of the health sector continued till the year 2000. Since then it is possible to observe a steady increase in the amount on health expenditure on a yearly basis.

Although Table 6 shows an increase since 2002, the percentage of GDP spent on health was 2.5% in 2005 which is far below the OECD and World Bank averages. Healthcare is provided freely although the conditions of public hospitals are in bad conditions. Most of the time there are neither adequate qualified personnel nor the necessary infrastructure in terms of buildings, hospital furniture, and medical equipment. Even it is hard to find the basic hygiene for health (Personal observation in Almaty during December 2004, and July 2005). There are private hospitals available as well but they are very expensive for average citizens. Furthermore, corruption is a very dominant aspect in the health sector as it is in the case of education as well. It is possible

to get treatment faster and better than others through the payment of bribes to several people within the hospital network (Personal observation in Almaty during December 2004, and July 2005). Economist Intelligence Unit suggests that there are government attempts to develop a system of compulsory health insurance however it is not perceived to have a long term impact. Furthermore it has been suggested that “the state run health service is struggling to afford imported medical supplies. Money in the health system tends to be spent on wages, at the expense of new equipment” (EIU, 2006, p. 19).

Table 7. State Budget of the Republic of Kazakhstan

State Budget (Tenge m unless otherwise indicated)	2001	2002	2003	2004	2005
Revenue	733,660	807,852	1,004,566	1,286,734	2,098,511
Tax Revenue	635,792	752,785	947,251	1,186,137	1,998,314
Corporate Tax	169,048	209,054	272,632	382,814	834,332
Income Tax	68,574,	77,381	93,281	98,535	122,999
Social Tax	124,284	133,852	157,676	165,995	197,300
Value-added tax	159,913	175,936	231,338	242,955	343,926
Excises	21,830	25,443	26,986	29,913	33,416
Non-tax Revenue	72,505	45,572	44,813	81,500	66,016
Other revenue	25,363	9,495	12,502	19,096	34,182
Grants	234	-	-	-	-
Expenditure	726,016	788,403	971,959	1,240,186	1,946,128
General Government Service	50,772	45,566	63,959	83,315	103,786
Defense	32,481	37,710	47,463	58,011	78,663
Law and Order	64,319	77,742	91,550	118,564	152,904
Education	106,419	121,145	148,941	190,748	256,935
Health	62,323	71,119	89,757	131,184	185,456
Social Welfare	186,715	201,415	239,230	272,333	345,356
Housing	30,454	24,728	33,986	67,558	118,326
Culture, Sport and Leisure	18,076	22,831	33,788	43,948	57,076
Utilities	5,500	7,419	8,486	21,319	24,839
Agriculture & Environment	23,168	28,769	45,490	64,520	64,560
Industry	4,771	5,463	3,865	1,567	5,215
Transport & Communications	44,212	57,425	81,235	101,588	119,476
Other Expenditure	59,042	48,135	48,773	50,561	403,192
Debt Servicing	37,764	38,936	35,437	34,970	30,344
Net Financial Operations	-	13,234	55,034	48,024	98,481
Net Lending	20,875	19,220	23,757	17,221	7,239
Balance	-12,997	-13,006	-46,183	-18,697	46,662
% of GDP	-0,4	0,2	-0,9	-0,2	0,6

Source: EIU, Country profile, 2006

Table 8. Republic of Kazakhstan Ministry of Finance: Statement of State Budget Execution as of 1 May 2007

Name	2007
I. REVENUES	803 541,1
TAX RECEIPTS	683 466,6
Tax receipts	683 466,6
NONTAX RECEIPTS	48 013,3
Nontax receipts	48 013,3
RECEIPTS FROM CAPITAL ASSETS SALE	35 053,0
Receipts from capital assets sale	35 053,0
TRANSFER RECEIPTS	37 008,2
Transfers receipts	37 008,2
II. EXPENDITURES	729 944,6
Public services of general character	39 829,9
Defense	50 059,6
Social order, security, legal, judicial, criminal executing activity	63 622,5
Education	125 967,4
Public health service	82 274,0
Social security and social aid	186 371,3
Housing and communal facilities	39 486,5
Culture, sports, tourism and information space	26 283,6
Fuel and energy complex and use of mineral resources	9 290,5
Agriculture, water industry, forestry, fish industry, zones of special protection of nature, environment and fauna protection and land relations	23 081,9
Industry, architectural, town-planning and construction activity	2 109,8
Transport and communications	61 742,2
Other	7 428,2
Debt service	12 388,8
Transfers	8,2
III. OPERATIONAL BALANCE	73 596,5

Source: Republic of Kazakhstan, Ministry of Finance, www.minfin.kz

4.3.3 Dutch Disease and the Nature of the Non-Oil Sectors of the Economy of the Independent Kazakhstan

It was suggested in the literature on oil producing states that incoming foreign revenues lead to abundance in the market and overvalued the indigenous currencies. This situation is further complicated by leadership's reluctance to devalue their currencies because of their need to "maximize their foreign exchange receipts from the local expenditures of the oil companies" (Mohdavy, 1970, p. 436). This in turn results in destruction of investment sources into sectors of the economy other than oil. It was argued that incoming oil revenues provoke the development of oil related services sector. Those are basically directed at satisfying the needs of oil companies. Those services usually take the form of building accommodation services, construction of pipelines and storage tanks (Abdel Fadil, 1987, p. 85). Furthermore, the available literature on oil producing states also suggests that the incoming oil revenues in huge amounts results in elimination of partly and in some cases completely of all other sources of income to the state and domination of oil rents over other sectors of the economy (Mahdavy, 1970, Beblawi, 1987, p. 51). In order to be able to think of applicability of the rentier model to a state one needs to bear in mind the fact that oil revenues must represent the majority of budget revenues of a given state (Beblawi, 1987, p.53). It was argued that it is very important to consider the percentage of such income vis a vis the rest of the sources of income of the state. Luciani (1987) suggests that countries who can be called as distributive (or rentier) states are "... all those states whose revenue derives predominantly (more than 40 per cent) from oil or other foreign sources and whose expenditure is a substantial share of GDP" (p. 70) (See Table 7 & 8).

When one looks at the pace and scope of the oil sector development within the Kazakh economy as well as the problems with regard to the appreciation of the national currency Tenge one starts to think of the possibility of Kazakhstan's vulnerability to Dutch disease. However one has to be careful in reading such indicators especially in a case like Kazakhstan who has been experiencing the challenge of transition from a command economy to a market one.

After the dissolution of the Soviet Union, the balance of Kazakhstan's tradable vs. non-tradable sectors of economy have already been distorted with the trauma of transition. Kazakh leadership's decision to re-build Kazakh economy through a resource-based strategy rises the risk of Dutch Disease in the country. This can only be overcome if the diversification attempts of the Kazakh leadership succeeds.

4.3.4. Post Soviet State of Art: National Currency and Monetary Policy

There has never been an individual monetary policy for Kazakhstan before independence. Bad economic conditions rising levels of inflation during the initial years of independence was dictating the new leadership to liberalize the prices in order to achieve stability. Lack of adequate systematic programmes necessary for the completion of successful transformation resulted in high levels of inflation. This situation was further complicated by "...the arbitrary change of priorities during the economic transformation; non-systematic management; the blind application of foreign (western) policy prescriptions; misdirected and maladjusted investment policy, and the failure to complete plans and programmes" (Kalyhuznova, 1998, p. 41).

But on top of miscalculations and implementation of wrong policies, the very fact that Kazakhstan being a part of ruble zone contributes to this instability, since Kazakhstan had no control over its monetary policy and control of inflation levels (Kalyhuznova, 1998, p. 42). The monetary policy in Kazakhstan was an outcome of a greater network created by the countries who are a part of the ruble zone. Monetary policies were determined as a result of negotiations with other members of ruble zone and mainly Russia.

In 1993 the ruble zone collapsed and Kazakhstan had to introduce its own national currency. Nazarbayev's resistance to not to have a new currency for Kazakhstan was primarily an outcome of his fear that a new currency would

complicate the already troublesome picture of the country. He perceived the use of ruble as a political necessity in order to maintain stability of the country. He was puzzled with several dilemmas in his mind. For example, in the case of tenge becoming a stronger currency than ruble there might be a possibility that neighboring Siberian cities might choose a secessionist way or vice versa if the ruble becomes a stronger currency extensively Russian populated bordering cities of Kazakhstan might decide to secede from Kazakhstan (Olcott, 1995, p. 183).

Nazarbayev also feared that during the process of state building, the challenges of a new currency will also complicate the economic picture of the country even further. At the time of independence the infrastructure of Kazakhstan in terms of roads, railroads housing and other facilities were very poor. The negative side of this very bad structural conditions are better understood if one looks at the historically constructed system of economic functioning in Kazakhstan.

... Tsarist and Soviet policies had deliberately designed the infrastructure so that Kazakhstan could serve as a supplier of raw materials and consumer of Russian-made goods. The most glaring example of this is oil; despite Kazakhstan's vast resources, the state is a net importer of petroleum products. Not only are imports of gasoline and lubricants the single largest constituent of Kazakhstan's debt to Russia, but the need for them supplies Russia with a political tool which it has already used at least once. In summer 1992,, when Kazakhstan attempted to establish customs checks on its borders, Russia responded by halting fuel shipments, thus bringing Kazakhstan's grain harvest to a halt. (Olcott, 1995, p. 184).

One of the primary reasons for this dependence of Kazakhstan on Russia is the lack of any refineries in Kazakhstan that could help the country to sustain itself. The initial projections and plans for the development of its own refineries still needs years to come and by that time Kazakhstan has to keep up the level of relations with Russia. Even if the problem of refineries could be overcome in time the very geographical location of the country will always be an important dynamic of its relations with its neighbors and especially with Russia whom all of its oil pipeline routes are still passing through.

4.3.5 Nature of the Agricultural Sector

During the last years of the Soviet era Kazakhstan was doing good in terms of its agricultural production. Before independence, it was one of the republics of the former USSR who actually had an exportable grain surplus. Nevertheless, despite the fact that there was an increasing trend in agricultural production, agriculture related manufacturing industries were not sharing a similar trend and falling short of satisfying the needs of population. It can even be said that the levels of agriculture related manufactured goods in Kazakhstan was below the average level of the USSR.

Table 9. The Percentage of Gross Agricultural Production in Kazakhstan

	1990	1991	1992	1993
Agricultural output (%)	100	90,1	90,1	86,4

Source: (Kalyhuznova, 1998, p. 39)

However with the independence agricultural production was following a similar trend with the rest of the economic indicators of the country. One of the primary reasons behind this was also stemming from the legacy of the Soviet past. Under the Soviet system, all land was the property of the state, the destruction of the centrally planned system also created a state of uncertainty in the nature of the agriculture sector as well.

Initiation of a land reform became one of the primary issues of the agricultural reform agenda. In a country like Kazakhstan, who has a very vulnerable ethnic composition the issue of land reform was not only an economic decision to be taken but a highly political aspect of state formation. Kazakh leadership was trying to play a very delicate policy regarding the issue of land reform. A policy that will safeguard the interests of ethnic Kazakhs but at the same time will not

alienate the Russian population. Throughout the Soviet era, as part of the policies of Soviet Regime such as the “Virgin Lands”, incoming Russian peasantry was placed at the arable lands of Kazakhstan and indigenous Kazakh peasantry was pushed towards “non-irrigated and barren regions” (Kalyhuznova, 1998, p. 40). During an unstable environment, any kind of land privatization could easily escalate into ethnic conflicts. Nazarbayev knew very well from the experiences of other regional countries, especially Tajikistan that any kind of ethnic conflict could be endangering the integrity of the Kazakh state.

4.3.6 State of Metallurgy, Mining and Processing Industries

Under the Soviet Era Kazakhstan is perceived to have the most dependent economy on Moscow when compared to other regional countries. Dissolution of the Soviet Union resulted in the destruction of the command system and the production and sales chains present at that time had to experience the destructive impact of the dissolution. This destructive impact on Kazakhstan’s economy was present in every single sector ranging from agriculture to banking sectors.

During the initial establishment of the Soviet Union and when Kazakhstan was incorporated to the whole union economy the primary concern of the Soviet leadership was to develop the mining industry in Kazakhstan and especially coal production. Despite their productivity during the Soviet era, today the production of the most of the coal fields in Kazakhstan have decreased considerably. In 2000 coal industry of the republic started to receive foreign investment and it is hoped that this investments will help to recover the production in the country. However one has to not that the production levels are far below the 1990 levels and they are not doing any better. The coal production of 2005 is 1.3 % lower than that of 2004 levels(EIU, Country Report, 2006, p. 28).

Kazakhstan possessed almost one fifth of the coal reserves of the Soviet Union. In addition to presence of rich coal reserves Kazakhstan is rich in other mineral reserves as well. For example EIU (2006) Country Report suggests that Kazakhstan accounted ninety percent of the chrome reserves of the Soviet Union where also accounted “half of its lead, tungsten, copper and zinc” (p. 28). Karaganda region is rich in terms of fertile iron ore. Country report of the EIU suggests that “Kazakhstan produced 4.5m tonnes of raw steel in 2005, down by 17% from 2004, and 3.2m tonnes of flat-rolled products, down by 21%” (p. 28). Similarly copper production of Kazakhstan is decreasing as well. It has been stated that the refined copper output of Republic of Kazakhstan decreased 6% (EIU, Country Report, 2006, p. 28).

4.3.7 Stress on Diversification through Cluster Development Project

Diversification of the Kazakhstan’s economy towards non-extractive industrial sectors is very important for the sustainable development of the economy. The Innovative Industrial Development Strategy that has been developed by the leadership covering the years 2003-2015 puts the emphasis on development of competitive, export oriented and non-extractive sectors of economy through the policies that will boost up local investment (Personal Communication with a representative from Ministry of Economy and Budget Planning, June 2005). The long-run purpose set for this strategy is to create an environment in which Kazakhstan’s economy will have a research-intensive and high tech capability (Innovative Industrial development Strategy of the Republic of Kazakhstan for 2003-2015 (IIDS), 2002, ¶. 78). The Strategy is an important step in development of necessary institutional infrastructure for completion of economic transition and achievement of sustainable economic development. To that end the following institutions have been established or some –who were already existing– reformed in order to meet the goals set by the strategy: 1) Kazakhstan Investment Fund; 2) Kazakhstan Development Bank; 3) Kazakhstan Innovation Fund; and 4) Export Insurance Corporation (IIDS, ¶. 138). The

purpose of Kazakhstan Investment Fund is to provide funding for necessary projects for the development of non-extractive sectors, where Kazakhstan Development Bank is responsible for support of private initiatives for the sake of diversifying economy through involvement of local investors as well. The Kazakhstan Innovation Fund is established with the purpose of supporting scientific research and development of activities with the purpose of transferring Kazakhstan's economy to an economy with high tech industrial capabilities. Establishment of techno-parks for example is a very popular agenda item for the Fund. Export Insurance Cooperation on the other hand will be responsible to endure the security of Kazakhstani exporters for both political and procedural risks (Personal communication with a representative of the Ministry of Economy and Budget Planning, June 2005).

Despite the growth of oil and gas sector and increasing income coming from it due to the high prices of oil and gas in global market, Kazakhstan is not at a good position in terms of getting integrated to the global economy in non-extractive sectors. Cluster Development Project which has been developed by Center for Marketing and Analytical Research in line with the Innovative Industrial development Strategy aims to overcome this handicap. The project has been based on the theory of Harvard Professor Michael Porter where he argues that development of clusters within economy helps to raise the competitiveness in that industry. What is meant by a cluster is the group of companies, universities, research institutes and similar institutions within geographical proximity who work in close cooperation in order to develop a particular industry of the economy (www.cluster.kz).

The purpose of the Cluster Development Project is to diversify Kazakh economy and raise its competitiveness in non-extractive sectors within the global economy (Personal Communication with Prasad Bhamre, Advisor, CMAR, June 2005). It is planned that the first phase of the project will be composed of three stages where Stage one was composed of an analysis of comparative advantages of Kazakhstan in various sectors. Stage two is limiting the numbers of these sectors through the global and regional market analysis and stage three is

identification of five to seven clusters that will form the non-extractive industrial base of Kazakhstani economy where actions will be taken to increase country's competitiveness. At the end of this process seven main and two subsidiary clusters have been identified: 1) Tourism; 2) Agriculture; 3) Oil and Gas Machinery; 4) Cargo; 5) Construction material; 6) Metallurgy; and 7) Textiles. Two other clusters are: 1) Furniture and 2) commercial investment banking.

What is striking with regard to opinions of the most the people interviewed (June 2005), on the "Cluster Development Project" of the government is that among the identified seven main clusters, all of them believed that the ones with the likely-hood of survival are the ones that are related to oil and gas sectors: oil and gas machinery production, construction materials production, and cargo transportation.

The decision to implement Cluster Development Project was taken during late 2004. It was proposed that during the following twelve months identification of the clusters will be completed and investments into these sectors will be initiated. Looking at the latest report prepared by Economist Intelligence Unit published in September 2006 on Kazakhstan we see that tourism is not identified as a sector of the economy. This is basically because the fact that although one can find out that there is a rising trend in the number of foreigners coming into the country since independence; those were still not basically coming for tourism purposes. Inflowing high number of foreigners are mainly coming for business purposes and most of the time spending their whole time in the hotel having almost nothing to do with the historical and cultural background of the country. Although when compared to other regional countries Kazakhstan has the most reformed agricultural sector in the region, the issue of land reform and its application still remains as the main problematic behind the development of this sector into a globally competitive industry (EIU, 2005, p. 27). In terms of food processing it is possible to talk about the presence of dairy products, meat and fruit and vegetables processing. However they are struggling to compete with the imported goods available in the Kazakhstani market (Personal Communication with Diana Brett, Former Director of

American Chamber of Commerce in Kazakhstan, June 2005). Furthermore, due to the problematic nature of the agricultural sector their survival is very much bound to the progress in this sector.

Oil and gas related machinery production industry is one of the most promising clusters according to the general opinion about the cluster initiative. Metallurgy on the other hand is the second most FDI recipient sector of Kazakhstan (EIU, p. 31). However, local investment into the sectors is poor. Construction sector's progress is very much connected with the dynamics of the oil and gas sector. Recovery of the sector from the trauma of the dissolution of the command system could mainly be overcome by the boom in the oil and gas sector.

4.3.8 Nature of the Private Sector Development in the Independent Kazakhstan

The privatization process of Kazakhstan started with the privatization and Denationalization Act of June 1991. However, up until 1992 the Kazakh government did not do much to actually start the process. Any process of privatization is very much associated with the national interests and political purposes of that particular country that wants to reach. In the case of Kazakhstan at the time of 1991 act the country was missing the main component of the privatization process that is the "national interest" shaped by political and economic purposes and backed by a legislative base (Kalyhuznova, 1998, p. 70).

In the formation of national interest of any country there are various groups ranging from government bureaucracy to farmers and workers who have are influencing the outcome. In Kazakhstan the major influence is coming from government bureaucracy and the corrupt officials within it as well as entrepreneurial elites. Although the preferences of the government bureaucrats regarding the decision to be taken can be influenced by kinship relations Kalyhuznova (1998) argues that what has the main influence on choices of these

bureaucrats are their own interests which are shaped by their desire to increase their personal power both in terms of prestige and wealth (p. 71).

The process of privatization in Kazakhstan has three phases. The period between 1991 and 1992 is the first phase. Throughout this era a coupon mechanism has been developed. Those coupons were supposed to be used in return for purchasing of housing and other small sized enterprises. "Entitlement to the coupons was determined according to a formula devised to provide a citizen who has worked for 21 years; there were coupons sufficient to purchase an average flat" however the very nature of this coupon system most of the time produced unsatisfying outcomes for the average individuals (Kalyhuznova, 1998, p. 75).

The second phase is between the years of 1993 and 1995. This phase meant taking one step further and concentrating on privatization of state property and required a different mechanism of coupons than the previous phase. Under this period every citizen are entitled to a "personal voucher coupon book". However due to mainly the geographical setting of the country and the degree of distribution of population throughout the country a very complex system of "personal voucher coupon book" distribution has been developed. During this second phase the "personal voucher coupon books" have been distributed to over 95 per cent of the population. According to this "personal voucher coupon book" system each person is supposed to receive a book composed on ten checks where each checks is equal to ten coupons. For the people who are living in the agricultural region twelve checks were given which meant hundred and twenty coupons (Kalyhuznova, 1998, p. 75).

The main method to use those coupons were through the functioning of Investment Privatization Funds (IPF). Those are the official intermediary between the enterprises to be privatized and citizens who are willing to purchase them. Citizens are expected to put their coupon into IPF and in turn IPF will invest in those enterprises where citizens will become the partners. In addition to the IPF system citizens could also use their coupons through the auctions

organized for the sale of enterprises by the State Property Committee (SPC). This was a very complicated system of privatization where through a law government was given the right some of its shares. However, what is even more complicating this situation is the level of corruption that is taking place during those auctions. In a personal interview with a non-Kazakhistani lawyer who are dealing with business cases, it was stated that most of the time those auctions were ill publicized or not publicized at all. Most of the time buyers of such enterprises were close relatives of the ruling elite where those enterprises were provided for them as gifts. But what is more disappointing with such a corrupt behavior is the afterward faith of those enterprises. Usually those were old Soviet type factories which requires high levels of investment. Let alone having money for making investment for those factories most of the time buyers are in need of money. So what happens in the end is that rather than starting to function and contributing to the production capacity of the state, machinery in these factories were sold to Chinese buyers as metal craps (Personal interview, Almaty, June 1995)

Despite the negative aspects of privatization of state enterprises there are cases in which income has been acquired to the state treasury. During 1993 there were three state factories that were privatized – Almaty Tobacco Factory, Shimkent Confectionary Factory, and Margarine Plants- which in the end brought a total of 443 million USD (Kalyhuznova, 1998, p. 77).

For the year 1994 government listed 110 enterprises to be privatized through the system that was used for the three major enterprises during 1993. Kalyhuznova argues that despite there has been numerous policy documents and laws on the regulation of the privatization, in all of them there “...was a lack of logic of reform of property, a shortage of elements of market infrastructure; mass-scale decentralization of economy and mass-scale privatization of state property are taking place in conditions of economic slump; decreasing of investment activity, etc” (Kalyhuznova, 1998, p. 77).

The third phase of privatization in Kazakhstan began in 1995 which was planned to continue till 1998. The main instrument devised for this period was the individual projects. Nevertheless, whether it is through coupons or government initiated projects, privatization in Kazakhstan has been very much associated with political dynamics of the country. The very fact that government bureaucracy with its corrupt officials and entrepreneurial elites are very much determinant on privatization, there are unfavorable outcomes with regard to the less influential sections of the society such as peasants, farmers, office and wage workers, in terms of the influence on shaping of the national interest behind the process itself (Kalyuzhova, 1998, pp.78- 85)

The Kazakh leadership perceived the privatization process as one of the crucial steps of economic reform towards the achievement of transition to market economy. It was believed that such a reform process will help to establish necessary institutions and groups for a market where private business sector is one of them. A business elite was something that was non-existent under the Soviet rule so it had to be created from beginning. However, what was interesting in terms of outcomes of the Kazakhstani privatization process was the fact that almost all of the major companies who were privatized were placed at the hands of the foreigners. This was soon to be perceived problematic by the Kazakh leadership which by 2000 started to pressure the foreign companies for not using domestic companies during the production process (Cummings, 2005, pp. 31-32).

The criticism of Kazakh leadership towards the foreign companies could be considered as an attempt on behalf of the leadership to develop local production capacity and help the establishment of a local business elite. In the post-Soviet environment the newly emerging business elite were actually the ones who were at the senior government positions during the Soviet era. This is not an unusual thing to happen in Kazakhstan even today. It is possible to observe people who have government positions to shift to business sector and then back to government positions (Murphy, 2006, p. 530). The most obvious examples to

that are the two sons in law of President Nazarbayev, Rakhat Aliev and Timur Kulibayev.

It is suggested by the rentier state literature that the leaderships of rentier states tend to develop particular class structures. The class of private owners is one of those classes. Crystal (1997) argues that leaderships of rentier states tend to produce a class of private owners whether they are called merchants or entrepreneurs those were created through the kinship networks (p.146). This peculiar type of the business class loyal to the leadership and most of the time from the titular nationality of the state political elite.

In the case of post-Soviet Kazakhstan the issue of presence of two large ethnic groups was one of the primary concerns of the leadership as previously discussed. During the post Soviet years one can argue that a process of “Kazakhkification” has been experienced especially in the stated cadres. It is possible to give two reasons for that: first, in the post-Soviet environment a large group of Russians have out-migrated from Kazakhstan, second and most influential is the language policy that Kazakh leadership initiated in the post Soviet environment where introduced the obligation of knowledge of Kazakh language in order to become a government official (Olcott, 2002, pp.174-186). This resulted in the development of a public sector elite which is composed on mainly Kazakhs.

With regard to the business elite, whom also called “Novy Kazakh” (New Kazakhs), on the other hand it is not possible to argue that there is a Kazakhification process (Personal Interview with an Expatriate Businessmen, June 2005). On the contrary Murphy (2006) argues that in the post Soviet environment when a sample of business elite analyzed in Kazakhstan during different years since independence it is possible to see that ethnic Kazakhs are slightly under represented in the business sector when compared to ethnic Russians and other non-Kazakhs at a ratio of 66% versus 75% (p. 545).

The presence of a very delicate demographic composition in Kazakhstan resulted in the emergence of an interesting picture when compared with the evolution of the business elite in other oil producers. It is a continuation of the previous experience that Kazakh leadership supported the development of a business elite loyal to its policies, however due to extra care that has been paid to preserve the demographic, political and economic integrity of the country the business elite of Kazakhstan is composed of a sort of civic nationality rather than following a line of ethnic or even clan composition. Similar to many other post-Soviet experiences this should be perceived as an outcome of the Soviet background where in the post Soviet environment elites of the Soviet era managed to preserve their positions in the post-Soviet era as well both in political domain as well as economic domain (Murphy, 2006; Cummings, 2005).

In addition to the close circle around the Nazarbayev family, the political and business elite in post-Soviet Kazakhstan is very influential on the policy choices of Kazakh leadership and they are very supportive of the Nazarbayev administration. Both groups are somehow continuation of the pre-independence networks and people around Nazarbayev since 1980s. The business elite of Kazakhstan who is in control of enterprises such as major media, banks, and industry – Dave (2005) lists major industrial powers of Kazakh economy such as Eurasia Group, Kazakhmys, Kazakhstan Temir Zholy (p.12)- even have political parties of their own such as OTAN (Fatherland Party) and AIST (a coalition bloc composed of Civic Party of Kazakhstan and Agrarian Party) who are two victorious powers of the 2004 parliamentary elections in Kazakhstan. During the elections OTAN won 42 of the 77 seats in parliament where AIST which 11 of the seats making a total of 53 seats out of 77 (RFE/RL, October 5 2004; ICG, 2007, pp.3-4).

4.4 Rentier Effect : Social Assumptions

4.4.1 Society Becomes a Rent Seeking Entity

Literature suggests that citizens of oil producing states develop characteristics that makes them to get into constant search for getting access to rent distribution network rather than developing skills that will make them to reach productive capacities (Chatelus, p. 111). It is possible to observe cases in countries such as Saudi Arabia where the citizenship itself became a rent generating factor. Furthermore, it was argued that oil revenues and the need to distribute them within the society results in creation of a second wave of rent factor within the economy of a particular state. Beblawi (1987) calls this “second order rents” (p. 56). Mainly those were grouped under two categories: “real estate” and “stock market speculation” (Beblawi, 1987, p. 56).

Since 2000 Kazakhstan has been experiencing steady economic growth due to the increase in oil prices. During the last four years it would not be wrong to argue that the country is having an average of 10 % increase per year. Increasing income coming from high oil production and rising production levels had a spill over effect over the other sectors of the economy. For example there has been a 17% increase in agriculture sector (A Kazakh economics working for government, personal interview June 2005).

Of course the 17% raise in agricultural sector does not represent a progress towards the solution of the problems such land issues or attraction of foreign investment into this sector as well. An interviewer argues that corruption is so deep rooted, even if land privatization would be able to completed only a very small group of people will be able to won the land where the rest of the people will be working for them(personal Interview with a foreign academic who has been living in Kazakhstan for many years, June 2005).

Table 10. Kazakhstan: Corruption Perception Index

Year	1999	2000	2001	2002	2003	2004	2005
Out of ..	99	90	91	102	153	145	158
Country Rank	84	65	71	88	100	122	107

Source: Transparency International

A non Kazakhstani businessman living in Almaty tells his observations regarding the investments in Kazakhstan other than oil sector. It is suggested that most of the investments are being done without making any feasibility studies in advance. Most of the time the ones who are able to make investments are the ones who are close family members of the president Nazarbayev.

The perceptions of people about the corruption is very interesting in Kazakhstan as well. An academic who is working in one of the popular universities of Almaty tells me her experience in one of her classes in which she asked her students what they think about the scandal broke out in the process of the privatization of the health insurance system. She interestingly points out that in that class she had students from the families of high level Kazakh elite who is known to be close to the Nazarbayev family. The scandal that she was mentioning was broke out when it was found out that the bureaucrat who is in charge of development of a public insurance system in which people are supposed to pay hundred Tenges each collected the money and left the country. She was asking her students aren't they angry about the event. The reaction of the students was interesting. Majority of them was thinking that "the man was really clever" and if they were in his position they might think of doing the same thing (Personal communication, December 2004).

In this corrupt environment Kazakh leadership successfully manages to continue its power. Some foreign observers argue that even the existing opposition to the Kazakh leadership is not an opposition in the sense that is used in the West. Most of the time rather than opposing to ill functioning of the system they are

opposing to their existing place within the system. “People in Kazakhstan do not really mind to the dark sides of the oil economy. They do not care if their leadership is getting more authoritarian. They may even think they have democracy” (personal Interview with a foreign academic who has been living in Kazakhstan for many years, June 2005; Personal interview with the an high ranking member of International Organization (2), June 2005).

Election management is a very important part of continuation of Nazarbayev’s leadership. Before elections a very careful policy are being utilized with a special attention to the keeping prosperity of the people in Kazakhstan. Before 2004 elections for example a new welfare programme has been initiated where salaries of people raised 30%. The purpose is to buy people’s loyalties. People argue that although the salary raise has been made in reality the working hours and conditions of the people are changed and made harsher than they were before.

Furthermore corruption is an important dimension of privatization in addition to elite rivalry discussed above. The negotiation process that companies are going through has two phases. The first phase is the one between the company and the central authorities –president and the prime minister-. The first phase of negotiation most of the time involves offers of “surplus funds” as a way of sealing the deal by the foreign companies to the president and the prime minister. The second phase of negotiations involves the regional governors involves the regional governors. Foreign companies need to have approval of regional governors (akims) before the initiation of the purchase. Furthermore not only the approval but regional governors have to be made a part of the decision making. If not regional governors (akims) can be barriers in front of foreign companies for the initiation of their projects of their tax inspection procedures. It is a common practice among local officials to accept “...personal cash payments in exchange for helping the project run smoothly or for ignoring contract violations and environmental regulations” (Luong, 2000, p. 91).

...since the spring of 1995, the drive to attract foreign investment in the energy sector has encouraged the Republic of Kazakhstan’s

trend toward centralization and concentration of power. In March 1995, Nazarbayev dissolved a parliament that had become increasingly hesitant to endorse his economic reform agenda. This was followed by a referendum to extend Nazarbayev's term to the year 2000, decrees aimed at augmenting the power of presidency over all economic and foreign policy matters, and other presidential actions. These events laid the groundwork for another wave of economic reforms in March 1997 which were intended to facilitate foreign investment, particularly for newcomers (Luong, 2000, p.91).

Luong argues that in the long run Kazakhstan's privatization program will "increase the distance between central authorities and the local population, to exacerbate regional socio-economic differentiation and ultimately to incapacity" (Luong, 2000, p.92)

Furthermore, investments in construction sector especially the ones in the form of purchasing estates are argued to be the most common mechanism for money laundering. Those people purchase apartments and villas even before the construction phase. At this stage most of the time prices are lower than they will be after the completion of the construction. People who buy those estates usually sell them after the completion of the construction or a little while later for more expensive costs. Since most of the time apartments are purchased in the new buildings not for individual use purposes but for investment purposes, when you walk around the new districts of Almaty during the night most of the time you see only few lights coming from those gigantic apartments. Some people even argue that although it has political reasons as well moving of capital to Astana was also a part of this money laundering mechanism. Because building a capital from nothing means highly lively construction environment. Furthermore some also argue that besides money laundering construction of Astana is a way of distributing those income coming in to country through oil sector to different groups of people by creation of new job opportunities (personal interviews, June 2005).

4.4.2 Emergence of Two Communities in Work Life

Literature suggests that in most of the rentier states it is possible to talk about the presence of two communities in work life. First group is the citizens of the state where some way or another became associated with the web of benefit distribution. Acquisition of benefits from the state is not the only rent type that citizens of oil producers gain. In some cases their title to citizenship create other sources of rent income such as in the cases of the need of foreign investors to have a citizen as partner in order to be able to start a business in that country. The second group is the ones who are composed of expatriates who are the workforce bound by “work-reward causation” (Beblawi, 1987, P. 59).

Newly independent Kazakhstan inherited a very complex social structure. There are two main ethnic communities living in the country, namely Russians and Kazakhs, despite many other minor ethnic groups. One of the main challenges that Kazakh leadership faced in the post-Soviet environment is to balance the demands of these two communities. The title of citizenship to these communities is not an aspect of discrimination neither between these two communities, nor others.

In terms of expatriates living in Kazakhstan the case is very much different from the other oil producers such as Saudi Arabia. Rather than forming the majority of workforce bound by “work-reward causation”, expatriates in Kazakhstan consists of foreign businessmen and members of international organizations. According to the Kazakh laws there is a restriction on the number of foreigners that can work in Kazakhstan during a year. This is 10,500 people per year.

4.4.3 Strengthening of Patrimonial Ties

Literature suggests that oil revenues help to preserve patrimonial society. In the cases of Middle eastern oil producing states, traditional societies does not need to go through a transformation which are usually associated with the capitalist or socialist states where requires participation of women in the workforce as well.

This results in continuation of patrimonial ties and low participation of women in workforce (Mahdavy, 1970, p. 444).

In the post-Soviet environment the leadership of the newly independent Kazakhstan had a very complicated task in front of itself in terms of nation building and state building. While in many post-Soviet republics the ruling elite has a strong tool of nationalism at their service for state and nation building process, Kazakh leadership did not have. In Baltic republics for example nationalism have been used a strong source for legitimacy however due to complicated demographic situation in Kazakhstan the leadership of the newly independent state could not use that option (Cummings, 2005, p. 2). In addition to presence of multi ethnic demographic situation the task of the Kazakh leadership was even further complicated by the presence of different layers of sub ethnic identities within the Kazakh community itself (Sürücü, 2002; Schatz, 2004).

Strengthening of patrimonial ties within the Kazakh society starts as early as during when Lenoid Brezhnev was the leader of the communist party (Sürücü, 2002, p.393). His policies had the intention of overcoming harsh policies implemented by Stalin during the years of purges against the indigenous elites. Glasnost and Perestroika of Gorbachev furthered the strengthening of patrimonial ties. What happened in the post soviet environment in terms of patrimonial ties are continuation of the past experiences. However, this time the newly independent Kazakhstan witnessed the evolution of a more complex web of patrimonial relationships that was not primarily networked by kinship and blood relations. There are three main components of patrimonial networks active in the Republic of Kazakhstan where increasing amount of revenues resulted in the strengthening of them as well as rising competition among them to have better access to resources compared to others. The first group is the close family of the Nazarbayev composed of his wife, daughters, sons in law and their very close friends who have to managements positions at the public sector. This group is increasingly composed of ethnic Kazakhs mainly due to the language requirement for government positions. For example the Head of

KazMunaiGas board of directors is the son in law of president Nazarbayev Timur Kulibayev where the rest of the board of directors are composed of ethnic Kazakhs (Olcott, 2007c, p. 20-21) The second group is composed of the former Soviet elite who have been together with Nazarbayev since 1980s and the third group is the strong oligarchs and business elite who is composed of a multi-ethnic structure. As part of all those three groups Nazarbayev leadership also had to establish a balance among the different ethnic groups (primarily Russians and Kazakhs) as well as sub ethnic networks namely clans (Schatz, 2004, p. 98-113).

Strong and complex patrimonial network around the President Nazarbayev has control over all of the strategic resources, government structures, media as well as strong political parties. Such a structure puts all of its efforts to maintain their power bases and eliminate all sorts of possibilities change in the status quo. Dave (2005) provides an analysis of the 2004 parliamentary elections where patrimonial relationships helped to manipulate the outcomes of the elections while banning opposition from access to media and even from being able to participate in the elections (pp.8-13)

4.5 Conclusion

Throughout this chapter an analysis the of post Soviet economic and social dynamics of the Republic of Kazakhstan has been provided. The departing point for such an analysis was the assumptions of the “rentier state literature” with regard to the economic and social aspects of an oil producing state. It has been argued that the study of post-Soviet Kazakhstan through the lenses of the assumptions of the “rentier state literature” would be incomplete mainly due to it’s a-historical analysis. It is suggested that economic currents of today’s Kazakhstan such as the dependence on outside sales of hydrocarbon resources, need for foreign investors for the development of its hydrocarbon sectors, changes in the nature of the revenue extraction and distribution of the state,

weakening of the non-oil sectors of the economy could not be analyzed in an isolation from the Soviet past by mainly concentrating on the oil boom of the post independence era. Similarly, analyzing Kazakhstan through the social assumptions of the “rentier state literature” would again be an incomplete analysis when cut off from the Soviet past.

CHAPTER 5

KAZAKHSTAN AFTER INDEPENDENCE: POLITICS AND FOREIGN POLICY

5.1 Introduction

The purpose of this chapter is to provide an understanding of the political and foreign policy dynamics of the republic of Kazakhstan after independence. The chapter will be composed of two main parts. The first part will provide an analysis of the post-Soviet political developments. An analysis of the assumptions of the “rentier state literature” on the political aspects of the oil producing states and their compatibility with the case of Kazakhstan will be provided. The second part of the chapter will be composed of an analysis of the foreign policy choices of the post-Soviet Kazakhstan. Any analysis of the impact of oil on a state could not be merely explained by looking only on the political dynamics inside the state. The literature on oil producing states often tends to ignore the role of impact of oil on the foreign relations and policy choices of the leaderships. Second part of the chapter is an attempt to fill this gap by providing an analysis of the foreign policy of Kazakhstan and the role of oil in its shaping through the plurality assumption of the critical geopolitics literature.

5.2 Political Challenges of the Newly Independent Kazakhstan

Post-Soviet Kazakhstan faced with a two dimensional challenge in the political sphere of its transformation, one is the state-building and the other is the nation-building. These processes were further complicated by the presence of multi-ethnic as well as sub-ethnic identities constituting the society of Kazakhstan. One of the basic challenges in front of the nation-building process of Kazakhstan is the very fact that the country has a very complicated ethnic composition. According to the CIA World Fact Book 2002, distribution of population in Kazakhstan is as follows: Kazakh 53.4%, Russian 30%, Ukrainian 3.7 %, Uzbek 2.5 %, German 2.4 %, Uighur 1.4 %, other 6.6 % (according to 1999 census). Cummings (2002) argues that “multi-ethnicity was at the root of Kazakhstan’s problems in 1991, since it deprived the elite of an immediate source of legitimacy: mono-ethnic nationalism.”(p. 61). In such an environment where the titular nationality does not constitute the vast majority of the population it is quite problematic to talk about any process of nation-building based on ethnic lines (Roeder, 1999, pp. 857-860). Schatz (2000) argues that in order to overcome the possibility of emergence of ethnic conflicts Nazarbayev followed a Kazakh version of Soviet Internationalism. However it was argued that this very policy itself had its own problems, which mainly resulted in the emergence of increasing role of sub-ethnic identities in Kazakhstan’s political and economic life (pp.490-492).

Building democratic regime in a newly independent state that had no similar tradition before is one of the complicated tasks in front of the leadership of newly independent Kazakhstan. Although President Nazarbayev did not initiated a process of personality cult in Kazakhstan as in Turkmenistan, still the existing regime is highly characterized by a strong emphasis on personalism. “The president is at the epicenter of all state- and institution-building efforts, and the presidential office and executive order have come to dominate all branches of government” (Cummings, 2002, p.63). While discussing the reasons why nature of politics in independent Kazakhstan has not shaped in ways that are supportive of democratic principles, Martha Brill Olcott (1997a) provides some answers.

Initially she talks about the presence of an understanding of democracy in Kazakhstan as a synonym of ethnic empowerment. The grounds for this argument lies in the very fact that the “republic’s first political groups were almost all organized along ethnic lines” (p. 201). Furthermore, according to Olcott, another reason why the leadership is not keen to take faster steps in political reform is the very fact of presence of potential wealth of the country. It was argued that leadership extensively controls the process of privatization because otherwise might lead to diminishing control of leadership on this wealth.

5.3 Rentier Effect : Political Assumptions

In addition the political problems stemming from dissolution of the Soviet Union and facing with the unexpected independence the presence of huge amounts of hydrocarbon reserves in Kazakhstan presents a further challenge. A large body of literature is available on the oil producing states developed a wide list of assumptions on what kind of political outcomes oil can have on producing states.

5.3.1 Oil Revenues and Democratization

Literature suggests that oil revenues enables leaderships of the producing states to act independently without facing major challenges to their decisions. Most of the time leaderships only develop expenditure policies, rather than comprehensive economic policies that will satisfy different forces functioning in the economy. What happens in the end is that elimination of checks and balances mechanism that will bring citizen’s influence in decision making. The lack of such a mechanism brings us to the argument that democracy is not a problem of rentier states. Generally speaking, in rentier states it is only elite interests that are being represented but not the interests of average citizens. Experience with the Arab world suggests that parties with a cultural or

ideological background are established, such as Islamic fundamentalist groups. Opposition to the leadership may develop of course but most of the time they are not strong enough to bring up change. Even if they succeed to overthrow the political leadership, most of the time they fail to bring any change towards a more democratic one but remains only as a shift towards a new institutional set up (Luciani, 1987, p. 75)

The literature on the past state formation experiences of the oil producers suggests that there is a direct relationship between oil rents and democratization. The nature of relationship between foreign investors and host governments is determining factor in the state building and democratization process of newly independent Kazakhstan. It has been argued that incoming oil rents provides the ground for rising authoritarian tendencies of the producing states where in the end turns out to be evolving into barriers in front of political change.

Michael Ross (2001) provides three elements of effects of hydrocarbon wealth on democratization. The first one is the “rentier effect” (p. 332). It can be argued that incoming revenues from oil relieves governments from tax collection, where coupled with the provision of state subsidies for services like telephone and electricity in turn leads to decrease in or almost elimination of internal pressures of accountability on the leadership. Secondly Ross talks about the presence of a “repression effect” (Ross, 2001, p. 335). “Repression effect” of oil revenues is the demonstration of the relationship between oil wealth and the process of democratization in a particular country. Incoming oil revenues enables the leadership’s continuation of power and authority through preservation of internal legitimacy and security. Thirdly Ross(2001) talks about the presence of “modernization effect” (p. 336) of oil wealth. By modernization effect it is meant that oil wealth leads to failure on behalf of producing states to achieve necessary transformation in social and cultural domains that are necessary to achievement of democratization.

Bayülgen argues that rentier state literature fails to address the political conditions of the oil producing states at the time of their initial encounter with

FDI in their hydrocarbon sector, which are determining in understanding the outcomes. Understanding the relation between oil wealth and democratization requires us to look at the relationship between foreign companies and governments (Bayulgen, 2005, p.1). “The alliance between foreign investors and state elites can render democratic transition and consolidation problematic by providing new economic resources for state and by legitimizing undemocratic governing elites” (Bayülgen, 2005, p. 1).

The nature of the political regime in a resource rich state is very determining on the ability of that state to attract foreign investment. Bayülgen describes “regime type as a proxy to capture two political variables: the *level of political competition* between opponent sand proponents of FDI, and the *strength of political institutions* that can resolve disagreements over investment policy” (Bayülgen, 2005, p. 2).

5.3.1.1 Lack of Political Participation in Kazakhstan

Literature suggests that in oil producing states where leaderships are relieved from tax collection and people are relieved from tax paying, most of the time it becomes an inevitable process among the society to develop and a political apathy vis a vis the ill planned spending policies of the leadership (Beblawi, 1987, p. 53). This apathy is very much associated with the motto ‘no taxation no democracy’. Since elite interests become predominant in determining state policies of distribution people loose their hope and demand for change as long as they are part of the distribution chain

During the initial years of independence following a similar pattern of post-independence reforms with its neighbor Russia, Kazakh leadership soon realize that they can not afford wide scope fast change. In fact, Kazakh leadership’s political and economic reform discourse could also be perceived as a strategy to attract stability loving foreign investors and gain their confidence. The changing direction of Kazakhstan with the 1995 constitution was established

with a stronger presidential power guaranteed by the new constitution. Through the new constitution Kazakh leadership "...reaffirmed the right to the president to appoint government and regional leaders and to dissolve parliament if it passed a vote of no-confidence in the government or twice rejected a president's nominee for prime minister. It provided for a weak bicameral legislature with an upper house (the Senate) dominated by presidential appointees" (Olcott, 2002, p. 88).

The constitutional modifications of 1998 and presidential elections of 1999 reaffirmed the authority of president Nazarbayev. For example 1998 constitutional amendment provided president with the authority to sign international treaties without getting the approval of the parliament. The president has the full authority to eliminate the authorities of government and regional governors as see inconvenient. The presidential elections of 1999 was not done in a very democratic way. The prime reason was that pulling early the elections of 2000 did not leave room for the organization of other candidates for the election. Other candidates had only 3 months to prepare and off course they lacked the tools and resources that Nazarbayev was equipped with. Akezhan Kazhegeldin (former prime minister) and who were the only serious contender in front of Nazarbayev were barred by the election commission because was accused of money laundering (Cummings, 2003a, p. 29). It was stated by the pro-leadership election commission that the action against Kazhegeldin's candidacy was in accordance with the constitution. This was justified by referring to the clause 4.1 of the constitution which was amended in 1998. According to the new electoral law anyone with a criminal record could not become a candidate. Presence of money laundering charges against Kazhegeldin prevented him from becoming a candidate and run his campaign for "For Honest Elections" in Kazakhstan (Cummings, 2003a, p. 29).

The Kazhegeldin example was a demonstration of the Kazakh leadership's attitude towards opposition to President's domination over political life. Although by law it was provided that establishment of political parties are legal and free, the pre-conditions that is required for their establishment was

providing extreme limitations over emergence of such organizations. In the existing political setting in Kazakhstan, political groups that are not pro-current leadership are incapacitated to become a challenge to the authority of the president. Availability of tremendous amount of economic power at the hands of leadership serves as a safeguard for the continuation of this behavior (Dave, 2005, pp. 3-14).

The behavior of Kazakh leadership during the presidential elections as well as the parliamentary elections have been criticized by the international media and election observers (See: RFE/RL, Kazakh Elections 2004). Defenders of Nazarbayev argue that Kazakhstan has been attacked by international media more than any other country in the CIS. They argue that this is because of oil. Through those attacks international actors want to put Kazakh leadership into a very weak position and get better bargaining chips during the negotiation of the contracts for the new oilfields in Kazakhstan (Personal Communication, June 2005).

A Kazakh academic who is a prominent critique of the Kazakh leadership argues that Nazarbayev leadership are providing economic development for the people however no democracy. He adds that despite the fact that there is a growing middle class in Kazakhstan who is demanding legal and institutional guarantees for their status Nazarbayev prefers to argue that he is their guarantee. Nazarbayev wants them to stay dependent on his power and oil money enables him to sustain his position (Personal Communication, December 2004).

5.3.1.2. Restrictions on Media and Individual Freedoms

Till 1997, Kazakhstan had a relatively independent media compared to other Central Asia republics, with the exception of Kyrgyzstan. Since 1997 control over media have been tightened considerably where independent radio and television stations were abolished. Today there is a state monopoly over television which is basically controlled by state television channel which was

headed by President's daughter Dariga Nazarbayeva till she became a member of the parliament. Currently she is still in the board of directors. January 2001 legislation on media allowed state authorities to charge crime cases against media. This was a turning point which allowed leadership to use law against numerous media organizations resulted in initiation of criminal charges against them. This charges varied from imprisonment to banning their web sites to broadcast on Internet (Cummings, 2003a, p. 30). Continuation of rising oppression against media resulted in monopolization of most of the media activity at the hands of a small group of people who are very close relatives of the President such as his daughter Dariga Nazarbayeva and her husband Rakhat Aliyev.

5.3.1.3 Generation of Income is at the Hands of Few: Kazakhgate Scandal

In most of the oil producing countries there is only a small group of people who are taking part in the generation of income and usually those are the small group of elite that is gathered around the ruler of the country. This usually happens with the break up of the previously existing coalition between the leadership of the oil producing state and the dominant trading families in the country. Incoming oil revenues relieves the state from the burden of getting into compromise with the local business elite and instead starts to get in close relations with oil companies. On the other hand previous business elite become less and less visible since oil as a highly specialized business marginalized them from the economic activity (Cyrstal, 1990, p.7).

In the post Soviet environment in most of the former-Soviet republics a new political and business elite based on the former political connections has been established around the presidential power. In many cases those are the close relatives of the president and their close allies. In the post-Soviet Kazakhstan due to legacy of the past there has never been a strong merchant class/ business elite. With the dissolution of the Soviet Union former elites of the Soviet apparatus transformed themselves into the new ruling and business elite of

Kazakhstan. Incoming foreign investments and increasing revenues from the oil sector resulted into more strengthening of these groups. The case of Kazakhstan does not present us with a challenge of complete distancing of the leadership from the ruling bureaucratic elite and the newly established business elite of the country. On the contrary it is possible to observe increasing intermingling of these groups although they compete with each other. Moreover, due to very delicate position of the Kazakhstani society itself Kazakh leadership is being very careful in satisfying the needs of different competing groups in the country (Cummings, 2005).

The presence of strong elite groups derived with patrimonial ties raises the risk of increasing corrupt behavior within the Republic of Kazakhstan. Olcott (2002) argues that the economic influence of Nazarbayev, his family and their very close friends are growing every day. This is actually evident in the positions that two son-in laws of Nazarbayev and his daughter Dariga Nazarbayeva holds (Olcott, 2002, p. 88). Furthermore it is also argued that the personal accounts of extended family members are of millions of dollars which are located in foreign accounts which have been filled with the bonuses obtained from international oil giants for the signing of good oil deals within Kazakhstan (Olcott, 2002, p. 88).

The issue of corruption stemming from acquiring benefits from “signing bonuses” even lead to opening up of investigation cases against advisers to president Nazarbayev where high level government officials of Kazakhstan have also been involved in the cases of bribery. The well know name for those investigations is the “Kazakh-Gate Scandal” . The scandal broke out with the arrest of an American banker and one of the prominent consultants to the President Nazarbayev Mr. James Griffen in March 30, 2003. Griffen was accused of arranging bribes among two high level Kazakh officials and an international oil company. The case against Griffen opened charging him with the violation of Foreign Corrupt Practices Act (FCPA) where he blamed for arranging millions of dollars of bribe which was transferred to bank accounts of two government officials as a bonus of a deal signed by Kazakh government and

Mobil Oil Corporation (renamed as ExxonMobil after the merger with Exxon in 1999) (Eurasianet, 7/01/2003, ¶ 4). In the year 1996 Mobil Oil Corporation purchased a twenty five per cent share in the Tengiz oilfield for 1.05 billion US dollars. However, ExxonMobil authorities denied that there is any corrupt behavior and illegal payments involved in this deal (Eurasianet, 7/01/03, ¶ 7).

As part of the Griffen case US government was investigating the transactions that was made by Mobil Oil Corporation during the years of 1995 and 1996. It was found out that through Griffen millions of US dollars have been delivered to the accounts of two high level Kazakhstani government officials whom names are so called kept secret where the names of President Nazarbayev and Prime Minister Tasagambetov were mentioned in several places (Tsalik, 2003, p.145). Furthermore it was also found out that in the year 1997 a transfer of 20.5 million US dollars has been made to a Swiss bank account which belong to a company called Orel Limited. It was found out that Orel limited was linked to a foundation called Semrek, based in Liechtenstein. Further investigations regarding the company and foundation showed that Semrek foundation was under the control of to Kazakhstani government officials (Eurasianet, 3/31/04 ¶ 4). During the case it was also stated that Mobil Oil Corporation has paid Griffen 51 million US dollars to broker the Tengiz deal between Kazakh government and Mobil. Furthermore it was also found out that a former Mobil executive J. Bryan Williams also received 2 million USD for a deal between Mobil and Kazakhstan (Eurasianet, 4/04/03, ¶ 5). However, it was soon realized that the chain of million dollars paid by Mobil for this deal was reaching out to the President Nazarbayev himself (Tsalik, 2003, p.145)

When the Swiss bank account of the President holding one billion US dollars came into daylight it has been announced to the public that this money was coming from the deal made with the Mobil for the Tengiz oil field. In his disclosure to the parliament Prime Minister said that the reason for putting the money into a Swiss Bank is to prevent further inflation in the Kazakh economy which was already in a bad condition due to Russian economic crises. This was the turning point on behalf of the Kazakh leadership to decide to bring the

money back in Kazakhstan. The then Finance Minister Oraz Jandosov (whom later became one of the main opposition leaders in Kazakhstan and the founder of Ak Zhol Party) drafted a proposal for the formation of an national oil fund to put save the money for future generations. As a result the National Fund of the Republic of Kazakhstan was established in the year 2000. The Fund designed to have three main purposes: to stabilize and contribute to the socio-economic development of Kazakhstan; to function for saving the income derived from oil for future generations; and to decrease the vulnerability of Kazakhstan to outside dynamics (See Table 13). The Fund collects money from largest oil field and mines of the country where the leadership had the right to change the names of companies if need be (Tsalik, 2003, pp. 145-146).

Table 11. Oil & Gas and Mine Companies Paying Taxes to National Fund (NF)

Oil & Gas
Aktbobemunaigas Corporation
Kazakhoil-Emba Corporation
Tengizchevroil Joint Venture
Karachaganak Petroleum Operating B.V.
Hurricane Kumkol Munai Corporation
Turgai Petroleum Limited partnership
Magistaumunaigas Corporation
Turgai Petroleum Limited Partnership
Magistaumunaigas Corporation
Uzen Munaigas Corporation
OJSC Karazhanbasmunai
Mine
JSC Don Mining and Enrichment Complex
Kazinc Corporation
Kazakhmys Corporation

Source: (Tsalik, 2003, p. 146)

5.3.1.3 Rising Elite Competition

The huge amount of money in question, with the coming of FDI, in the form of royalties and Product Sharing Agreements accruing to the government or sometimes bribes to the officials lead to increasing competition among the governing elites of Kazakhstan (Luong, 2000, p. 91). This competition process was not only particular to oil sector, competition of Kazakh elites has been fierce in non oil and gas sectors as well.

For example the major opposition to the privatization process came from the Kazakh “oil barons” of Western Kazakhstan since they did not want to give up their existing monopoly over the regions that are rich in hydrocarbon reserves. Their reluctance was reflected in their attempts to delay some of the oil and gas tenders. The Kazakh leadership responded to that by dissolving the oil baron coalition in Kazmunaigaz leadership in 1997. But of course this was not a solution. In order to balance their demands and preserve the stability and integrity of the country Kazakh leadership had to do “... put one of the most prominent energy sector leaders Nurlan Balgimbayev in charge of slowing down the privatization process and reconsidering pending contracts”. (Luong, 2000, p. 91). It would not be wrong to say that in the post-Soviet environment a system of patronage and clientalism has been developed under which local business elite and most of the government officials operate. Development of such networks are closely associated with the ties that those people have with the presidential apparatus (Riches, 2003, p. 170).

While they are connected to the president, oligarchs of Kazakhstan are in a strong competition with each other, despite their dependence on presidential apparatus for survival.

The recent refusal, late in the negotiation, by the Kazakh authorities to allow Hurricane to purchase BP’s interest in CPC probably has as much to do with securing access to CPC for the oilfield interests of Kazakh oligarchs as to do with national interest. There are signs that centralized control through the power of patronage has weakened in some regions of Kazakhstan and that

is setting up tensions that may even threaten the cohesion of the state. The emergence of more politically independent elite in prosperous regions will increase the disputes over the division of rents between elites and create problems for investors (Riches, 2003, pp. 170-171).

In the long-run the elite behavior towards privatization and the attitude that foreign companies have developed could be problematic as well. In the case of decrease of income derived from oil revenues will lead to further complication of elite behavior where which the pie will be smaller but the desire to take a piece will be higher (Luong, 2000, p.97). Furthermore, corruption which is already deep rooted in the country seems to continue and further intensify mainly due to reasons connected to negative aspects of privatization. Failure to overcome corruption is an important barrier in front of development of democratization of the country and economic development.

5.3.1.4 Is there a Chance for a Colored Revolution in Kazakhstan?

Towards the end of the first decade of its independence Kazakhstan become the highest recipient of foreign direct investments among other Central Asian states. It is quite expectable that those investments primarily made into the oil sector which also lead to rising levels of income derived from those investments in the form of royalties , taxes and bribes. According to a foreign lawyer who has been living in Almaty for several years, the bribes from the oil deals who have been given to top officials are defined as “hats” by the local people. Those “hats” are usually kept in foreign bank accounts and invested in foreign countries. It is possible to give the examples of huge villas and hotels in Turkey, or investments in Dubai (Personal Communication, June 2005).

Table 12. Foreign Direct Investment in Kazakhstan

Year	1993	1994	1995	1996	1997	1998	1999	2000	2003	2004
FDI	473	634	964	1137	1320	1,132	800	1,3	2,1	4,1
in	mil.	mil.	mil.	mil.	mil.	bil.	mil.	bil.	bil.	bil.
US\$										

Source:

1) 1993-1999 – Nations in Transit: Kazakhstan, United Nations, retrieved from <http://unpan1.un.org/intradoc/groups/public/documents/NISPAcee/UNPAN008274.pdf>, retrieval date July 20, 2006.

2) World Development Indicators Database April 2006, Kazakhstan Database, retrieved from <http://devdata.worldbank.org/external/CPProfile.asp?SelectedCountry=Kaz&CCODE=KAZ&CNAME=Kazakhstan&PTYPE=CP>, retrieval date July 20, 2006.

Incoming oil wealth and economic prosperity that will stem from the use of it soon became a part of the political discourse of the Kazakh ruling elite. Kazakh leadership had no doubt or hesitation to use this overly optimistic discourse to raise popular support for its policies within the Kazakh society. It has been presented in such a way that everybody expected oil revenues to be a cure for all problems of Kazakhstan (Addresses of the President of Kazakhstan, March 2006; February 2005; March 2004; April 2003; April 2002; September 2001; October 2000; September 1999; September 1998; October 1997). When one looks at national indicators of Gross National Income (GNI) per capita one can observe an increasing trend by looking especially in the post 2000 era. However, although a relatively good level of GNI per capita above a thousand dollars might be seen from those indicators where some how can only be an indication of increasing levels of incoming money but not a good indicator of the fairness level of income distribution within the country. In 2005, monthly salary for an associate professor was approximately 150 US dollars (Personal interview with a Kazakh origin Ph.D. living in Almaty, June 2005). This is eleven times less than the GNI per capita level of the year 2003. This gap can be accepted as an indicator of the fact that although especially 2000 the oil-driven economy of Kazakhstan is going through a booming era with

approximately 10 per cent annual increase this has not been much reflected in to the income levels of the individual Kazakhstanis.

Table 13. Gross National Income per capita in Kazakhstan

Year		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
GNI per capita	Tenge	26,09	63,54	90,09	107,521	113,444	130,87	163,776	207,522	243,499	280,915
	USD	-	-	-	1,380	1,350	1,290	1,270	1,350	1,520	1,780

Source: <http://www.undp.kz/infobase/tables.html?id=7>, July 20, 2006

Under normal conditions, one would expect that this will create a discontent of the masses against the ruling elite. Especially bearing in mind the revolutionary winds that is going around the neighboring countries one would expect rising levels of popular expectations which remains most of the time unsatisfied leading to widespread demonstrations. However this is not the case in Kazakhstan. Interviews with people living in Almaty from various sectors of society leads us to main reasons lying behind this fact. The first one is the very fact of coming from a Soviet background who has left behind a society that has almost no opposition culture. One needs to argue that this legacy has not been that apparent in other parts of the Soviet Union such as Ukraine and Kyrgyzstan. So can this be an outcome of the nature that has been created in other oil producing economies as well? This questions brings us to the second argument raised throughout the interviews: that is the very fact that when compared to the Soviet era, people have more chance to run after their dreams to be rich today. This dream of becoming rich has various levels of course. And most of the time the levels are specified by the degree of proximity that an individual has vis a vis to the ruling family (Personal Communication with different people living in Almaty, December 2003, December 2004, June 2005).

Some argue that traditional hordes of Kazakhstan are reviving in the post-Soviet environment and this network of income distribution is an important push factor in that sense which is further coupled with the distribution of power as well.

During the Soviet era policies of the central government were shared in a way to push harmonization among different groups within the Soviet society as a whole. But before Soviet rule Kazakhstan was divided in three main hordes where the Great Horde was living at the east of the Kazakhstan where today's Almaty is located as well. The Middle Horde was living in the center and northern parts of the country. Finally the little Horde was living at the west of the country where most of the hydrocarbon resources are located near the Caspian Sea. It is argued that historically the rulers of the country was coming from the Great Horde as it is in the case of president Nazarbayev as well (Schats, 2004).

Especially non-Kazakhstani interviewees talk more freely about how the income is distributed among the society. The ones who have closer relationship with the leadership gets more the ones far away gets the least. One of the interviewees used the following metaphor to describe the network of income distribution: "Incoming revenues makes the effect of a stone thrown into a lake. The circles created on the water by the effect of the stone is more dense this represents the elite close to leadership. The denseness of the circles disappears when one looks away from the center. This represents the ones who have the least connection to the leadership" (Personal interview with a non-Kazakhstani lawyer, June 2005).

What this leads us is the fact that this unique network of income distribution ties people to one and other, and especially to the ruling family that any challenge to the leadership might mean destruction of the network of income they receive. Most of the time foreign observers explain this situation by the apathy argument. They argue that people of Kazakhstan has developed an apathy towards the political developments in the country where the majority of the members of parliament are composed of pro-presidential people elected through non-free and non-fair election processes. They argue that even in such an indifferent society the leadership is very much careful to shut down any opposing voice although they are not strong enough to be a threat to their power. (The Economist, 2001, ¶. 1-4).

5.3.3 The Gap between the Leadership and the Society

Literature suggests that most of the time the rate of distribution within the society is very much tied to the ruling elite where results in creation of income gap within the society. The difference in the amount of share that people will receive from incoming revenues is very much tied to the web of special social and economic interests. Consideration of this web by the leadership results in the creation of new and various layers of beneficiaries within the society. In many cases where tribal and kinship relations are present this web of beneficiaries becomes very much tied to those relations as well. In the end “the whole economy is arranged as a hierarchy of layers of rentiers with the state or the government at the top of the pyramid, acting as the ultimate support of all other rentiers in the economy” (Beblawi, 1987, p. 53). In most cases the government expenditures through giant public projects concentrates on few cities where results in creation of regional inequalities and wide gaps among different sections of the population (Mahdavy, 1970, p. 437).

Most of the people interviewed in Kazakhstan during June 2005 have stressed their observation with regard to the rising gap between the ruling elite and the rest of the society. The ones who are at top or close to the top are the ones who benefit from the riches of the state. Even for an average job people need to get in touch with someone who is on top in order to get the job. Furthermore, this gap can be seen from a short trip around the city of Almaty. Where majority of the people are living under poor conditions except the central places of the city populated by the rich elite and foreign people.

5.3.4 Patriarchal Leadership: Nazarbayev’s Role in Political History of Kazakhstan

Literature suggests that contrary to the usual practice of state formation in newly independent states leaderships in oil producing states tend to ignore the use of national myths. This could also be perceived as a deliberately avoided policy

because a national myth might be perceived as a basis for raising claims by all groups within the boundaries of the state in order to take their parts in distribution of revenues. Instead leaderships prefer to preserve “patrimonial non-national” states which allows only few to have a say, where any opposition can be blocked and kinship networks can be used as the means of distribution (Luciani, 1987, p. 75).

Some people argue that strong personality and charisma of the Kazakh president Nursultan Nazarbayev was one of the main reasons for not emergence of major interethnic divisions within Kazakhstan. Nazarbayev became the secretary of the Kazakhstan communist party in 1989 by replacing Gennadi Kolbin. Even before the declaration of independence of Kazakhstan Nazarbayev was trying to re-organize regional states into collective behavior because he was aware of the fact that the republics were dependent on each other. In order to fill the vacuum that was created by the collapse of the Union he took lead in organization of regional meetings and signing of agreements. On June 23, 1990 he invited the leaders of Central Asian republics into Kazakhstan where ended with the conclusion of five year agreements on cooperation on the issues of “...the economy, the environment and scientific development” (Olcott, 1994, p. 127). The meeting of June 1990 was also ended with the organization of Central Asia Coordinating Council which mainly remained as an entity on paper where later on its members expressed their willingness to join CIS (Olcott, 1994, p. 127).

It is possible to argue that in Kazakhstan strong and charismatic leadership of the President Nazarbayev resulted in the creation of a patrimonial leadership. An academic from a popular university in Almaty argues that “talking about state building and regime in Kazakhstan is talking about the strong president. Presidential republic could never be institutionalized if President Nazarbayev was not there. This is a matter of strong personal character.” She adds “people trust Nazarbayev, they trust to his capabilities not personality” (Personal Communication, December 2004).

Nevertheless it is not possible to argue that lack of use of national myths is because of his fear of competition from other groups who share common feelings towards those myths. Lack of use of mythological unifying discourses is primarily because of the multiethnic demographic structure. President Nazarbayev have been very carefully implementing a togetherness policy in Kazakhstan in order to not to alienate a huge percentage of non-Kazakh ethnic groups mainly Russians (Cummings, 2003a, p. 144)

5.3.5 Institutional Set Up: State and Institution Building in the Post Soviet Kazakhstan

Although the ethnic composition of the state is prone to conflict when compared to other regional states Kazakhstan was one of the most stable post-Soviet states. Outbreak of big ethnic conflicts within the state was prevented by provision of safeguards in the constitution which came into force in January 28, 1993. With the 1993 constitution Kazakh became the official language of the republic where Russian was given the position of lingua franca (language of interethnic communication) (EIU, Country Profile 1994-1995, p. 67).

Olcott (1995) argues that state building process in Kazakhstan is very much associated with the strong personality of its president Nursultan Nazarbayev, who has been an active political figure of Kazakhstan's political life since 1977 when he first became the secretary of the central committee of the Communist party of Kazakhstan. He became the interim president of the republic in April 1990 and continued this position until the first elections of the republic (EIA, 2005, ¶ 4). A regime has been created since independence where "Nazarbayev's will has just about always been translated into state policy, initially because he had created the institutions necessary to buffer him from popular criticism" (Olcott, 2002, p. 26).

First year of independence, 1992, was full of discussions with regard to the shape of post-Soviet constitution of Kazakhstan. The first constitution of the republic of Kazakhstan was signed in January 28, 1993. Nazarbayev was successful in developing the constitution towards the establishment of a “strong presidential republic” (Olcott, 1995, p. 179).

Although the constitution creates a national parliament and a system of lower-level bodies, the president is accorded the right to make virtually all appointments in the republic, from the chief executives responsible for implementation of policy down to the lowest level of government; this power effectively makes the entire government of the republic an extension of the president (Olcott, 1995, p. 179).

Contrary to experience of other Central Asian presidential leaderships, rather than developing a personality cult like in Turkmenistan, in the 1993 constitution it was clearly stated that it was forbidden for a president to serve more than two terms, although couple of years later this proved to be not applicable in the case of Kazakhstan as well (Olcott, 1995, p. 179). As a legacy of the Soviet system the newly independent Kazakhstan’s constitution also inherited a similar function for the governing. In the new constitution as well the government is seen as “ a system for delivering to the greatest possible number of citizens the widest possible array of social benefits” (Olcott, 1995, p. 179).

Such a perception of state and government inevitably provides leadership with managerial role which requires a concentration of power as well. The financial obligations bound by the constitution made Nazarbayev to put political development aside and give priority to economic development (Olcott, 1995, p. 180).

During the first Presidential election of the Republic of Kazakhstan Nursultan Nazarbayev won the elections with 98 percent of the vote. After 1991 elections the next election was scheduled for 1996. But in April 1995 with a referendum his leadership was extended till December 2000 (Olcott, 2002, p. 26).

Nazarbayev's policy was primarily shaped by preservation of territorial integrity of the newly independent Kazakhstan. He was very well aware of the fact that emphasis on a Kazakh-dominated country would mean antagonizing Russian population of Kazakhstan which would eventually end up in emergence of secessionist tendencies as well as animosity between Russia and Kazakhstan (Olcott, 2002, p. 25). Putting the stability at the forefront made Nazarbayev leadership to leave individual liberties, political reform or creation of a civil society as the secondary concerns of the newly independent Kazakhstan. The reluctant independence of Kazakhstan and initial traumatic years of the independence had its reflections as less political transformation of the country towards a democracy. The emergence of a strong presidential leadership which is the bond of almost everything in Kazakhstan is an outcome of this trend.

The political problems in the country started as early as 1993 when president Nazarbayev dissolved the 1990 parliament which was elected according to the Soviet-era constitution. Olcott (1995) argues that;

The act of dissolution itself was of unclear legality, but Nazarbayev went ahead with it out of a perceived need to secure more manageable political backing. Elections to the 177 seats of the new Majlis were held in March 1994 under conditions that made it very difficult for nationalist candidates of any stripe to get on the ballot. Voting districts were also drawn in such a way as to create Kazakh pluralities wherever possible. Voting was conducted in such a way that observers from the CSCE were initially reluctant to certify that the process had been free and fair (p. 186).

The election results were a disappointment not only on behalf of the international observers but also on behalf of the Russian population as well who has only received 49 of the 177 seats while ethnic Kazakhs received 105. The life of the first post-independence parliament of Kazakhstan did not last long. Due to discontents and especially a Constitutional Court case against the government which was opened by a member of the parliament (Russian Tatyana Kvyatkovskaya) "who argued that the parliament was illegal because both the drawing of voting districts and the method of voting itself has been unconstitutional", the court declared the elections of 1994 illegal (Olcott, 1995,.

P186). This meant the dissolution of the Majlis which resulted in re-instating of plenipotentiary powers of President Nazarbayev till the next elections to be held in December 1995. In the referendum of April 1995 Nazarbayev received full support which extended his presidential rule till 200 and gave him the power to push the new constitution in August 1995 (Cummings, 2002, p. 64).

The dissolution of parliament can be accepted as a turning point in the political history of independent Kazakhstan which took a more authoritarian way after this event. Nazarbayev was aware of the weaknesses of its state and the hardships in front of him to keep country together. Prohibition of emergence of any nationalist voices during the elections of March 1994 was a reflection of this fear which also led to the crisis in the first parliament as well. The idea of Euro-Asian Union that was proposed by him during 1994 was also a reflection of his realization of the need to keep Russia's approval over the unitary nature of the Kazakh state.

Although Nazarbayev gave importance to the establishment of political institutions necessary for democratic transformation. Those institutions most of the time remained vulnerable to his manipulation for the sake of consolidation of his power. The case of dissolving the 1994 parliament is only one example of this and this practice would be repeated in the years to come. What time showed is that Nazarbayev consolidated his power through becoming more authoritarian.

While progressing poorly on political domain he was always arguing that the time is not ripe for political reforms because what Kazakhstan is needed is economic development. His major emphasis as a state building initiative was to concentrate on economy and development of necessary institutions. He was in favor of bringing in technocrats to manage the Kazakhstan's economy. According to his argument stability and integrity of Kazakhstan was passing through a strong economy. In order to consolidate his power " ...he opted for a managerial version of society; his "State of the nation" address, *Kazakhstan 2030*, embodies this technocratic style. By concentrating on economy,

Nazarbayev is gambling to buy off the opposition by improving living standards” (Cummings, 2002, p. 63).

While it would not be wrong to argue that manipulation of primitive institutions has been an important dimension of Nazarbayev’s consolidation of power one needs also to stress the informal mechanisms that have been influential tools for him as well. Those informal mechanisms demonstrated themselves the patronage relationships of the country. Cummings (2002) argues that in this regard there are two main patronage networks that can be distinguished in Kazakhstan during the post-independence environment. Those can be listed as “creating patron/client bonds through personnel policy, and drawing on pre-existing bonds” (p. 66).

Personnel policy of Nazarbayev can be seen from the recruitment patters in the post-independence cadres of the Republic of Kazakhstan. A very sensitive game has been played in order to balance the different clan interests, while he pushed through his insistence on using technocrats to rule economy and at the same time making appointments in the form of gifts to relatives or in order to satisfy friends (Cummings, 2002, p. 66). One also needs to stress that ethnic concentration of cadres are becoming more and more Kazakh specially in higher ranks of government.

5.3.6 Stress on Security

It is suggested by the literature on oil producing states that incoming oil revenues makes leaderships to spend more on preservation of security. Most of the time the security spending of oil producers are being made having two considerations in mind: external and internal security challenges. Literature suggests that there is a tendency of rising domestic security challenges to the leaderships especially regarding their distribution preferences especially in states who have low levels of oil revenues when compared to states like Saudi Arabia and Kuwait (Ross, 2001). Furthermore, preservation of natural resources

becomes a national security priority of leadership as well because this would mean the preservation of the sustainability of their state and power.

In the post Soviet environment like many other state policy Kazakhstan did not had a security policy as well. Under the Soviet administration like every other state function that was being conducted by a state, security policies were as well a concern of the Moscow. Together with the independence leadership of Kazakhstan was faced with the challenge of developing a security policy that would preserve the integrity of the newly independent state in a turbulent environment. Since at the time of independence there was not a direct threat of military attack to Kazakhstan, complex demographic structure, as well as challenges of the state building the leadership could not come up with a straightforward security policy based on the preservation of national interests of the republic of Kazakhstan. Kassenova (2005) argues that in an environment of uncertainty Kazakhstan's laws on security develop on rather a broad basis than on clearly defined national interests as it did in other states, that is why in the laws the definition of national security policy of Kazakhstan appears as "...economic, societal, military, environmental, information, external, and that of state institutions" (p. 154). In an environment where there was no direct threat of military attack on its land rather than developing a through national security policy with its identified threats the leadership of the Republic of Kazakhstan was very much occupied with the policies of attracting foreign investors and economic development.

Basic necessary institutions that was established in the post-Soviet environment based on the law of the republic were composed of "... armed forces, national and internal security organs, intelligence, military and tax police, Guards Service of President, tax and customs services and emergency situation services" (Kassenova, 2005, pp. 159-160). President is the power on top of all of this institutions who established a National Security Council in 1993 as a consultative body for the President on matters of security (Kassenova, 2005, p. 161).

More than a decade of independence showed that unlike other oil producing states who is having skyrocketing security spending Kazakhstan had a relatively constant increase. The only big increase is coincides to the years of 2000 and 2001 where oil prices were booming in the international market. However contrary to the practices of other oil producers the following years did not have high rise in the percentage of spending on security.

Table 14. Security Spending in the Republic of Kazakhstan

Sector	Units of measure	In brackets (%)	1995	1996	1997	1998	1999	2000	2001	2002
			Security	bln. tenge	%	17.5	30.7	28.2	31.1	32.5

Source: UNDP Kazakhstan, <http://www.undp.kz>, retrieved at 21/12/2006.

Underdevelopment of a clearly defined security policy for the republic of Kazakhstan is primarily because of the confusion that is being experienced in the post-Soviet environment. While on the one hand due to Soviet legacy protection of state interests as the main security concern has been voiced in the speeches of the president Nazarbayev (Kazakhstan 2030), on the other hand it is being attracted by western model of nation state security policies as well as Asian model of development oriented state and a broad thinking of security (Kassenova, 2005, p. 163)

5.4. Foreign Policy Making, Geopolitics and Kazakhstan's Integration to Global Political Economy

Understanding political economy of oil in Kazakhstan is not possible only by looking at the internal dynamics active within the country. One needs to look at regional geopolitical dynamics of the Caspian region as a whole as well as the role of hydrocarbon resources in country's integration in to global political economy. It is possible to argue that in the post-Soviet environment there is a fruitful era regarding the scholarly and political discussions on the geopolitics of the Caspian Region and its integration in to the global political economy.

However it would not be correct to assume the issue of Caspian Geopolitics as a post-Soviet phenomenon. The early 19th century discovery of oil in Caspian city of Baku in Azerbaijan made the region one of the important geo-strategic locations of the world. Since then Baku has always been of interest to the powers who desire to have access to such riches. Of course since the early 19th century the place of the Caspian region had its ups and downs in the global agenda of policy making and scholarship. During the first world war the region experienced its first peak in geopolitical scene in terms of strategic importance. But in addition to its role in determining geopolitical value of the Caspian region what First World War also did was geo-politization of the oil as a strategic asset to state power. This importance continued during the following decades as well and especially during the years of Second World War (O'Hara, 2005, pp.138-144). Till the beginning of the twentieth century the main controversy over the region has been characterized by a struggle of which state will have a control over the region. With the demise of the Soviet Union the struggle became multifaceted where not only states are the active participants but many other actors are active in the region as well.

Geo-politicization of natural resources and especially oil is not a case specific to the Caspian region. Throughout the world there have been various occasions of conflict between the stakeholders emerging as a result of the demand to establish control over a particular source of resource. The 1990s witnessed most bloody examples of such controversy in Iraq and Kuwait over the issue of oil. The politicization of geography and resources became an important of western political thinking with the "Heartland" theory of Halford Mackinder (Le Billon, 2005, p.3). Some scholars argue that the concept of heartland and ideas surrounding it still has a dominant influence on the shaping of the US foreign policy especially in the post-Cold War era (O'Hara, 2005, pp. 144-153).

There have been discussions in the post-Soviet environment that the Great Game of the nineteenth century has been revived mainly over the hydrocarbon reserves of the Caspian region (Aydın, 2001, p.44). Mandelbaum (2000) argues that the Great Game of the nineteenth century was much of a "romantic act" that was

conducted by the world wide famous brave, eccentric adventurers. The players of the New Great game is different from the old one. During the old great game of the 19th century there were more or less two equal contestants both of whom were physically “present in full force in the stretch of Asia for which they were battling”. However “a hundred years later, the exploitation of the Caspian Region is preeminently, quintessentially, the work of powerful machines and vast organizations” where the new actors of the game “are teams of executives, geologists, engineers, and bankers” rather than heroes (p. 23). Today states in question is not just only two great states competing over establishing control over the region but many sovereign states with private interests over the extraction of the resources of the region (Mandelbaum, 2000, p. 24).

The purpose of this section is to provide an understanding of the process of Kazakhstan’s integration in to the global political economy through an analysis of the foreign policy challenges of Kazakh leadership. While doing so a special emphasis will be made on the question of ; what kind of role does oil play in the process of integration of the republic of Kazakhstan into the Global System?. The purpose of this section is twofold. On the one hand the aim is to provide an assessment of the integration of Kazakhstan into global political economy by concentrating on “rentier state literature”’s assumption. On the other hand it aims to extent the analysis given by “rentier state” literature by inclusion of the impact of global dynamics with a wider perspective. To this end while looking at the relationship of Kazakhstan with other states the emphasis will also be on non-state actors such as international organizations and multinational corporations.

5.4.1 Kazakhstan and Outside Dynamics: Rentier State Theory Assumption

The perception of the existing literature on oil producing states perceives external relations of states in a dependent relationship to outside dynamics. The first assumption of the “rentier state model” vis a vis the oil producing states’

relations with the outside world is determined by its assumption that dependence on resources from a single commodity creates vulnerability to outside dynamics that oil producing state has no control over. It is suggested in previous studies that, the very fact that the sources of income creates dependence on external sources for the provision of revenues as the support base of their authority and the state. This has two consequences. Firstly, the leadership is cut off from the need to generate income domestically as discussed in the previous section and an analysis of this outcome on internal political and economic dynamics. Secondly it is suggested that the power base of the state becomes vulnerable to the outside dynamics where in many cases it has no control over it (Abdel Fadil, 1987, p. 83). It is this second outcome that this section dwells upon. The purpose here is to provide an analysis of dependence of Kazakhstan to outside dynamics in a historical perspective and looking at what kind of role oil played in this process.

There is no doubt that the particular nature of the development of oil sector brings with it case specific problems especially during the state formation process of a newly independent Kazakhstan. The nature of state's external political and economic relations is no exception to that especially with regard to the impact of oil prices in the global market. However, historically speaking due to the fact that it was first a part of the Russian Empire and then the Soviet Union, Kazakhstan has always been dependent on forces external to its boundary. So any argument with regard to the dependence of Kazakhstan on outside world would require one to consider country's historical experience. Any analysis of the dynamics of Kazakhstan's oil reserves and their impact on country's integration to global market which will be based solely on the assumptions of rentier state model would be incomplete.

Since independence the basis of the foreign relations of Kazakhstan has carefully been built on good neighborly relations rather than being conflict driven. Instead of perceiving the attitudes of the neighboring non-oil producing nations Kazakh leadership preferred to use their natural resources as a source of cooperation with other states. As early as the dissolution of the Soviet Union

Kazakh leadership took active role in establishment of regional alliances and preservation of economic ties that has been established under the Soviet rule. His belief and active participation in the establishment of organizations like Common Wealth of Independent States (CIS), Eurasian Economic Community (EEC) is indicative of Nazarbayev's approach to regional cooperation.

Looking at the external relations of Kazakhstan only as a relationship of dependence leads us to a problematic analysis. There is a need to look at the country's relations with the outside world through the window of cooperation and interdependence. The analysis of rentier state literature tends to look at individual states in vacuum isolated from the international context that they coexist within. A better analysis of the political economy of oil in Kazakhstan requires to look at regional as well as global dynamics that the country is intermingling with. To fill in this gap, with its plurality assumption, critical geopolitics literature provides us with the tool to understand regional and global dynamics while studying the political economy of oil and how the Republic of Kazakhstan is being influenced by it.

5.4.2 Understanding Foreign Policy of Kazakhstan: Critical Geopolitics and Plurality Assumption

The first component of the critical geopolitics plurality assumption is the practical geopolitics of the state leaders and the foreign policy bureaucracy. To this end this section aims to provide an understanding of the dynamics leading the formation of the foreign policy choices of the Kazakh leadership.

Under the central administrative system of the Soviet Union like other constituent republics Kazakhstan was also an isolated part of the Union from the rest of the world. The newly independent Republic and its leadership had no previous experience of any international diplomatic relations. That is why the initial years of the independence was marked by the lack of necessary cadres to

fill the foreign services. It is commonly mentioned that even after the independence for a period of time foreign contacts of the newly independent states was conducted through the existing former Soviet missions (Cummings, 2005, p. 139).

In his address to people on September 3, 2001 President Nazarbayev was defining the forming principles of Kazakhstan's foreign policy as the need: to ensure further integration of Kazakhstan into international system through increasing its role in the world; to become active in formation of an efficient system for regional defense; to work for the establishment of regional markets, first of all, Eurasian and Central Asian Economic Communities; to enlarge cooperation within the Shanghai Organization for Cooperation; to activate diplomatic efforts in order to solve the problems of the Caspian region through peaceful means (Nazarbayev, 2001).

At the time of the independence there were several dynamics influencing the choices of Kazakh leadership in foreign policy making. Firstly it is possible to mention the impact of relations with Russia. Despite the existing links stemming from the Soviet background in terms of economic and political life the presence of a crucial amount of Russians living in Kazakhstan was an important determinant of the countries relations with Russia. The fear of emergence of secessionist tendencies within the Russian community pushed the Kazakh leadership to always play the safe card vis a vis the Russia. Emergence of the idea of Eurasian Union is an attempt to comfort the Russian community living in Kazakhstan (Cummings, 2005, p. 153)

Secondly, the every geographical location of the country and the fact of it being land locked presented another major challenge in front of the foreign policy making of the Kazakh leadership. The presence of unstable borders of the Republic was one of the main immediate challenges to the state formation and establishment of an effective foreign policy. The territory that was forming the Republic of Kazakhstan meant a geography that is constituted of vast length of borders. (a 4,350 miles of border with Russia, 1,050 miles with China, 1,240

miles with Uzbekistan, 745 miles with Kyrgyzstan and 280 miles with Turkmenistan.). In addition to their huge size, during the initial years of the independence those were not internationally recognized borders . The legalization of its borders was lying as one of the top priorities for the republic of Kazakhstan. The legalization of the borders process was not only important for the delimiting the territorial boundaries of the state but also because of the need to preserve security and integrity of the country. Lack of internationally recognized borders was making country vulnerable to the interethnic tensions and secessionist threats if one especially bears in mind the huge Russian population within the republic.

Thirdly, dissolution of the USSR meant the destruction of previously existing economic networks. Eradication of the formerly existing system which cut of the economies of the former Soviet republics from each other led to a period of contraction of the economy of the newly independent republics. In the republic of Kazakhstan this decline in economy continued till the end of 90s and even worsened with the Russian economic crisis of 1998. In line with the increasing oil prices of the year 2000 Kazakhstan enjoyed its initial economic growth during the years of 2000 an 2002 (CIA World Fact Book: Kazakhstan, 2005). This increasing trend of economic growth continued with the following years as well.

Vulnerability of the country to the dynamics within the region and to the international oil market made Kazakh leadership to understand that economic and political prosperity and development of the country is very much tied to the regional stability in political and economic terms. So it would not be wrong to argue that Kazakhstan foreign policy is very much motivated by economic concerns and based on the development of regional and international economic cooperation. Good and cooperative neighborly relations are vital for the access of Kazakhstan's products to the international markets on top of that access of Kazakh hydrocarbon resources to the international markets.

The creation of a secure system of system of pipelines for oil and gas exporting were among the primary issues to be dealt with by the Kazakh leadership. Because dependence on only one neighbor for the export of such a vital source of the country would threaten the sovereignty of the country. In his message to the people on October 24, 2000 President Nazarbayev said that "Only a large quantity of sovereign export routes can prevent our dependence on a single neighbor as well as monopoly pricing dependence on a single consumer"(Message of the President of the country to the people of Kazakhstan, 2000).

This diversification could be managed through attracting interests of industrialized countries on the resources of Kazakhstan. This would bring foreign investment and development of the Kazakhstani oil sector as one of the important fuel suppliers of the world. In the light of this agenda Kazakh leadership sets its principles of foreign policy as the following: protection of national interests; provision of most favorable conditions for the economic and political development of the country; development of strategic co-operation with leading countries and regions of the world; development of comprehensive co-operation with international organizations; contribution to the strengthening of democratic principles of the new world order; contributing to global and regional security and stability and struggle against new threats (terrorism, drug trafficking, organized crime etc.); active participation in securing environment and sustainable development in the world (Nazarbayev, 2001).

Fourthly, the Kazakh leadership was aware of the fact that continuous economic growth required a secure and stable environment to this end they had to find a way to become a part of the global security system especially against the threats of global concern (Cummings, 2005, p. 141)

In a complex geography like the one that Kazakhstan is located the best possible alternative that was available for the Kazakh leadership was to have good neighborly relations with the countries that it has borders. Establishment with good relations with other countries whom Kazakhstan does not have any borders

was also important especially with regard to the US. More than a decade of independence showed that in foreign policy making the leadership of Kazakhstan is behaving pragmatic rather being based on strategic calculations of zero-sum game.

5.4.2.1 Multi-Vectoralism

Right after the declaration of independence Kazakh leadership found itself within the pressure of establishing the principles of the foreign policy of the country. The initial declaration of the president Nursultan Nazarbayev states that the main strategy of Kazakhstan's foreign policy will be creating and maintaining favorable conditions for the steady development of the country on the basis of political and economic reforms.

The multi-vector foreign policy approach of President Nursultan Nazarbayev is a pragmatic act when one considered the geopolitical tensions available over the Caspian region surrounded by both international and regional dynamics. Countries like "...Unites States, the EU countries, China, Iran and Afghanistan; the wide range of local and regional governments, agencies, and para-statal bodies; national and regional "private" companies; and multilateral agencies" all are the intermingling forces influencing the balance in the region (Riches, 2003, p. 164). Through his multi-vectoral foreign policy approach Nazarbayev aims to balance the powers of the major powers like Russia, China and US that he wants to have cooperative relations with. The purpose of Kazakh leadership with such an approach is to develop favorable external conditions for the sustainability of the country's independence and achievement of its political and economic interests.

In the immediate aftermath of the independence, Kazakh leadership made it clear that they are not going to follow aggressive policies by stating that they are going to be a non-nuclear state with the signing of the treaty on non-proliferation. In one of his addresses to the people Nazarbayev argues that

republic of Kazakhstan has managed to create a buffer of peace on all of its borders, a safety belt of friendly frontiers. As the main slogan of his multi vector diplomacy he says that "No nation on earth – not one! – is our enemy".

In the regional context Kazakhstan claimed to be a 'Snow Leopard of the Central Asia' who will serve as a model for the rest of the developing countries. Independence, intelligence and courage are the characteristics of the Kazakhstani Snow Leopard. It will never be the first to attack anyone, and will do its best to avoiding direct clashes (Kazakhstan 2030, 1997).

President Nazarbayev was declaring that as the Snow leopard of Central Asia Kazakhstan will have a very cooperative, friendly relations with its other Central Asian neighbors. By the year 2030 Kazakhstan who is at the center of Eurasia, would play the part of a connecting link between the three rapidly growing regions - China, Russia and the Moslem world (Kazakhstan 2030, 1997).

According to the Kazakh leadership any threat to the national security of Kazakhstan will not be like a military invasion, or a threat to the territorial integrity of the country from the side of Russia China, the West, or any Moslem country. It was suggested that this relatively predictable state of calm and stability must used effectively to strengthen economic potential of Kazakhstan which would serve the basis for building a reliable system of national security.

It was argued that for preserving independence and territorial integrity of the country Kazakhstan needs to establish friendly relations with its neighbors. This strategy of cooperation in international relations has several levels. Firstly, at the regional level Nazarbayev put Russia on the top of the list of neighbors arguing that it is the closest and historically "equal" neighbor. The relationship with Russia is not simply one of neighboring states. The partnership relations with Russia is crucial for maintenance of strategic security of Kazakhstan.

At the time of the independence the only exit route for the Kazakh oil was the previously constructed Russian pipeline system and railway network in the

north. This was a rather limited way of access to international markets for the Kazakhstan not only because of its transfer capacity but also because of the dependence that it creates on Russia for the newly independent republic. After more than a decade of independence several other exit routes for the Kazakh oil have been developed. Initially legal issues concerning the delimitation of the Caspian sea was considered to be an important problem for foreign investors involvement in the development of Kazakh oil reserves. Although the issue remains without theoretical solution, in practice the bilateral agreements that was signed between Azerbaijan, Russia and Kazakhstan ensured the development of oil and gas reserves of these countries that are located in the North of the Caspian Sea. In terms of access to international markets Kazakh leadership preferred to play safe and paid attention to not to leave any option out in determination of their pipeline policy.

In 2001 the Caspian Pipeline Consortium has been launched which is the first among these new routes. It is consisted of 980-mile long pipeline that connects Kazakhstan's Caspian Sea area oil deposits from Tengiz and Atyrau with Russia's Black Sea port of Novorossiysk which cost approximately \$ 2.3 billion (Roberts, 2003, p.151). Today roughly 1/3 of Kazakhstan's oil exports runs through CPC ("It is actually an extension of the existing oil transit infrastructure surrounding the Caspian Sea. Newly constructed components of the line run from the Russian town of Komsomolskaya straight westward to Novorossiysk. The opening up of CPC pipeline has been cancelled several times. There were various reasons stated for these postponements which ranged from disputes on tariffs and pricing to the problems with pumping at Atyrau. Despite the postponements and problems CPC pipeline has been opened in October 2001(Roberts, 2003, p. 152). Initial capacity of the CPC pipeline is 560,000 bbl/d, by the year 2009 the consortium aims to expand the project which will enable an increase in the capacity of pipeline possibly reaching to its peak capacity at a rate of 1.35 million bbl/d (EIA, August 2005).

A second system of access to Kazakhstan's oil to international market is through the Atyrau-Samara Pipeline. This was the mere system that was used for the

export of Kazakhstan's resources to external markets before the launching of the CPC. It is a part of the Russian distribution system. After the opening of CPC Kazakhstan continued to use this route as well where also concluded an agreement with Russia in the year 2002 for a 15 years of extension of usage rights.

The above two lines is a reflection of Kazakhstan's dependence of Russia for the export of its oil. The third system exit route for Kazakhstan oil is the Kazakhstan-China Pipeline which started to be constructed in September 2004. The preparations of the feasibility studies of a pipeline between China and Kazakhstan started in October 2000. But the initial proposal came in 1997. Such a pipeline was important for Kazakhstan not only for diversification of export routes purposes but also it is aimed that it will serve for the satisfaction of internal needs for example in Almaty and industrial centers of the eastern Kazakhstan and southern Kazakhstan which are mainly dependent on Russian imported oil due to the historically present networks (Roberts, 2003, p.157). Its length 613-miles long and starts from Atasu, in northwestern Kazakhstan, to Alashankou in China's northwestern Xinjiang region (EIA, August 2005). It became operational in December 2005 where its initial capacity is said to 10 million tons with a possibility to increase. The export of oil through this pipeline to China started in 2006 (RFE/RL, 27 February 2006).

In addition to the above mentioned pipeline systems currently Kazakhstan is exporting its oil through several other mechanisms. Swap agreements can be mentioned as the first one of such. Kazakhstan has swap agreements with Iran and the volume of exports is approximately 30, 000 bbl/d. There are several other ways that are currently being used to transport Kazakh oil. A considerable amount of exports are being done by using railcars to Russia. Both through swap agreements and rail transportation .

Furthermore there are also possible other alternative systems that can be developed for the export of the Kazakhstani oil. The first one of those is the construction of a sub-sea trans-Caspian pipeline that will connect Aktau to Baku

and will be merged to the Baku-Tibilisi-Ceyhan pipeline. Another alternative is the development of a new pipeline system, Kazakhstan-Turkmenistan –Iran (KTI). This alternative especially started to be discussed after the discovery of Kashagan oilfield in the offshore Kazakhstan. However, due to Iran's international position and due to the possibility that Kashagan might flow through BTC makes KTI a rather low possibility (Roberts, 2003, p. 154).

5.4.2.2 Eurasianism

The second aspect of the foreign policy of Kazakhstan is centered around the concept of Eurasianism. In the unstable context of the post-Soviet space Eurasianism proposes a geographical solution. In its very general definition Eurasianism means the idea of a unity of cultures born in the region between the east and the west which is called Eurasia. It is a symbiosis between Russian, Turkic, Muslim and Chinese cultures. Marlene Laurelle (2004) argues that Neo-Eurasianism which emerged in the post-Soviet space "is updating the traditional Slavophile ideology supposed to demonstrate the national specificity of Russia and the organic character of its empire: it is the expression not of an ethnic nationalism but of an imperialistic and state one" (p. 115). The neo-Eurasianism that was advocated by Alexander Dugin is in line with this thought and argues for the development of a structure that roughly corresponding to the former USSR.

However what President Nazarbayev understands from Eurasianism is establishment of an Eurasian Union in which regional countries could cooperate on the basis of respect to each other sovereignty and equality. Currently Kazakh leadership argues that there are a three major opportunities in front of Kazakhstan that was shaped by the geographical and economic position of the country and crucial for the determination of the country's foreign policy. The first opportunity that was put down by President Nazarbayev in his Kazakhstan 2030- Prosperity, Security And Ever Growing Welfare Of All The

Kazakhstanis Address to people is the geographical location of the country which is at the crossroads of the Eurasian region. This line of thought forms the basis of what Nazarbayev understands from Eurasianism. Kazakhstan can play the role of a trade channel as it did during the time of the legendary Silk Route which will serve for the restoration of cooperation within the region (Kazakhstan 2030, 1997).

It was suggested that situated on such cross-roads Kazakhstan have a marketing potential for the area surrounding its borders, which has a potential of about 2,000,000,000 people with a capacity to absorb the products produced by Kazakhstan. These neighbours, more particularly Russia, China, Central Asian states, countries of the Near and Middle East, has historical ties especially in trade relations. Establishing peace and good-neighborly relations is a prerequisite for the economic and political development of Kazakhstan (Kazakhstan 2030, 1997).

Since its independence Kazakhstan has been on the forefront in promotion of regional economic integration. Kazakh leadership have been active in supporting the cooperation among CIS members, as well as the Shanghai Cooperation Organization. In early 2005, based on his vision of Eurasianism called for the establishment of the Central Asian Union based on their existing ties stemming from their history, ethnic and cultural backgrounds, as well as economic relations in order to be able to work together against their shared challenges.

In addition to Kazakh leadership's attempts in economic cooperation there are other attempts as well in other spheres of interest to the region. Back in 1992 at the UN, President Nazarbayev has called for an initiative to establish the Conference on Interaction and Confidence building measures in Asia (CICA). Many Asian countries encouraged this initiative and a number of international organizations including the UN supported the process. The first CICA summit took place in Almaty in June 2002 adopting the "Almaty Act" which outlines

the principles of security and cooperation in Asia. With the support of partner-countries the CICA process continues to evolve.

Despite the cooperative role and image that Eurasianism gave to President Nazarbayev, the primary reason for him to come up with the Eurasian Union idea was the issue of dual citizenship for Kazakhstan's Russian population that was being discussed.

5.4.3 Kazakhstan's Relations with other States

The second component of critical geopolitics is the inclusion of the dynamic of strategic community within and outside a state in the analysis of geopolitics. Here I find it convenient to look at the role of non state actors such as international governmental and non-governmental organization as well as international companies. The purpose of this section is to look at the activities of international governmental organizations such as European Union, United Nations, World Trade Organization and Organization for Security and Cooperation in Europe and the nature of the interaction between them and the Kazakh leadership. Furthermore, it also aims to look at activities of non-governmental organizations such as Open Society Institute and their "Revenue Watch Initiative" within the context of Kazakhstan. Inclusion of impact of international governmental and non governmental organizations on the shaping of political economy of oil in Kazakhstan I believe has a complementary influence on any analysis of the post-Soviet developments within the country.

5.4.3.1 Relations with Regional Powers: Russia and China

The post independence relationship between Kazakhstan and Russia is primarily composed of two phases. The first phase begins with the dissolution of the Soviet Union and continues till the end of 1990s and the second phase composed

of the era since Vladimir Putin became the acting president of Russia in 1999. The simplest definition of Kazakh-Russian relations especially during the second phase can be made as one of pragmatism on behalf of both leaderships.

As a result of geographical considerations, because of its land locked position for Kazakhstan, Russia still is the most significant transit state while at the same time biggest competitor in the region along with the large Russian community living in Kazakhstan. Due to both Russia and Kazakhstan are oil producers and exporters it is inevitable to have competition over access to markets. Kazakhstan's dependence on Russian Transneft system makes it also dependent on the rules that is put down by the Russian state and oligarchs which are mainly shaped for their own benefit. Most of the time this demonstrates itself in the fact that "Kazakh oil shipments ... tend to be given the longest and most expensive route, through the system to market, such as via Odessa in Ukraine" (Riches, 2003, p. 164).

During the initial years of its independence Kazakhstan had problems with establishing foreign relations with Russia based on the principles of two equal states. As a part of the legacy of the Soviet past and the trauma being experienced by the two countries and especially by the leadership of a republic which were at the center of an empire like state was primarily motivated by the feelings of confusion. For a long time Russian leadership refrained from establishing state by state relationship with Kazakhstan and somehow preferred to sustain the previously existing hierarchy between the two states (Aydin, 2004a, p.138). This issue was becoming a hot one primarily with regard to the treatment of newly independent Kazakh leadership of the Russian population living in Kazakhstan (Levgvold, 2003; Allison, 2004; Cummings 2005; Bukkovll 2004).

Russian leadership could not sustain its policy of disengagement vis a vis its relations with the Central Asian states and especially with Kazakhstan. This is primarily because of the presence of international community's increasing interest over the region as well as changes in the domestic political structure of

Russia. On the one hand Russian leadership was pressured by the increasing international interest over the hydrocarbon resources of Kazakhstan which later on gained another impetus after the September 11 attacks. On the other hand the increasing influence of pragmatist ideology over the nationalist one in the Russian ruling elite and the coming of Vladimir Putin to power resulted in the change in the nature of Kazakh Russian Relations towards the end of the first decade of independence.

Since then it is possible to argue that the substance of the Kazakh –Russian relations are based on three main topics in the post Soviet environment: 1) The geographical proximity of Kazakhstan to Russia and the presence of a considerable amount of Russian minority in Kazakhstan; 2) Caspian Energy and 3) Regional Security especially after the September 11, 2001 (Legvold, 2003, p. 39; Allison, 2004, p. 277). All these three aspects of second phase of Russian-Kazakh relations are a sign of Russia's desire to become more active in the affairs of the region and especially in Kazakhstan. The Russian behavior is primarily motivated by the pragmatism of Vladimir Putin who is decided to not to lose Russian economic, political and security interests in the Central Asia. During the time of Russia's disengagement from central Asia President Nazarbayev successfully defended his idea of multi-vectoral foreign policy however it seems that this is not going to be as easy as it was before. Increasing Russian interests in the region is making it very hard for the Nazarbayev to draw a line between its domestic political stability needs and foreign relations due to presence of bi-ethnic demographic structure (Cummings, 2005, p.153).

Similar to Russia, China is another crucial regional actor that Kazakhstan has a long border with. Establishing stable relations with China and strengthening of cooperation within the framework of Shanghai Five is important for Kazakhstan. In the post-Soviet environment the relations between Kazakhstan and China has been primarily based on mutual care on each others actions and intentions mainly based on the long historical experiences that two peoples shared. It is possible to argue that the determining aspects of Kazakh –Chinese relations are twofold. Energy resources of the Kazakhstan as well as it being a market for the

Chinese products presents the economic aspect of the post-Soviet Relations with the two countries. The second dimension is consisted of the possible threat of the terrorist and especially Islamic fundamentalist activities in the region. The first component is a mutually benefiting aspect for the two countries where Kazakhstan wants to diversify its sources of exports and China is in constant need for energy imports in order to be able to sustain its economic development (Pham, 2006, pp. 55-59; Guangcheng, 2003, pp. 125-127). In terms of the economic relations between the two energy issues policy is also coupled with the trade relations between the two countries in terms of light industries. Kazakhstan is an importer of light industries where China is a producer and willing to open up to Kazakhstan and rest of the Central Asian markets. However, the incoming Chinese products with very cheap costs is perceived by Kazakh leadership as a threat to development of its non-oil sector and especially production of consumer goods. The second component of Kazakh-Chinese relations with is the regional security and fight against terrorism and Islamic fundamentalism is primarily important for the Chinese government especially bearing in mind the Uighur peoples of the Xinjiang region of China (Pham, 2006, p. 55).

China is one of the competing powers in the region who is in constant search for balancing its involvement in Central Asia with the involvement of the Russia and US in the region. It seems that despite their desire to take best possible out of the energy resources of the region all three states are cooperating with regard to the issue of preservation of security and stability in the region against the global threats of terrorism, Islamic fundamentalism and transnational crimes such as drug trafficking.

5.4.3.2 Relations with Central Asian Neighbors and the Caspian Delimitation Issues

5.4.3.2.1 Relations with Central Asian States

Kazakhstan needs to have very cooperative and friendly relations with her Central Asian neighbors mainly due to historical political, economic and cultural ties between them. Furthermore, bearing in mind the regional conflicts, as well as various aspects of transnational crime present in the geography Central Asian leaders has to cooperate in order to bring sustainable measures. In his speech of September 30 1998 President Nursultan Nazarbayev clearly states that instability in the region will be negatively influencing Kazakhstan as well. So the main long term priority for the republic of Kazakhstan is to fight against emergence of any threat to regional stability. He argues that Kazakhstan managed to remain as an island of stability (Address of the President of the Republic of Kazakhstan to the People of Kazakhstan, 1998).

In the post-Soviet environment the Kazakhstan came out as the most stable Central Asian republic in terms of its domestic politics, economic development and relations with outside world (Table 17). For the Kazakh leadership post-Soviet regional cooperation was vital due to the interdependence of regional countries on each other mainly as a legacy of the Soviet past as well as their geographical location. President Nazarbayev's idea of Eurasianism reflects the importance that Kazakh leadership gives for the improvement of relations, although some people argue that Nazarbayev's insistence on the idea of Eurasianism was to diminish Russian influence over the region (Zardykan, 2002,168).

Table 15. Annual Growth Rates in Three Central Asian Countries

	Per Capita PPP GDP (nominal US \$)			Average Annual Real GDP Growth (%)		
	1996	2001	2006	1991- 1997	1998- 2001	2002- 2006
Kazakhstan	3,705	5,380	9,367	-6,3	6,0	9,8
Turkmenistan	3,131	4,537	6,693	-8,9	15,6	9,2
Uzbekistan	632	1,013	1,673	-1,9	3,6	6,0

Source: ICG, 2007, p. 21

It can be argued that in the post Soviet environment the relations of the Republic of Kazakhstan is marked with peace rather than conflict. The only exception to this is the longstanding competition between Uzbekistan on who will be the regional leader. Despite the competition between the countries in terms of economic development there are some regional as well as historical challenges that they have been cooperating since independence. The Uzbeks and Kazakh minorities living in Kazakhstan and Uzbekistan, as well as the border problem between the two countries is an important dimension of the post-Soviet relations between the two countries. Border problem is especially important in terms of combat against the increasing regional challenges like terrorism, drug, arms and human smuggling although when compared to Uzbekistan Kazakhstan is much less influenced from the problem of terrorism especially from the threat of Islamist extremism (Zardykhan, 2002,172).

In the post-Soviet environment Kazakh leadership gave importance for establishment of regional cooperation with the former Soviet Republics. Establishment of Commonwealth of Independent States (CIS), Formation of Shanghai Cooperation Organization (SCO), The Conference on Interaction and Confidence-Building Measures in Asia (CICA), Central Asian Cooperation Organization (CACO) and the idea of establishing a Union of Central Asian States are only some of those regional efforts (Canas, 2005, p.15. However despite the emergence of several regional cooperation organizations it is not yet possible to argue that they have institutionalized in the ideal levels. Moreover, these organizations failed to attract enough support and recognition from the

Western powers whom perceive regional cooperation within the framework of wider international cooperation on matters of concern to all such as terrorism (Legvold, 2003, 83).

5.4.3.2.2 Caspian Delimitation Issues: Sea versus Lake Controversy

Right to use the riches of Caspian sea has always been a controversial issue of the region even before the dissolution of the USSR however with the break up of the Union and emergence of three independent republics having borders to Caspian Sea namely Azerbaijan, Turkmenistan and Kazakhstan, issue become a little bit more complicated than it was before (Bilgin, 2005a, p. 124).

Pre dissolution status of the Caspian Sea was very much marked with the division of it into two main spheres of influence where its roots goes back to 17th century. Those two spheres of influence belonged to Russia and Iran. For most of this period between 17th century till the dissolution of the Soviet Union, Iran has never been a naval power of the Caspian Sea where its activities on the sea was mainly limited to navigation and fishing. On the other hand Russia was the main naval power of the Caspian sea which perceived it as a major access route to Southern part of the Caspian – more precisely to the Northern territories of Iran (Granmayeh, 2004, p. 17).

After the establishment of the Bolshevik regime till the dissolution of the Soviet Union the Caspian was merely dominated by the Soviet Union. This domination was established through a series of agreements between the two states. Dissolution of the Soviet Union meant the change of existing status quo in the Caspian Sea. Instead of defining it as a Russian-Iranian sea, independence of Kazakhstan, Azerbaijan and Turkmenistan started the pressures from newly independent states to redefine the status of the Caspian with a new formulation that includes their interests as well.

It is inevitable to argue that the main reason behind this concern about the delimitation of the Caspian Sea was stemming from the prospected natural gas and oil reserves lying under the sea, although there were some other important issues affiliated with the Caspian. Despite the fact that hydrocarbon potential lead to evolution of controversy over the Caspian, issues such as transportation, environment, and fisheries (especially with regard to sturgeon and caviar production) were also on the agenda. However, neither had a conflict triggering effect when compared to hydrocarbons of the region.

As soon as they acquired their independence littoral states of the Caspian – Kazakhstan Azerbaijan, and Turkmenistan- started to voice the need to reconsider the status of the Caspian and make new arrangements that would allow them to take role in the use of the region’s hydrocarbon resources (Aydin, 2004b, p.9). All of them perceived the use of the Caspian hydrocarbon resources as a must for their state building processes. However, although there was an initial joint demand from the newly independent littoral states of the Caspian Region it is not possible to argue that there has been a jointly developed argument on how this delimitation should be made.

The main controversy between the newly independent states and Russia and Iran was stemming from the question oh how to define the status Caspian Sea according to International Law. Because it is suggested by than will be clear the rights of exploitation and use of the Caspian would be much more clear afterwards. There were two main line of arguments raised based on the international law. The first argument which is mainly supported by Azerbaijan and Kazakhstan was weather to define Caspian as an “enclosed Sea” as specified in the Law of the Sea Convention of 1982. Such a definition would allow littoral states to divide the Caspian into national sectors according to the principle of median line where each littoral state would have rights and jurisdiction over their own national sectors. The second line of argument supported bye Russia and Iran was based on defining Caspian as an “international lake” where its use rests on customary practices. Meaning the

established historical practices of the Russian Empire and later Soviet Union with Iran (Horton and Mamedov, 2000, p. 265)

During the early 1990s, faced with the demands of Kazakhstan, Azerbaijan and Turkmenistan two old littoral states of the Caspian namely Russia and Iran was unenthusiastic about the demands of the littoral states (Shoumikhin, 2001, p. 339). They were suggesting that according to the principle of succession in international law newly independent states are bound by the agreements that was signed by the Soviet Union, and as part of the Alma Ata Declaration of 1991 which also made them a part of the Commonwealth of Independent States (CIS), littoral states themselves approved the succession principle (Janusz, 2005, p.2; Lee, 2005, p. 39). Based on the succession principle Russia and Iran were defending the idea that newly independent littoral states of the Caspian Region need to follow the international agreements- the Soviet –Iranian treaties of 1921 and 1940 on the use of the Caspian Sea (Granmayeh, 2004, p. 19). Furthermore they were suggesting that the Caspian should have a “condominium use” based on the 1940 treaty signed between the Soviet Union and Iran which defined the Caspian as a Soviet and Iranian see where both exercised collective rights (Janusz, 2005, p.2).

Despite the opposition of Russia and Iran, empowered by the enthusiasm and curiosity of the Western governments and oil giants Kazakhstan and Azerbaijan started to open up tenders for their off shore oil fields. They were defending the idea of division of the Caspian into national sectors. Each one of the littoral states had their own agenda with regard to the Caspian.

Establishment of clearly defined boundaries within the Caspian sea was to be for the benefit of Azerbaijan more than anybody else. Because Azerbaijan had claims for the most controversial offshore oil fields of the Caspian region where in some areas she is challenged by the ownership claims of Turkmenistan in others by Iran. Caspian offshore resources was very crucial for the newly independent Azerbaijani economy since most of its on shore oil reserves has been depleted by the century old drilling and extraction activities.

Under the leadership of former president Saparmurat Niyazov Turkmenistan remained as the less active participant of the delimitation discussions compared to other four littoral states. Although did not join the discussion with a clear cut delimitation offer, Turkmenistan remained arguing that a new solution is needed and has to be agreed by all of the member states. The major problems with regard to the Caspian case involving Turkmenistan is the issues of Kypaz/Serdar and Azeri and Chirag oilfields in the Caspian Sea that is currently being developed by Azerbaijan.

Littoral states' demand for reconsideration of the legal status of the Caspian Sea into national sectors was not an acceptable alternative for Iran. Such a division would leave Iran with the smallest coastline on the sea with only a thirteen per cent share. This was not a satisfying percentage for Iranian who is asking for a 'condominium' use or equitable division between the all littoral states, which will provide Iran with a twenty percent share of the Caspian. The primary motivation for Iran lying behind this proposal was the country's interests to establish control over the Alov-Sharg-Araz oil fields, which is currently claimed by Azerbaijan and beings developed by the British Petroleum Company as a result of the concession rights given by the Azerbaijani government (O'Lear, 2004, p. 167). Since the very beginning, Iran remained insistent on its claims unlike Russia who has come to a realization that insistence on its initial claims would mean loosing her chances to get a share from deals that newly independent countries would sign with international giants.

Since 1995 Russian attitude towards concerns of newly independent littoral states that have changed. This was particularly an outcome of the increasing number of negotiations and agreements that were concluded between multinational oil companies and littoral states. Especially the "contract of the century" that was signed by Azerbaijan in 1994 was a push factor. Russia feared of being left out from deals that littoral states will be concluding with the Western companies. She also wanted the Russian pipeline system to be used for the transportation of the Caspian resources, which will also mean further income to Russia because of the transit fees. In 1995, Russian Ambassador to Turkey

Vadim Kuznetsev "...stated that Russia was ready to modify its position on the legal status of the Caspian sea, if Azerbaijan agreed to export its oil through the Russian pipeline" (Granmayeh, 2004, p. 21). The shift in Russian policy left Iran alone in its insistence on continuation of the 1940 Iran Soviet agreement.

Russian policy change was also a mere reflection of the division of policy lines of the Russian internal political dynamics. Russian traditionalists who were moving with imperial motives were the primary actors who shaped the initial Russian stance towards the claims of newly independent littoral states as well as cooperative relations with Iran. The shift in attitude towards the Caspian is indicative of the rising influence of the group who are in favor of development of more pragmatic policies towards the region (Shoumkhin, 2001, pp.342-5).

Especially in the second half of the 1990s rather than emergence of major conflicts based on the delimitation of Caspian, an era of cooling down has been experienced mainly because of the several attempts by the leaderships of the littoral states to solve the issue. Only exception to this is the tension that has emerged between Azerbaijan, Turkmenistan and Iran in 2001. The initial problem started in June 2001 when Turkmenistan demanded a moratorium with regard to the Azeri and Chirag oilfields, which were being developed by Azerbaijan. Azerbaijan's tendency to ignore this demand resulted in the closure of the Turkmenistan Embassy in Azerbaijan. The second event erupted between Azerbaijan and Iran due to an already existing stalemate between the two countries on the issue of Araz-Alov-Sharg oilfields. In July 2001 the issue rose to the point of making use of military means when Iran used its naval forces in the Caspian Sea in order to push two oil ships operated by BP-Amoco as a result of their deal with the Azerbaijani government. This was not the only military means employed by Iran where later on send air forces to fly over the disputed oil fields which were under the airspace claimed by Azerbaijan. Baku's response to this was shaped by demanding negotiations between the two countries in order to end the tension, however this proposal was rejected by Iran and followed by transferring Iranian troops at the Azerbaijan border. However this behavior of Iranian leadership was not accepted by the West, especially US

who does not carry friendly feelings to the country. The tensions ended with the support declaration of US on behalf of Azerbaijan as well as with the initiatives of the Turkish leadership (Lee, 2005, p. 43).

For Kazakhstan delimitation of the Caspian region is too important however less conflict prone compared to the Azerbaijani Case. Kazakhstan has its own rich on shore oil fields such as Tengiz that can be developed no matter the situation of the legal status of the Caspian Sea is. That is why the predominant cooperative nature of the Kazakhstani foreign policy has its implications on the country's approach towards the Caspian Sea issue as well.

It would not be wrong to argue that in the post-Soviet environment Kazakh leadership's careful implementation of 'avoid conflict strategy' in its foreign policy is shaping their decision over the delimitation of the Caspian issue as well. There are three primary concerns of the official stand of the Kazakh leadership with regard to the Caspian delimitation. Those are the first the need to consider major discovered oil fields that littoral states claim as part of the possible national zones; second, the need to not to disregard already existing agreements of the littoral states with international oil companies and third, the need to find peaceful solutions that will not interrupt the flow of international capital into the development of the resources of the region (Shoumkhin, 2001, p. 346).

As early as 1994, Kazakh leadership had a clear plan of what is their policy with regard to the Caspian. That plan was composed of four main components where quite different from that of Russia and Iran. The plan was suggesting the following, firstly "the Caspian is a Sea and thus falls under the UN convention of the Law of the Sea of 1982"; secondly it was argued that , "state borders should include territorial waters extending twelve miles off shore"; thirdly "the rest of the sea has to be divided into sectors each coastal state" and finally "each coastal state has to have the right to decide independently on topics that are connected with the development of natural resources situated in coastal zones" (Babak, 1999, p. 183). In 1997 Kazakhstan and Azerbaijani to a very important

step in establishing the current practice over the use of the Caspian. The two countries signed an agreement on the mutual adherence to their national sectors according to median line division. A similar agreement has been signed between Kazakhstan and Turkmenistan during the same year stating that the two countries agreed to divide the Caspian according to median line with respect to their sections specified during the Soviet era as well. A similar agreement between Kazakhstan and Russia came a year later in 1998. According to Kazakh- Russian agreement two countries agreed to divide the Caspian seabed only according to the median line. However the use of sea waters for activities like shipping and fishing were going to be conducted under the principle of joint use and ownership (Jafar, 2004, p. 205). This is a very important step in terms of the future of the Caspian where Iran left alone in her lake claim.

Despite the tensions of 2001 between Azerbaijan, Turkmenistan and Iran currently it is possible to talk about the presence of a tacit acceptance of the existing status of the Caspian among the littoral states. Russia's explorations at Caspian close to the Kazakh claimed zone resulted in emergence of a disagreement between the two countries where did not turn out be a major conflict. Two countries held negotiations and reach to an agreement of joint exploitation of disputed oilfields as well as delimitation of the seabed in 1998 which was the first international agreement signed between the two littoral states after the dissolution of the Soviet Union. (O'Lear, 2004, p. 174).

Currently it seems that there is a semi agreed delimitation of the Caspian Sea between the three littoral states Russia , Kazakhstan and Azerbaijan. Since the dissolution of the Soviet Union Turkmen leadership played a low profile partner of the sea however with the death of President Saparmurat Niyazov in late December 2006, the new President of Turkmenistan Kurbanguly Berdymukhamedov might bring a change. International media already started to talk about the hints of change that Mr. Berdymukhamedov might bring into Turkmenistan especially in terms of the future energy policies (BBC, 2007; RFE/RL, 11 May 2007). If change of leadership means change of attitude towards the Caspian and considers signing of bilateral agreements similar to

ones signed between Russia-Kazakhstan and Azerbaijan, this might mean a change in the evolved 3-2 (Russia-Kazakhstan-Azerbaijan vs. Turkmenistan-Iran) balance in the region.

5.4.3.4 Relations with the United States and the European Union

The Kazakh-US relations in the post Soviet environment needs to be considered in the light of wider relations of Central Asian region as a whole with the United States. This requires one to divide the relations between United States and Kazakhstan into two main period where the first part was constricted of two phases. The demarcation line between the two main period of US-Kazakh relations is the events of September 11 , 2001.

Immediately after the independence US recognized the independence of Kazakhstan like all former Soviet Republics and established the diplomatic relations. During those initial years the extent of US relations with Kazakhstan was primarily dependent on its cooperation relations with Moscow and its foreseen activities did not planned to go further than promotion of democratic values, human rights and transition to market economy (MacFarlane,2004, p. 450). Similarly Kazakh leadership was also in favor of a rather limited relations with the US fearing that this might antagonize Russia. However as previously mentioned Russia's reluctance to engage in diplomatic relations with Kazakhstan was providing the venue for Kazakh leadership to implement its policy of multi-vectoralism and establish better relations with US. Initial cooperative relations between US and Kazakhstan emerged due to the presence of the nuclear weapons in Kazakhstan inherited from the Soviet past. Kazakh leadership's positive attitude in getting rid of nuclear weapons and supporting counter proliferation efforts increased the positive environment between the two countries (Legvold, 2003, p. 85).

The second phase of US-Kazakh relations developed based on the positive cooperative atmosphere that has been evolving between the two countries

although Kazakh leadership have been criticized by the US with regard to ill progress of the democratization process. The concern of the second phase was based on the mutual interests of the two sides. On the one hand Kazakh leadership was willing to diversify its dependence on Russia for the export of its oil on the other hand US was very much interested on decreasing Russia's influence on the energy policies of the region due to deteriorating relations between US and Russia (Legvold, 2003, p. 85).

September 11 is a turning point in the US policy towards Central Asia where its relations with Kazakhstan got into a new period. The US was on terrorism resulted on behalf of US to find new allies in Central Asia that is more crucial for its was against terrorism. This resulted in rising of Uzbekistan as a primary ally of US in the post-September 11 environment. This of course did not totally eliminated the relations between Kazakhstan and US but dropped Kazakhstan from the position of being most favored Central Asian state for US in the region. This is very much associated with the shift in US foreign policy priorities in region from energy to security (Macfarlane, 2004, pp. 454-457; Legvold, 2003, pp. 88-90). As a result of loosing its popularity in the eyes of US in the post-September 11 environment Kazakh leadership is following a more close approach towards Russia.

Talking about the relations between the Kazakhstan and European Union in terms of foreign policy is a complex task mainly because of the lack of an institutionalized Common Foreign and Security Policy on behalf of the EU. After the dissolution of the Soviet Union European Union as an institution and its constituent members states remained disengaged with the developments in Central Asia. It is hardly possible to talk about the presence of a EU strategy on the Central Asia in general let alone Kazakhstan during more than a decade after these countries acquired their independence. As the substance of EU's policies towards the region International Crisis group (2006) lists the following components : 1) Conflict and Instability potential of the region; 2) regional energy potential is of crucial importance to EU's need for diversification of its energy dependence on Russia; 3) The poor health systems of the regional

countries poses long term threats to EU in terms of spread of epidemics such as HIV/AIDS, avian flue etc. ; 4) Possible Rise of Radicalism and Terrorist Activities; 5)Issues of Human rights and good governance; 6) Region's role in global drug and human trafficking (International Crisis Group, 2006, pp. 1-10).

Looking in particular to the relations of the Union with Kazakhstan it is not possible to argue that the existing relationship is based on strategically motivated political decisions however it is rather possible to argue that establishment of economic relations is the mutual concern for both the EU and Kazakh leadership (MacFarlane, 2003, p. 150). Economic content of the relationship is primarily with regard to the increasing energy need of the members of the European Union and the possibility of diversifying their dependence on Russia. Under the European Union's Energy Strategy which has been formulated by the famous "Green Paper" Kazakh leadership is foreseeing the improvement of EU-Kazakhstan dialogue. It is obvious that this relationship will primarily be based on energy (ww.mfa.kz).

The primary reason for the lack mutual visibility in establishing foreign relations on behalf of both Kazakhstan and European Union is the lack of cultural, geographical as well as strategic ties between the regions (MacFarlane, 2003, 149). Even as part of the Neighborhood Policy discussions Kazakhstan was not a country on the list although recently there has been signs of rising interest on behalf of the European Union towards the region.

5.4.3.5 Relations with International Organizations and Multinational Companies

5.4.3.5.1 Relations with International Organizations

As previously mentioned since its establishment Kazakhstan's foreign policy has been dominated by two approaches namely mulit-vectoralism and eurasianism. As discussed both of these components has its roots in the need for

establishment of friendly and cooperative relations with both regional and international actors. In addition to the need to have good relations with other states President Nazarbaev makes it clear that he perceives cooperation with international organizations as a must in foreign policy making. Membership to international organizations have been perceived by Kazakh leadership as the only way for getting integrated into global economic and security networks that are vital for the survival of the Republic of Kazakhstan.

In the current global setting policy choices of the leaderships are not immune from the effects of international actors such as international governmental and non-governmental organizations. International institutions like the WTO, NATO and the OSCE have is important for domestic policy choices of leaderships as well as making of their foreign policies. Newly independent Kazakhstan is not an exception to that. The influence of the international organizations in the post-Soviet geography have especially crucial through the provision of assistance, guidance and funding for the improvement of political and economic dynamics in those countries. The purpose of this section is to provide an understanding of the relations of Kazakhstan with major international organizations that is active in the region and republic of Kazakhstan sees vital to keep affiliated: Organization for Security and Cooperation in Europe (OSCE), North Atlantic Treaty Organization (NATO) and World Trade Organization (WTO).

First, in the aftermath of the demise of the Soviet Union like many other newly independent states of the region Kazakhstan became a member of OSCE in 30 January 1992 immediately after its declaration of independence. The OSCE office in Almaty opened in 1998. The purpose of OSCE in Kazakhstan has three dimensions in implementing its principles and commitments. Those are “economic, environmental, and the human and political aspects of security” (MacFarlane, 2003, p. 154). When compared to its activities in the Western areas of the Former Soviet Union such as in Baltics (where minority problems are high) and Russia (Chechen conflict) the activities of OSCE in Kazakhstan are perceived to be rather low profile. MacFarlane (2003) argues that this is

primarily because of lack of conflicts in Kazakhstan when compared to other countries (p.154). Since its engagement in Kazakhstan the most active role of OSCE could be observed as part of its election monitoring mission through Office of Democratic Institutions and Human Rights (ODHR) (MacFarlane, 2003, p. 155).

Second, establishment of relations with the North Atlantic Treaty Organization was an important element in country's goal of integration to the rest of the world. To this end in 1995 Kazakhstan joined NATO's Partnership for Peace (PfP) programme. Through PfP Kazakhstan was aiming to get involved into global security structures. It can be argued that it indeed resulted in the closer relations with the NATO member countries and their military infrastructures. Through PfP NATO was aiming to foster integration of the Central Asian states to the political and military institutions of the west (McDermont, 2007, p.7). In the post-September 11 environment Kazakhstan has lost its popularity as an important security ally to Uzbekistan.

In addition to country's desire to become an active member of the global society through relations with international security organizations like NATO Kazakhstan is willing to develop a capacity to cope with the external challenges to its country. In his address to people of Kazakhstan President Nazarbayev was stating that increasing religious extremism, drug trafficking and international terrorism are perceived to be the major external challenges to today's Kazakhstan (Nazarbayev, 18 February 2005). In addition to those it is possible to mention illegal arms smuggling and trafficking in human beings are also challenges that Kazakhstan is facing who has implications beyond its borders (Canas, 2005, p.15).

Since 1995 Kazakhstan have been trying to actively participate in various NATO Programmes such as; Planning and Review Process (PARP) "in which the partner countries undertake to provide a wide range of information covering their defense policies, progress in democratic control of armed forces and relevant financial and economic plans" (Canas, 2005, p.16); NATO Science for

Peace Programme, Operational Capacity Concept; and NATO sponsored Virtual Silk Highway Project (Canas, 2005, p.16).

In addition to participation in several NATO programmes Kazakhstan have been active in participation of peace keeping units in the region. In 1996 The Central Asia Battalion (CENTRASBAT) has been formed with NATO and US support composed of three Central Asian republics Kazakhstan, Uzbekistan and Kyrgyzstan. The purpose of CENTRASBAT was to establish security capacity for peacekeeping purposes in those countries compatible with the Western standards. This was followed by the establishment of KAZBAT as an individual professional peacekeeping unit in Kazakhstan which is currently positioned in Iraq (Canas, 2005, p.16).

Third, in the post-Soviet environment seven countries from the Former Soviet Union became members of the World Trade Organization and the Central Asian Kyrgyzstan is among them – others are Georgia, Estonia, Armenia, Latvia, Lithuania, and Moldova. Kazakhstan is hoping to be the next Central Asian member of the WTO, where perceives membership as one of the top priority agenda's of the Kazakh leadership crucial for country's economic development.

Kazakhstan applied for WTO membership in January 26, 1996 and granted the observer status in February 1996. Kazakh leadership argues that WTO accession is an important step in the completion of the transition to market economy and integration in to global economy. It is claimed that through the WTO membership Kazakhstan will be able to develop and create competitiveness of its non-oil sectors especially in the development of high tech industries as well as attract foreign investment to this sector. Furthermore, WTO membership would mean improvement of foreign trade policy as well as establishment of trade relations with all members of the organization which is seen as vital for Kazakhstan's economic development (Smailova, 2005, 7).

WTO representatives argue that Kazakhstan needs to make some legislative changes with regard to its trade laws in order to be able to join the organization.

Among those it is possible to mention the terms of licenses given to foreign companies, intellectual property rights, foreign investment rights, as well as customs regulations (Blua, 2003, ¶ 5).

Not everyone shares the similar positive thoughts on Kazakhstan's membership on WTO membership. Some argue that Kazakhstan has applied for the WTO membership just because it did not want to be left in an economic vacuum after Russia's membership to the organization. Furthermore, there it has been also argues that rather than being an economic objective WTO membership adventure of Kazakhstan is more of a public relations campaign of the leadership showing country's commitment to Western rules, values and organizations especially after the image of the leadership has been degraded as a result of the Kazakhgate scandal (Blua, 2003).

Despite the fact that international organizations can be a push factor for the implementation of reforms and democratization within countries like Kazakhstan the presence of valuable reserves in one country may play a downsizing impact on the influence of international organizations. The recent example of Kazakhstan's bid for OSCE chair is an indicative example of such impact. OSCE has been active in the region for along time. Reports prepared by the OSCE representatives in Kazakhstan provides enough evidence that Kazakh leadership is not enthusiastic in implementation of the reform process that will bring democratization in the country any more. However, despite the fact that there is an ill progress on behalf of the Kazakh leadership's reform policies OSCE members are hesitant to deny Kazakhstan's demand chairing the organization. I doubt the behavior of the member countries would be same if Kazakhstan was not an hydrocarbon rich country. The primary reason on behalf of the member states is the fear of antagonizing an oil rich country that is perceived to be strategic in current European energy policies especially bearing in mind the desire to break Russian monopoly over energy supply to Europe. A similar relationship is valid with regard to the WTO membership of Kazakhstan. (EIU, Country Report, March 2007, p.2).

5.4.3.5.2 Relations with Multinational Companies

There is no doubt that multinational companies and especially oil companies have been influential over the decisions of policy makers on domestic and international affairs, not only in developing countries but in developed ones as well. It would not be wrong to argue that the interests of the multinational oil companies for the new energy sources are one of the primary motivations for the rush on the Caspian region's energy resources. While investing in the Caspian region as a whole there are two main considerations that multinational oil companies are faced with. On the one hand they are faced with the attraction of giant oil fields and on the other they are challenged by the risks of whether developing region's oil fields would be profitable. In the post Soviet era the initial attraction of oil giants to the Caspian region was on the giant oil fields that was discovered during the Soviet era. Those were Tengiz and Karachaganak and Azeri-Chirag-Guneshli in Azerbaijan. Furthermore the possibility for exploration of new sources in the region was another element of attraction. The size of the reserves in the region were so huge especially in Kazakhstan and Azerbaijan that make the political risks associated with those resources bearable for the companies (Riches, 2003, p. 162).

As it did in other places as well incoming multinational companies and especially oil companies and their relations with the host governments are always a matter of concern. For a long period of the activities of oil companies have caused suspicion on behalf of the host states and sometimes resulted in the emergence of the conflicting relationship between the two ending up with the nationalization experiences in many oil producing countries.

Toyin and Genova (2005) argues that when one looks at the past experiences there are three main constituent phases in the adventure of oil producing developing countries with the oil companies. The first phase composed of the initial discoveries of oil in the country and arrival of oil companies where usually oil producing states are very enthusiastic and eager to sign the contracts for developing their oil sectors. This is mainly due to the very nature of the oil sector itself which requires a very specialized and high technology infrastructure

where most of the time developing countries does not possess themselves. Moreover, in addition to not having the necessary capital, know how and technology, usually those states do not have the necessary legal infrastructures in terms of legal structures arranging "...land and subsoil ownership, royalties, and taxation" (Toyin and Genova, 2005, p. 43). The second phase begins with the realization on behalf of the host country, of the high profits of the oil market and becomes unsatisfied from the share that they get and starts blaming oil companies for that. During this second phase demands for better shares by the oil producing countries from the profit increases. During the period between 1960s and 1970s this dissatisfaction reflected in the series of nationalizations of oil industries by several oil producing states Iran, Iraq, Saudi Arabia, Venezuela and Nigeria. The third phase begins when oil producing states faced the problem of surviving their oil sectors without the participation of foreign involvement is impossible (Toyin and Genova, 2005, p. 43). This simple framework provides a picture of the evolution of international market in terms of the relationship between the host countries and multinational oil companies when Kazakhstan became an actor of this stage.

The relationship between the oil company and the host government starts with the granting of the concession – meaning rights given to companies for the exploration and development of oil fields of the host country – and the signing of the production sharing agreements (PSA) between the country and the company. In the beginning the nature of the agreed concessions and PSA were usually in favor of the company where throughout the time through their experiences host governments learned to negotiate better agreements for royalties and taxes as well as the extent of the concessions. While previously companies were granted concession rights for almost hundred years as it did in Venezuela during the beginning of twentieth century today the usual period of a concession ranges from twenty to forty years, which is still a high period when compared to six years of concessions given by Norway (Toyin and Genova, 2005, p. 43).

Table 16. Oil Production Sharing Agreement (example from Kazakhstan, 1997)

Production b/d	State Share %	Contractor Share %
< 200, 000	50	50
200,000-250,000	75	25
250,000-400,000	85	15
400,000<	90	10

Source: Personal Communication and American Oil Men, Oil Field kept secret

The first oil field that has been agreed for the investment of Chevron in Kazakhstan is the Tengiz field which was discovered in 1979 during the Soviet era. The interest of Chevron started on the field long before Kazakhstan's independence in 1988 when the Soviet leadership decided to soften its policies towards the foreign investment however could not be realized. As soon as Kazakhstan became independent Chevron started to negotiate with the Kazakh leadership and finally in 1993 agreed to establish TengizChevroil as a Kazakh American joint venture. The concession given to TengizChevroil for the exploitation of the Tengiz field was for forty years of a period (Babak,1999,p. 194). Kazakh leadership who have been struggling with the post-Soviet state building trauma and transition to market economy was in desperate need for involvement of the foreign companies for the development of the oil sector was not in a situation to negotiate for a best favorable agreement. International Crisis Group notes that the of PSA between the Chevron and Kazakh government on Tengiz is a 50/50 deal, however escalation of problems between the Kazakh leadership and the oil companies in Kazakhstan during late 2002 is an indication of disadvantaged deals on behalf of Kazakh leadership (ICG, 2007, p.7).

The discontent of the Kazakh leadership vis a vis the oil deals previously signed became obvious in the harsh measures that they began to take against the oil companies active in the country. In November 2002 an penalty of seventy two million US dollars have been imposed on TengizChevroil due to the environmental damage that they have caused in the Atyrau by storing five

million tons of sulphur. The fine given to TengizChovroil is argued to be the biggest fine ever levied against a foreign company in the entire CIS (RFE/RL, 29 March 2002).

Table 17. Annual Royalty Taxes (example from Kazakhstan, 1997)

Production `000 b/d	Royalty Rate
<100	12,5
100-200	13,5
200<	15,0

Source: Personal Communication and American Oil Men, Oil Field kept secret

There is a shared belief on behalf of different sectors of the society that the initial deals were not bringing much good for them. For example an academic from Almaty says that the initial contracts were done with bad terms since Kazakh leadership had no experience and knowledge of the rule of the international market. She adds “Azerbaijan got it better. But transnational corporations are realizing that there is a regime that they have to go through. Key decision making is still being done by the key political figures of the country” (Personal communication, December 2004).

The conflict between the oil companies and Kazakh leadership rise to a critical level and Kazakh leadership decided to re-negotiate the royalty payments of forty seven foreign companies in December 2001 (RFE/RL 2 July 2002). This demand of Kazakh leadership was in line with its decision to change Kazakhstan’s investment law of 1994 which was giving generous tax breaks for the oil companies where initial oil deals was signed accordingly (RFE/RL, 8 October 2002). The government’s intention with the new law was to make up for the profit loss due to allowances provided for foreign companies during the deals of the initial years as well as create opportunities for the involvement of local business in oil deals (RFE/RL, 8 October 2002, RFE/ RL 10 January

2003). The discontent among the foreign companies with regard to the new law reached to a peak during the tenth annual meeting of Kazakhstan International Oil and Gas Exhibition (KIOGE) that was organized in Almaty in 1-4 October 2002 where annually organized for the promotion of oil industry of the country. During the meeting representatives of the foreign oil companies voiced their discontent with the new investment law proposals and their concerns with regard to increasingly unfriendly investment environment in Kazakhstan (RFE/RL, 8 October 2002). The tensions between the oil companies and Nazarbayev leadership continued.

Regarding the KIOGE and the conflict between the oil companies and Kazakh leadership an opposition journalist from Almaty argues that “since the beginning Kazakhstan was losing. Because we wanted to attract foreign investment. But now this is over. During the KIOGE conference government said to foreign companies you have been winning and winning but we have not. Now this has to change and that is why we need a new law” (Personal Communication, December 2004).

Table 18. Annual Production Bonus(example from Kazakhstan, 1997)

Oil Production rate b/d	Production Bonus US\$ million
>40,000	2,5
> 60, 000	5,0
>80,000	7,5
>100,000	10,0
>150,000	15,0
>200,000	20,0

Source: Personal Communication and American Oil Men, Oil Field kept secret

Despite the unhappiness of the foreign oil companies Kazakh leadership did not give up its demand for a new investment law. Through mutual compromise in January 2003 the new investment law has been passed. The compromise that Kazakh leadership was keeping the terms of the previous contracts till the end of

their concession periods however not renewing them with similar terms in the future.

In addition to PSAs and concessions there are increasing discussions on the corporate social responsibility (CSR) of oil companies and host governments in dealing with the problems mutually faces. CSR usually composed of micro and macro levels where in micro levels company involvement in supplementing government policies for example in issues like environment and road construction is expected. Macro level CSR on the other hand is more related with the issues regarding political, economic and social development of the host countries (Gulbrandsen and Moe, 2005, p. 55).

In the post Soviet Kazakhstan the general tendency of the oil companies is to get involved in micro level CRS which is primarily relevant to their needs as well while not to interfere anything with the actions of the Kazakh leadership unless present a challenge to their interests as it did during the KIOGE 2002 (Personal Communication with American Oil Man, June, 2005).

Table 19. CSR Example: Tengiz Chevroil’s (TCO) Community Contribution

Year	Activity Area
Egilik (Kazakh for "benefit") Program (1999)	community health, education and social infrastructure needs, including hospitals, university buildings, schools, gasification and power lines, upgrading of sewage systems, water supply, resurfacing of roads, the beautification of buildings within the Atyrau and Zhylyoi region
Business incubation facility in Atyrau (2004)	- Aims to create a favorable environment for small businesses - facilitates links between small service and manufacturing as well as large companies.
We Share the Planet Earth,	- an umbrella program for environment. Supports development of nationwide environmental curriculum in the primary and secondary schools; an annual ecology art contest; contest of practical scientific projects among high school students; and volunteer environmental actions.
Health, Environment and Safety	Supports environment protection activities in its country wide operation areas.

Source: www.chevron.com

In terms of macro CSR the biggest impact of the oil companies in Kazakhstan is on the post-Soviet development of the taxation system due to the increasing production. Currently, in Kazakhstan there are two primary forums in which oil companies active in Kazakhstan that became vehicles for the promotion of CSR. The first one is the Kazakhstan Petroleum Association (KPA) which is an umbrella organization uniting all companies, local and foreign active in the country. KPA functions as an intermediary institution between the companies and governments with the purpose of improving investment and operating climate in Kazakhstan. The second organization is Foreign Investor Council (FIC) which is a consultative body primarily established for providing a dialogue venue between government and companies. It has the purpose of preparing proposals to Kazakh government on the issues of

...improvements in investment related legislation and regulations;
proposals concerning the implementation of large investment

programmes; recommendations to improve investment climate and strategy to attract foreign investment (Gulbrandsen and Moe, 2005, p. 61)

It seems that despite their establishment agenda it is not likely that in the near future major CSR improvement could be observed in Kazakhstan especially in the macro level. Micro level CSR is more likely to develop unless manipulated by the individual interests of the local administrators (see Table 20). An American oil man which has been interviewed in June 2003 in oil capital of Kazakhstan Almaty argues that local leaders are pressuring oil companies to make investments to their districts with the purpose of increasing their credibility in the eyes of voters. Furthermore, he also argued that they are promoting their close relatives for the scholarships given by oil companies. With regard to macro-level CSR, oil companies prefer to keep distance from what leadership is doing and refrain from making any criticisms. To this end an interview conducted by Gulbrandsen and Moe (2005) with a representative of an oil company in Kazakhstan speaks for itself: “Imagine us telling President Nazarbaev that we don’t like how he uses the oil money. It’s impossible!” (p. 62).

5.4.4 The Role of International Image of the Republic of Kazakhstan

The third component of the critical geopolitics approach is the impact of the popular geopolitics that is found within the artifacts of transnational popular culture, whether they be mass-market magazines, novels or movies. The purpose here is to provide an understanding of how dynamics of popular culture became active in the newly independent Kazakhstan especially after the inflow of oil revenues.

There Kazakh leadership is paying a special attention to convince West that the country is committed to Western values and have an orientation to cooperate with Western countries in terms of its energy exports. Country’s desire to

become a member of the WTO, its candidacy for the chairmanship of OSCE, visits of President Nazarbayev to European countries as well as Minister of Foreign Affairs Kasym-Zhormat Tokaev's visit to Brussels all reflect the importance that Kazakh leadership gives for the relations with the West. A foreign academic who is working in one of the Kazakh universities says that in the post-Soviet environment Kazakhstan has performed as an economic model in the region which has attracted the attention of the international media more than any other country in the region (Personal Communication, June 2005).

There are two main aspects that Kazakh leadership is very careful with regard to the international image of the Republic of Kazakhstan: The international image of the Republic of Kazakhstan's energy resources and the image of the President Nazarbayev in the eyes of international community. The first one is the continuation of importance of its hydrocarbon resources in the eyes of international community. To this end, Kazakh leadership gives importance for the organization of Kazakhstan International Oil & Gas Exhibition & Conference in the oil capital of Kazakhstan Almaty every year since 1992 which is sponsored by the Ministry of Energy and Mineral Resources of Kazakhstan and KazMunayGaz. This is a major event composed of two main parts an exhibition and a conference. Major oil companies are invited to the exhibition to present their areas of activities as well as familiarize them with the environment oil industry in Kazakhstan. According to organization statistics since 1992 more than five thousand companies have been participated in the event. The second part is composed of an international conference where top government officials both from Kazakhstan and other countries invited as well as CEOs of international and Kazakh companies(see, KIOGE 2007).

The second one is the importance that is given by the Kazakh leadership for the leveling up of the international image of the Kazakh leadership especially after the widely publicized Kazakhgate scandal at the international media. The An OSCE representative says that " Kazakhstan have decided to put itself on the world map and they have the money to back it. They are doing this mainly through the public relations campaigns which include, big events like Asia

Society Conference, forum on world religions, articles in Washington post and annual media forum” (Personal Communication, June 2005). To this end President’s daughter Dariga Nazarbayeva is launching a sophisticated campaign to boost up her father’s international image (Dave, 2005, p. 5). Despite her control over the local media she is using the Eurasian Media Forum (EMF) as an effective tool of her campaign. EMF is an international conference organized in Almaty, for the participation of regional as well as international media since 2002.

Joining the Extractive Industries Transparency Initiative (EITI) which was launched by the Prime Minister Tony Blair in 2002 is an attempt towards improvement of both the hydrocarbon sector’s and President Nazarbayev’s international image. EITI aims improvement of transparency in producing governments with regard to the revenues they receive to and spend from their extractive industries. Kazakhstan joined EITI in 2005 as a result of the pressures from a coalition established in 2004 called Oil Revenues-Under Public Oversight!. In April 2005 Working group that was established by the government drafted a memorandum of understanding that needs to be signed by the companies active in the extractive industries of Kazakhstan, a group of four deputies – including Dariga Nazarbayeva- and the Minister of Energy and Mineral Resources of the Republic of Kazakhstan Vladimir Shkolnik of the Parliament of Kazakhstan and NGO coalition Oil Revenues-Under Public Oversight! Up until now not all of the companies in the extractive industries signed the memorandum where in order to be valid all companies in the extractive industries should put their signatures (ICG, 2007, p. 25).

5.5 Conclusion

The aim of this chapter was to provide an understanding of the post-Soviet in domestic and foreign policy making of the Republic of Kazakhstan. Departing from the assumptions of the “rentier state” literature on impact of oil on

domestic politics of an oil producing state, a through an analysis of the of the developments in independent Kazakhstan have been provided. In line with the assumptions of the rentier state literature an analysis of the state of political participation, process of democratization, individual freedoms, corruption, strengthening patrimonial ties as well as the nature of leadership have been provided. It has been argued that despite the similarities in the nature of domestic politics with other oil producing states, it is not yet possible to argue that the situation is a complete outcome of the oil revenues. Secondly it has been argued that foreign policy making in Kazakhstan is very much tied to domestic politics and vice versa. Especially with regard to the presence of considerable amount of Russian community and influence of this demographic fact on the country's relationships with Russia. Furthermore, It is argued that due to high level of interdependence in the current global setting and Kazakhstan's need for cooperative relations with other countries as well as other actors of global system it is not possible to understand the dynamics of political economy of oil within the limitations of the perception of rentier state literature on outside world. Furthermore, it has been argued that any analysis of political economy oil and Kazakhstan requires one to look at different elements of foreign policy making of the Kazakh leadership ranging from the relations with the regional and global powers, to relations with international organizations as well as international media. To this end throughout the second part of the chapter 5, an analysis of the post-Soviet foreign policy dynamics of the independent Kazakhstan has been provided.

CHAPTER 6

CONCLUSION

After more than a decade of independence Republic of Kazakhstan is presenting international community with a profile that does not put it in the high ranks in terms of democratic progress but a positive profile in economic development. With the dissolution of the Soviet Union reluctance of the Kazakh leadership to declare independence was an indication of their concerns with regard to the challenges of state building and survival in the global arena on their own without being part of a big union.

Soon after the independence of Kazakhstan there has been a very high publicity on the hydrocarbon riches of the country glorifying it to be “the pearl of the Central Asia”. The interest of the global oil market in the oil riches of Kazakhstan coincided with the state building efforts. This fact was raising the questions of whether the country will fall into the trap of other oil producing states and suffer from the “paradox of plenty”.

This dissertation aimed to provide an analysis of the political economy of oil in Kazakhstan. It is an attempt to bridge three different bodies of literature in the analysis of the political economy of oil in Kazakhstan. On the one hand it suggests that it is not possible to understand post-Soviet political economy of the Republic of Kazakhstan only by concentrating on post Soviet political

patterns while ignoring the impact of the oil sector. On the other hand, it argues that it would also be misleading and incomplete analysis at a similar degree if one tries to explore the very same process only by looking from the lenses of the “rentier state model” which can be a-historical in its analysis, due to its concentration on boom era experienced by the giant amounts of hydrocarbon revenues and immediate post boom policy choices of the leaderships of oil producing states. Moreover, while the model looks at the state as the main unit of analysis by concentrating on the developments in domestic politics after the oil’s articulation in an ongoing historical process it also fails to look at the state as an agent of the global structure which is interdependent and has to get involved with various levels of actors ranging from states to international organizations, NGOs to media. That is why it has been argued that understanding political economy of oil in the post-Soviet Kazakhstan can not be done without considering the influence of various global actors, ranging from states and international organizations to multinational oil companies and to the effects of international media. To this end it has been argued that inclusion of the plurality assumption of critical geopolitics with regard to the global arena would be complementary in overcoming some gaps in the literature on oil producing states.

Inspired by a considerable amount of literature on the experiences of oil producing states and the so called curse associated with the oil wealth analysts started to think about the possibility of Kazakhstan falling under this group and started to look at the country’s affairs through the lenses provided by the “rentier state model” with its commonly known name.

Kazakhstan is a proper case in addressing both the issue of “rentier state model” being a-historical and the issue of the role of global dynamics in analyzing the country’s political economy of oil. Understanding the nature of the political economy of oil in post-Soviet Kazakhstan, requires one to look beyond the introduction of oil into the economy. A better analysis of the political economy of oil in post-Soviet Kazakhstan can be drawn by incorporation of the impact of the Soviet era in terms of the policy choices, nature of institutions, and political

culture. Furthermore, it is impossible to analyze post-Soviet Kazakhstan immune from the effects of the global dynamics let alone its political economy of oil that is why a through consideration of its relations with state and non-state actors is required. Such an approach provides us with the opportunity to understand the continuity and change in various aspects of life in independent Kazakhstan ranging from economy and polity to society.

Unlike many other oil producers before independence Kazakhstan was a part of a bigger state that had no independent institutional infrastructure sufficient for the country to stand on its own foats. The Chapter Three provided a historical background on the establishment of the Soviet economic and political control over Kazakhstan. The Soviet legacy over the country has been evaluated under three main headings to shed a light on the analysis of the assumptions of the rentier state model. To this end Chapter Three provided an understanding of the Soviet Legacy on politics, economics and society of the newly independent Kazakhstan.

The Chapter Four provided an analysis of the economic and social assumptions of the rentier state literature and their relevance with regard to the case of Kazakhstan. It has been argued that when looked through the lenses of the rentier state model there are similarities and differences in the case of Kazakhstan with the experiences of other oil producing states. Those were stemming from the historical economic and social peculiarities of the country which can not be totally explained by the assumptions of the model.

The Chapter Five provided an analysis of the post-Soviet developments in political arena of the republic of Kazakhstan as well as foreign policy making. The first part of the chapter consists of an analysis of the political developments in the country within the framework of the assumptions of the literature on oil producers' experiences. The second part of Chapter Five dwells on global dynamics shaping the political economy of oil in Kazakhstan. It can be argued that Kazakhstan's independence into such a globally interdependent environment provides us with the opportunity to look Kazakhstan as an agent of

global environment. “Rentier State Model” was assuming the external dynamics to the state as static with the exception of global oil prices and buyers of oil and gas. However, this turns out to be a handicap over the analysis of oil producing states. Because bearing in mind the complexity of current global setting and its actors, it would be deterministic to study the state in vacuum especially with regard to the effects of a commodity that has implications going far beyond the borders of the state it being extracted.

It has been argued that today it is not possible to talk about political economy of oil in a producing country in isolation from the global dynamics. The contribution of the critical geopolitics into the analysis is very much in line with the need to overcome this isolation from the global dynamics which was prevalent in the assumptions of the literature. It is suggested that it is necessary to look at the role of international organizations, multinational corporations and dynamics of transnational culture on the shaping of the policy choices of leaderships as well. In the post Soviet environment in addition to states becoming active in the region there are a number of international organizations that are trying to shape the dynamics in those countries. Of course Kazakhstan is not an exception to that, on the contrary it is on the top of the Central Asia especially due to its rich hydrocarbon reserves. In addition to organizations numerous international companies become active in the country and have opened their offices in the central locations of big cities. Both of those transnational actors have been influential on the decision making of Kazakh leadership especially with regard to the implementation of reforms or decision on pipeline routes.

After more than a decade of independence and advent with the oil revenues it is hardly possible to argue that the mere outcome of the country’s encounter with oil wealth turned out to be a curse. It is inevitable to disregard the negative aspects associated with the incoming oil revenues, however when compared with the other regions of the former Soviet geography the shape of the major cities and business life in Kazakhstan is becoming more Western in their appearance. Despite the influence of the incoming foreign investment Kazakh

businessmen are becoming active investors in the international market. The recent involvement of the 'TransCentralAsia Petrochemical Holding' which is a Kazakh Russian partnership in the privatization tender of the PETKIM Petrokimya Holding A.Ş. in Turkey which they have competed with consortiums like Socar&Turcas is a good example of involvement of Kazakh businessmen in outside investments.

As a result of the analysis of the political economy of oil in Kazakhstan it is possible to identify three major trends with regard to the impact of oil revenues on the post-Soviet environment: 1) consolidation of pre-existing institutions; 2) restructuring of pre-existing institutions and 3) creation of new institutions.

Firstly, as the analysis of the political economy of oil with regard to the case of Kazakhstan showed, intruding oil into the post-Soviet state building in Kazakhstan resulted in the further consolidation of some economic, social and political institutions that were already present in the country at the time of independence. In the economic domain, on the top of Kazakhstan's independence agenda was completion of transition from planned economy to market economy through destruction of almost all of the old institutions while creating new ones that are necessary for the establishment of a free market economy. Initially it was believed that oil would be the engine of this process. What we see in today's Kazakhstan is consolidation of the previously existing state power in economic decision making. Presence of oil factor made it possible to sustain the role of the state as the dominant actor in the economy while at the same time enabled it to sustain the distributive function that existed in the Soviet era as well. As criticized by international organizations such as International Monetary Fund and World Bank, the presence of high oil revenues and the very fact that they directly accrue to the hands of state leadership prevented state from becoming an invisible hand in the economy. Rather than becoming an invisible hand in the economy as it is the case in other free market economies, in Kazakhstan state remains to be the most powerful economic actor and independent market forces could not become powerful enough to take control of the economy.

In social domain on top of all one needs to mention the consolidation of the multi ethnic structure of the Kazakh society and especially the predominance of the two main ethnicities of the country namely Kazakhs and Russians. Incoming oil revenues empowered the leadership in Kazakhstan with the capacity to maintain the integrity of the country contrary to increasing nationalist and separationist tendencies in other republics. Furthermore, the country's dependence on Russia stemming from its past as well as consolidating with the need to maintain good neighborly relations due to the fact that Russia is the main source of export for the Kazakh oil prevented emergence rise in extreme Kazakh nationalism as it did in other oil producing states.

The extent of corruption is another example for these consolidated institutions with the introduction of huge revenues into the Kazakhstani economy. During the latest years of the Soviet era corruption was a fact in almost all of the constituent republics of the Soviet Union. In the post-Soviet environment this corrupt practices continued and with the high amounts of revenues accruing into the state the level of corruption raised. Due to high profit at stake because of the incoming oil revenues Kazakhstan is highly suffering from the rising elite competition over the control of resources which reflects itself in rising levels of corruption in the country. Increasing income inequality among the population can be given as another outcome of this elite competition and corruption. The Kazakhgate scandal which involved the highest levels of the leadership which also included the president himself is an example.

Last but not least, the major consolidation of pre-existing institutions has been experienced in the political domain of the post Soviet Kazakhstan as a result of the specific nature of political economy of oil in the country. During the Soviet era it is possible to talk about lack of democratic practices and necessary institutions in the Western sense. In the post Soviet environment since Kazakh leadership put economic transition on the top of the agenda and rather had a neglected approach towards political transformation the political domain is the area in which we can see the highest degree of consolidation of the pre-existing institutions with the help of the incoming oil revenues.

Soviet tradition can hardly be characterized as a participatory democracy in the Western sense. Leadership has always had a distance from the population and people had almost no means for asking the accountability from their rulers. President Nursultan Nazarbayev is a leader that has been molded with the Soviet political culture and became a leader of the Kazakhstan much before the dissolution of the Union. It is inevitable that he would bring in his already existing capacity to the newly independent Republic's administration as well. Incoming oil revenues empowered him even further when compared to leaders in other regional states such as Kyrgyzstan and Tajikistan who have no oil and gas resources at all. However, when one looks at the other regional countries it is possible to observe the continuation of strong presidential leaderships even to the extent of personality cult in Turkmenistan by recently deceased president Saparmurat Niyazov. Restrictions on media and individual freedoms is not an experience unique to Kazakhstan but can be observed in other former Soviet Republics as well.

In the post-Soviet environment, intruding oil revenues helped continuation in lack of political participation and a real opposition despite the presence of a limited multi party system; restrictions on media and individual freedoms, and the presence of a gap between the rulers and the ruled are the consolidated political practices which have been present during the Soviet era as well. It can be argued that it is a continuation of the Soviet political culture however one need to stress that presence of oil revenues strengthens the bargaining chip at the hands of the leadership. Although pressured by the wind of "colored revolutions" in some of the former Soviet republics, Kazakh leadership was not very much affected by this wind of change. Furthermore, it even did not step back in implementing its anti-democratic policies especially with regard to the NGO law and functions of foreign NGOs within the country.

Secondly, as an outcome of the analysis of the political economy of oil in the post Soviet Kazakhstan presents us with a second trend which contains elements of the past and new together which is categorized as the "restructuring of the pre-existing institutions". This trend has its traces on all three domains of

economics, society and politics as well, which occurred in a specific historical, social and political trajectory of Kazakhstan.

In economic domain it is possible to talk about a restructuring of the pre-existing relationship with the outside in terms of dependence. During the Soviet era as a part of the whole Union Kazakhstan's economy was mainly dependent on the decisions to be taken in Moscow. In this dissertation it is argued that despite the fact that although since independence Kazakhstan is fueling its economy and polity through the use of revenues acquired from the hydrocarbon revenues and becoming dependent on outside dynamic this is not a new reality for the country. Throughout the Soviet administration today's Kazakhstan was very much dependent on the decisions of Moscow and anything influencing that was influencing Kazakhstan as well. Today, in spite of becoming an independent state Kazakhstan is still influenced from the dynamics in Moscow. However today what is different than before is that Moscow is not the only dynamic that can influence Kazakhstan. Although Russia still remains the main source of Kazakhstan's external dependence, in the post-Soviet environment dependence have been multiplied to the extent to involve non-regional states, international organizations as well as multinational companies.

In the post Soviet environment economic dynamics in Kazakhstan are still dependent on outside mainly as a result of the globalized interdependent economic relationships and particularly because of the landlocked position of the country and its need to reach for outside markets for the export of its oil. However, in today's global setting any state can be influenced by the outside dynamics and some scholars even talk about the famous butterfly effect especially inspired by the Asian crisis saying that when a butterfly flies over Beijing it turns out to be a storm in Canada.

Furthermore, it is also possible to talk about a restructuring in the distributive function of the post-Soviet Kazakh state. During the Soviet era the state had a very strong distributive function. In the post-Soviet environment despite the destruction of the capacity of state to generate income domestically mainly as an

outcome of the dissolution of the Union, incoming oil revenues helped Kazakh leadership to maintain its previously existing distributive habits. Especially in terms of provision of public goods such as subsidies with regard to the provision of electricity gas and telephone still continues. However, when compared with the Soviet era the quality of the public goods services is much lower than before. Today, this is especially a visible problem with regard to the provision of public health and education services and their quality.

The nature of the non-oil sectors of the economy is another restructuring dynamic of the post-Soviet era because of the incoming oil revenues. During the Soviet times oil maintained a low profile influence with regard to other sectors of the economy. Moreover, other sectors of the economy such as industry and agriculture were deteriorating during the last years of the Soviet era where they were not competitive with the goods produced in the Western markets. Development of the oil sector in the post Soviet environment resulted in the restructuring the share of different sectors in the economy. While on the one hand oil revenues resulted in the consolidation of the deterioration of the non oil sectors of the economy and decrease in their productivity, it also contributed to the development of the share of oil sector on top of all.

Statistics suggest that almost ninety five percent of state budget of the Republic of Kazakhstan is composed of tax revenues which are mainly acquired from the oil sector (see Table 7). In today's Kazakhstan there is no doubt that non-oil sectors of the economy are deteriorating and losing their competency in the international market. The presence of huge oil sector leads to elimination of interest on behalf of the foreign investors to other sectors of the economy. However, it would be incomplete to argue that these are mainly due to presence of oil sector in Kazakhstan. It is possible to argue that Soviet economy was functioning as a huge machine where every single piece had a function. Destruction of the command system created an environment where each part had to function on their own without having the necessary capabilities. Furthermore, especially during its last years Soviet infrastructure was falling behind the West and what newly independent states inherited from the Soviet era in terms of

technology, know-how and infrastructure were already not in a competitive position with the rest of the world. Low interest on behalf of the international investors in non-oil sectors of Kazakhstan is not something peculiar to that country only but a similar trend can be observed in other former Soviet republics as well.

So it would be wrong to conclude that lack of progress in the non-oil sectors of the Kazakhstan is basically because of the presence of oil sector, it would be similarly wrong to argue that oil sector has no influence on this outcome. Similar to other oil producing states after the expansion of oil sector of Kazakhstan it is possible to observe development in the oil related service sector such as construction and transportation. Despite the construction of a whole new capital in Astana the changing face of the city of Almaty could be observed from one year to another. A foreign lawyer who has been living in Almaty for several years is defining country as “a giant construction site” (Personal Communication, June 2005). In the post-Soviet environment while Kazakhstan had a Soviet style airport in Almaty, today the old airport has been replaced by a big and new international airport with multiple international flights. In addition to Almaty airport, another international airport has recently been opened in Astana as well.

Furthermore, in the post-Soviet environment, learning by the experiences of other oil producers, Kazakh leadership has been putting tremendous effort in diversification of the Kazakh economy and raising the competitiveness of its goods in the international market. Initiation of a Cluster Development Programme which aims to diversify the Kazakh economy and raise the country's goods' competitiveness in international markets is an example for this effort. The Cluster programme aims to achieve diversification through the development of following sectors of the Kazakh economy: 1) Tourism; 2) Agriculture; 3) Oil and Gas Machinery; 4) Cargo; 5) Construction material; 6) Metallurgy; and 7) Textiles. Two other clusters are: 1) Furniture and 2) commercial investment banking. However it is still very early to conclude whether these will be successful attempts or not. High levels of oil revenues lead to an increase in the

value of Kazakh currency “tenge”, which decreases the chances of foreign investment to less developed sectors of the economy that are already not competitive in the international market.

In social domain the nature of the post Soviet political and technocratic elite provides a good example for restructuring of pre-existing institutions. During the Soviet era majority of the political and technocratic elite was composed of ethnic Russians. In the post-Soviet environment it is possible to talk about a restructuring in the composition of especially the political elite in the Republic of Kazakhstan. After more than a decade of independence the number of ethnic Kazakhs in higher positions constituting the political elite of the country is increasing. It is possible to talk about evolution of multi ethnic technocratic, political and business elite in Kazakhstan composed of President, his family, close relatives and former Soviet political elite. Incoming oil revenues lead to the preservation of this restructured elite loyalty and support to the post-Soviet leadership to a similar degree with the Soviet era. Irrespective of their ethnic backgrounds, similar to the nature of elite in Soviet era, political and technocratic elite remains to be loyal to the leadership in Kazakhstan, where their loyalty is very much maintained by the presence of high stakes of personal gains from the oil revenues. This is also very much in line with the restructuring of the oil patrimonial ties. Before the Soviet era kinship relations were the main tool of establishment of patrimonial relationships, during the Soviet era this has been molded and somehow tried to be over shadowed by the ties that have introduced by the communist party hierarchy. In the post Soviet Kazakhstan it is possible to observe a molding of all two elements which is also coupled with the newly established relationships stemming from the nature of the new business environment in the country. It is possible to give the example of the impact of foreign businessmen, not only active in the oil sectors, but also in decision making through the relationships that they have established with the high ranking officials.

The third dimension of the political economy of oil in Kazakhstan is the creation of new institutions in the post-Soviet environment. In the economic domain as a

result of the changing nature of the revenue extraction it is possible to talk about the creation of new institutions that were not present at all during the Soviet era.

The creation of a tax collection mechanism is a good example for these newly created institutions. In the post-Soviet Kazakhstan the leadership has put a tremendous effort in development of taxation in the Western sense. Although a post-independence taxation system has been developed, the income generation through taxation in today's Kazakhstan is mainly from the oil sector. In the case of Kazakhstan it is not yet possible to argue that presence of oil sector is a bad influence of the taxation system of the country. Because before the development of oil economy there was no system of taxation at all so in that sense it can be argued that development of taxation system in Kazakhstan although not perfect is very much because of the development of the oil sector in the country.

Opening up of the economy to the foreign investment is another newly created aspect of the post-Soviet political economy of Kazakhstan. In addition to the development of a private sector where international actors are active as well as a domestic private sector has been developed in the post-Soviet environment. As a part of the legacy of the past during the Soviet era it is not possible to talk about presence of a private sector as part of the command economy. Kazakhstan is experiencing private sector formation only after its independence. Government decision for the development of a private sector in Kazakhstan starts with the policies of privatization where major state enterprises have been privatized primarily to foreign investors. With regard to the establishment of domestic private sectors the presence of a sensitive demographic composition in the country played an important role. It is a continuation of the previous experience that Kazakh leadership supported the development of a business elite loyal to its policies, however due to extra care that has been paid to preserve the demographic, political and economic integrity of the country the business elite of Kazakhstan is composed of a sort of civic nationality rather than following a line of ethnic or even clan composition.

In the social domain in line with declaration of independence, and incoming foreigners in the country a new type of relationship emerged within the society. This is the relationship between expatriates and local people that was not present during the previous era.

Creation of new institutions in political life is especially related with the effects of independence and the need to form a foreign and security policy for the country. Development both of foreign and security policy for Kazakhstan is a post-Soviet phenomena and very much related with the country's oil revenues and the need to create access routes to the international market.

In the post Soviet environment in addition to states becoming active in the region there are a number of international organizations that are trying to shape the dynamics in those countries. Of course Kazakhstan is not an exception to this. On the contrary it is on the top of the Central Asia especially due to its rich hydrocarbon reserves. In addition to organizations numerous international companies become active in the country and have opened their offices in the central locations of big cities. Both of those transnational actors have been influential on the decision making of Kazakh leadership especially with regard to the implementation of reforms or decision on pipeline routes.

The post-Soviet nature of foreign policy making in the republic of Kazakhstan is basically determined by pragmatism on behalf of the leadership. This pragmatism was stemming from several reason such as the historical legacy of past with regard to the lack of foreign policy making to, vagueness in defining what are the national interests of the Kazakhstan that can be helpful for determining a foreign policy based on preservation of national and strategic interests of the country. The dual nature of the demographic situation in Kazakhstan was another determining factor with regard to one of its neighbors Russia. Emergence of the idea of Eurasianism or Eurasian Union, which is an important component of the foreign policy of Kazakhstan, was an effort on behalf of the Kazakh leadership to balance Russia's pressures. The landlocked geography is presenting another challenge which resulted in the emergence of

the second important component of the Nazarbayev's foreign policy that is multi-vectoralism.

Since the declaration of independence Kazakh leadership has been paying special attention to the establishment of peaceful relations with both regional and non-regional states. A policy of cooperation with all possible means that is of global concern has been followed. To this end in addition to establishing diplomatic relations with states Kazakhstan became a member of the intergovernmental organizations such as the UN and its body organizations, signed Partnership for Peace Agreement with NATO and trying to be a member of World Trade Organization.

Furthermore, high interest on behalf of international media on the riches of Caspian region empowered all of the littoral states, active states in the region, as well as international companies. Preservation of this interest of the global media can be considered as a source of interest influencing the policy choices of the Kazakh leadership. To this end two primary concerns have been emerged with regard to the image of the Republic of Kazakhstan at the international media both of which results in the emergence of high budgeted public relations projects. On the one hand Kazakh leadership is paying a special attention to maintain a respected international image of the hydrocarbon sector of Kazakhstan with its investor friendly environment. On the other hand there are special efforts to preserve the international image of the President himself especially after the outbreak of the Kazakhgate scandal.

In line with the above statement, the policy of the leadership to become a part of the global actors is an indication of the influence of global dynamics in foreign policy making of the post-Soviet Kazakhstan. In the post-Soviet environment, global dimension includes the relations with the states as well as non state actors which did not exist during the Soviet era. The relations of independent Kazakhstan with these actors are influenced by the presence of oil resources in the country. At the same time the very presence of these resources influences the nature of relationship that Kazakhstan develops vis a vis the state and non-

state actors. For example in the post Soviet environment its geographical position and the existing the nature of existing pipeline routes are very much determining Kazakhstan's relations with other states.

To some up, it can be argued that rentier model presents a relevant departure point for the analysis of the place of oil in Kazakhstan. However, understanding the political economy of oil in post-Soviet Kazakhstan requires an understanding of the case specific historical legacies that are still influential in the country as well as the influence of the various levels of interactions with the global dynamics.

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In 2004:

1. Foreign Academic 1- Nigerian foreign academic living in Kazakhstan for several years and teaching economics in one of the universities in Almaty.
2. Kazakhstani Academic 1- Teaching in one of the Universities in Almaty (Department of Political Science) and specializing on identity politics in Kazakhstan.
3. Kazakhstani Academic 2 - Teaching in one of the Universities in Almaty (Department of Political Science) and specializing on oil politics and the role of different clans in domestic politics of Kazakhstan.
4. Kazakhstani Academic 3 – Professor of history and a prominent critique of Kazakh leadership.

5. Kazakhstani Academic 4- Professor of International Relations and specializing on foreign policy of Kazakhstan.
6. Foreign Policy Bureaucrat – foreign policy bureaucrat working in a think tank under the Ministry of Foreign affairs.
7. Local Journalist- editor of an opposition newspaper

In 2005:

1. International Businessman 1- Owner of one of the biggest hotels in Almaty who is also active in the construction sector in Kazakhstan.
2. International Businessman 2- Turkish businessman who is living in Almaty more than five years and who has close contact with prominent political figures in the country.
3. International Businessman 3- Head of one of the biggest hotels in Almaty who has contacts with prominent political figures as well as international businessmen.
4. Kazakhstani Academic- 1 Teaching in one of the Universities in Almaty (Department of Political Science) and specializing on identity politics in Kazakhstan.
5. Kazakhstani Academic- 2 Teaching in one of the Universities in Almaty (Department of Political Science) and specializing on oil politics and the role of different clans in domestic politics of Kazakhstan.
6. Non-Kazakh Lawyer. A foreign lawyer who has been working in Kazakhstan for several years and dealing with business contracts especially in the construction sector.
7. Foreign Academic 2. Living in Kazakhstan for several years and teaching in the political science department in one of the universities in Almaty.
8. Economy Bureaucrat 1. One of the graduates of the BOLASHAK programme who returned back to Kazakhstan. US educated and high ranking official in Center for Marketing and Analytical Research (CMAR) which is one of the primary institutions responsible for diversification of Kazakh economy.
9. Economy Bureaucrat 2. Local official who is in charge of the Cluster Program in CMAR.

10. NGO Activist. A female NGO activist who is working as a local consultant on several UNDP projects who is experienced in economic development and gender issues.
11. Member of International Organization 1. A high ranking representative from UNDP.
12. Member of International Organization 2. A representative from OSCE.
13. Banker. Local bank official.
14. Prasad Bhamre, Advisor to Center for Marketing and Analytical Research
15. Diana Brett, former Head of American Chamber of Commerce
16. Martin Quierke, Head of American Chamber of Commerce
17. Oil Man 1. Head of Almaty branch of an American oil company active in Kazakhstan.
18. Oil Man 2. Head of an Indian Oil company active in Kazakhstan.
19. Oil Man 3. Working in a Canadian oil company who has problems with Kazakh leadership on licence agreements.
20. Kazakhstani Former History Teacher who could not take care of his family with his salary after the independence and working as a driver.
21. Local International Lawyer in Oil Business. A kazakhstani international lawyer with foreign education who is working in a British Law firm and responsible for the cases related with several oil companies active in Kazakhstan.

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APPENDICES

Appendix A Major Oil Fields in Kazakhstan

Field	Explanation
The Tengiz Field	<ul style="list-style-type: none"> - Discovery Date: 1979 - Location: Atyrau - Operating Company: Tengizchevroil (1993) - PSA: 50/50 with government - Reserves: recoverable reserves estimated to be between 6-9 billion barrels. - Production: in 2005, 271,000 bbl/d of crude oil and condensate (21 % Kazakhstan's daily production)
The Karachaganak Field Note: Both oil and natural gas)	<ul style="list-style-type: none"> - Discovery Date: 1979 - Location: Western Kazakhstan - Operating Company: Karachaganak Petroleum Operating (KPO) - PSA: NA - Reserves: estimated recoverable reserves around 8-9 billion barrels of oil and gas condensate and 47 Tcf of natural gas
The Kashagan Field Note: production have not started yet. It was planned for 2008 but recently been declared that may not start till 2011.	<ul style="list-style-type: none"> - Discovery Date: 2000 - Location: Offshore, North Caspian - Operating Company: Agip KCO - PSA: NA - Reserves: recoverable reserves at 7-9 billion barrels
The Kurmangazy Field Note: located near three other fields where Russia has sovereignty over them	<ul style="list-style-type: none"> - Discovery Date: NA - Location: Off Shore, over the maritime border between Russia and Kazakhstan - Operating Company: KazMuniasGaz KMG - PSA: 50/50 - Reserves: NA

Source: (ICG, 2007, p. 7; EIA, 2006.

Appendix B Product Sharing Agreements's in Kazakhstan

Name of Field/Project	Project Partners	Estimated Reserves	Projected Investment	Project Status
Abai	Kazmunaigaz, Statoil	2.8 billion barrels of oil		Kazmunaigaz signed a MOU with Statoil. A PSA is expected to be signed in 2007
Aktobe	CNPC Aktobemunaigaz (88%), (within Block ADA partners include Korean National Oil Corp (KNOC), LG International Corp, Vertom)	1.17 billion barrels of oil	\$4.1 billion	Producing 116,660 bbl/d of oil (2005), 69.6 Bcf/y of natural gas (2005)
Arman	Nelson Resources, Canada (50%); Shell (50%)	10.8 million barrels of oil		Produced 3,600 bbl/d of oil, 852 thousand cubic feet (mcf) of gas in 2005
CPC: (Tengiz-Novorossiysk Pipeline)	Caspian Pipeline Consortium (CPC): Russia 24%; Kazakhstan 19%; Chevron (U.S.) 15%; LukArco (Russia/U.S.) 12.5%; Rosneft-Shell (Russia-U.K./Netherlands) 7.5%; ExxonMobil (U.S.) 7.5%; Oman 7%; Agip/Eni (Italy) 2%; BG (U.K.) 2%; Kazakhstan Pipeline Ventures LLC 1.75%; Oryx 1.75%	990 mile oil pipeline from Tengiz oil field in Kazakhstan to Russian's Black Sea port of Novorossiisk; Phase I capacity: 565,000 bbl/d; Phase II capacity: 1.34 million bbl/d (2015)	\$2.6 billion for Phase 1; \$4.2 billion total when completed	First tanker loaded in Novorossiisk (10/01); exported 450,000 bbl/d in 2004, Target expansion to to 1.3 million bbl/d
Darkhan	Kazmunaigaz (Kaztransgas), possibly Chinese consortium including CNPC, and Repsol	11 billion barrels of oil		Negotiations still underway with PSA to be signed in 2007. Located between the two offshore fields of Kurmangazy and Karazhambas

Egizkara	LG Internatinal Corp (50%), Others	200 million barrels of oil		Exploration beginning in October 2006 with drilling starting in late 2007
Emba	Kazakhoil-Emba (Kazmunaigaz subsidiary) 51%, MOL Rt, Vegyepszer (Hungary) combined 49%	500 million barrels of oil		Producing 57,700 bbl/d of oil (2004); produced 3.1 Bcf of natural gas (2004)
Istatai	Undisclosed	1.75 billion barrels of oil		Negotiations with undisclosed partner continuing, PSA expected in 2007
Karachaganak	Karachaganak Integrated Organization (KIO): Agip (Italy) 32.5%; BG (U.K.) 32.5%; Chevron (U.S.) 20%; Lukoil (Russia) 15%	2.3-6 billion recoverable barrels of oil & gas condensate reserves; 16-46 Tcf of recoverable natural gas reserves	\$4 billion for Phase Two (completed in 2004)	Producing 202,900 bbl/d, 1.1 mmcf/d natural gas (2005), 70% of oil exported through CPC
Karakuduk	Lukoil	Total estimated proved plus probable reserves of approximately 63 million barrels	\$190 million through 200 with \$170 million expected between 2006-2010	Producing 10,076 bbl/d of oil; produced 4.8 mmcf/d natural gas (2005)
Karazhanbas	Nations Energy	400 million barrels of oil	\$250 million since 1997, \$120 million in 2005	Producing 44,800 bbl/d (2005), (80-90 thousand bbl/d planned in next 2 years); produced 1.8 mmcf/d natural gas (2005)

Kashagan	Agip Kazakhstan North Caspian Operating Company (Agip KCO) (formerly OKIOC): Eni, Total, ExxonMobil, and Shell (18.52%), ConocoPhillips (9.26%), Kazmunaigaz (8.33%), Inpex (8.33%)	9 billion to 13 billion recoverable (up to 38 billion probable)	Originally costed at \$29 billion but estimates put final total approaching \$50 billion	Production starting no sooner than 2009 (initial production slated for 75,000 bbl/d, max 1.2 million bbl/d by 2013)
Kazgermunai	Petrokazakhstan (25%), Kazmunaigaz 50%	100 million barrels of oil	\$300 million	Produced 37,300 bbl/d of oil; 32 mmcf/d of natural gas (2005)
Khvalinskoye	Kazakhstan and Russian JV	400 million barrels of oil 12.3 trillion cubic feet of natural gas	\$3.5 billion for petrochemicals plant.	Field is located on the Kazakh-Russian border in the Caspian Sea and is Russia's jurisdiction
Kumkol (North)	Turgai Petroleum: Petrokazakhstan (50%), and Lukoil (Russia)	97-300 million barrels of oil		Producing 60,000 bbl/d of oil, 18.3 mmcf/d of natural gas (2005), Legal dispute between PKZ and Lukoil has stopped production in the past
Kumkol South and South Kumkol	PetroKazakhstan Kumkol Resource (PKKR), wholly owned by PetroKazakhstan	116 million barrels of oil		Producing 62,000 bbl/d of oil, 18.1 mmcf/d of natural gas (2005); Development of export pipeline infrastructure will allow for production growth
Kurmangazy	Kazmunaigaz (50%), Rosneft/Zarubezhneft (50%). Total will receive equity stake in Kazmunaigaz's share.	2.2-8.8 billion barrels of oil		Russia and Kazakhstan recently agreed to PSA; Start date of 2009, Rosneft reports first assessment well drilled yielded disappointing results

Mangistau	Mangistaumunaigaz (Kazmunaigaz subsidiary)	1.4 billion barrels of oil		Producing 113,200 bbl/d of oil, 33.3 mmcf/d of natural gas (2005)
North Buzachi	Lukoil (50%), China National Petroleum Corp. (50%)	1 to 1.5 billion barrels of oil	Over \$800 million	Producing 15,000 bbl/d of oil, 4.5 mmcf/d of natural gas (2005), Accelerated development plan approved in 2004
Nursultan ("N" Block)	Possibly ConocoPhillips, Shell, Kazmunaigaz	4.65 billion barrels of oil		PSA negotiations expected to be completed during 2006
Satpayev	Kazmunaigaz, Oil and Natural Gas Corp. (ONGC)	1.85 billion barrels of oil		PSA expected to be signed in 2007
Tengiz	TengizChevroil (TCO): Chevron (U.S.) 50%; ExxonMobil (U.S.) 25%; Kazmunaigaz 20%; LukArco (Russia) 5%, discovered in 1979, agreement signed in 1993	9 billion barrels of oil	\$23 billion over 40 years	Producing 271,000 bbl/d of oil (2005); expected max production of 1 mill. bbl/d by 2012; produced 580 mmcf/d of natural gas in 2005
Tsentralnoye	Kazmunaigas, Gazprom, Lukoil	N/A	N/A	PSA still being negotiated. Field is in Russian sector of Caspian
Tyub-Karagan	Lukoil	7 billion barrels of oil		2006 exploration well yielded disappointing results. Second delayed until 2008

Uzen	Uzenmunaigaz (Kazmunaigaz subsidiary) 100%	147 million barrels of oil	--	Producing 127,000 bbl/d of oil (2004), 29.8 Bcf of natural gas (Jan-Sep 2004), 30% improvement from 2003 from advanced technologies
Zhambyl	Kazmunaigaz (73%), Korean National Oil Consortium (27%) KNOC: KNOC (35%), SK Corp (25%), LG Corp (20%), Daesung and Samsung (10% each)	1.26 billion barrels of oil	--	KNOC and Kazmunaigaz to be joint operators. Full scale exploration and drilling to begin in January 2007.
Zhemchuzina (aka Pearls Block)	Shell (55%), Kazmunaigaz (25%), Oman Oil Company (20%)	733 million barrels of oil		Plan to set up a joint operating company by the end of 2006 with Shell financing 100% of the appraisal program

Source: Energy Information Administration, October 2006

Appendix C. Report on revenue and usage of National Fund of the Republic of Kazakhstan on May 1

№	Name	Sum, thousands of Tenge
1.	National Funds Means (further- the Fund) as of the Beginning of the Reporting Period, total*:	1 853 398 392
2.	Receipts, total:	370 625 675
	including:	
	- direct taxes levied on oil sector enterprises (except for taxes to the local budgets)	368 751 317
	including:	
	corporate income tax	195 600 136
	excess profits tax	109 595 963
	bonuses	3 549 882
	Royalties	48 054 706
	the portion of the Republic of Kazakhstan with respect to production sharing under concluded contracts	11 610 645
	the rent tax on exported crude oil and gas condensate	339 985
	-receipts from privatization of state property being in the republican ownership and belonging to mining and processing branches	1 620
	- receipts from sale of agricultural land	1 872 738
	- investment income from the National Fund management	0
	- other receipts and income not forbidden by the legislation of the Republic of Kazakhstan	0
3.	Application, total:	37 026 350
	including:	
	- guaranteed transfers	37 000 000
	- targeted transfers	-
	- expenditures connected with the National Fund management and conducting annual external audit	26 350
4.	Fund\'s means as of the end of the reporting period, total:	2 186 997 71

Note: * Minus accounts receivable amounting to 376 thous. Tenge refunded by the National Bank of the Republic of Kazakhstan in 2006 to the account of the National Fund of the Republic of Kazakhstan.

Source: Kazakhstan Ministry of Finance, www.minfin.kz, retrieved on June 2, 2007

Appendix D. TURKISH SUMMARY

KAZAKİSTAN’DA PETROLÜN EKONOMİ POLİTİĞİ

Uluslararası sistemin mantıkla hareket eden aktörleri olarak devletler, çok uzun bir süreden beri uluslararası ilişkilerin esas çalışma konusu olmaya devam etmektedir. Sovyetler Birliği’nin dağılışı; biz uluslararası ilişkiler öğrencilerine kanıtlamıştır ki, devletleri değiştirilemez birer “kara kutu” olarak kabul etmek yerine; onları, iç dinamiklerine de önem verip anlamaya çalışmak gerekmektedir. Ancak Sovyetler Birliği’nin dağılışının uluslararası ilişkiler çalışmalarına yaptığı tek katkının bu olduğunu varsaymak doğru değildir. Sovyetler Birliği’nin dağılışı, aynı zamanda, değişik; etnik, demografik, coğrafik ve ekonomik gerçekliklere sahip yeni birçok devleti de ortaya çıkarmıştır. Bu yeni bağımsızlığını kazanan devletlerle ilgili olarak karşımıza çıkan en ilginç nokta ise ekonomi politik çalışmaları açısından daha önce karşılaşmadığımız yeni olanaklar sunmasıdır.

On altı yıllık bağımsızlığın ardından Kazakistan, uluslararası arenada, demokratik gelişme açısından pek de parlak olmayan bir tablo çizmektedir. Ancak bu durum ekonomik gelişme açısından tam tersi bir şekilde seyretmiştir. Ülkenin sahip olduğu zengin petrol yataklarının bu gelişmede önemli bir rol oynadığı yadsınamaz. Bağımsızlığın hemen ardından sahip olduğu petrol kaynakları sayesinde; Kazakistan, uluslararası arenada popülaritesi yüksek bir ülke haline gelmiş ve hatta “Orta Asya’nın incisi” olarak anılmaya başlamıştır. Uluslararası aktörlerin artan bu ilgisi, Kazakistan’da devlet oluşturma süreci ile aynı zamana denk gelmektedir. İşte bu nedenle Kazakistan’ın da diğer petrol

devletleri ile benzer bir kaderi paylaşıp, onların yaşadığı çelişkilerin bir benzerini yaşayıp yaşayamayacağı tartışılmaya başlanmıştır.

Bu çalışma, Sovyet sonrası dönemde bağımsızlığını kazanmış devletlerden biri olan Kazakistan'ı incelemektedir. Özellikle bağımsızlık sonrası dönemde büyük ölçüde ülkede bulunan petrol kaynakları sayesinde uluslararası arenada popülaritesi yüksek olan Kazakistan'da petrolün ekonomi politiğinin incelenmesi çalışmanın ana konusunu oluşturmaktadır. Bu bağlamda, çalışma boyunca üç ana literatürden faydalanılmaktadır. İlk olarak; bu çalışma, var olan petrol üretici devletlerin tecrübelerine dayanarak geliştirilen ve “rantçı devlet” adıyla bilinen literatürden faydalanmaktadır. Ancak, söz konusu literatür kullanışlı bir çerçeve çizilmesine yardımcı olsa da Sovyet sonrası Kazakistan'da var olan petrolün ekonomi politiğini tam olarak anlatmakta eksik kalmaktadır. İşte tam bu noktada, bu çalışma, Sovyet sonrası dönüşüm ve eleştirel jeopolitik literatürlerini de kullanmayı uygun bulmaktadır.

Bu yaklaşımın geliştirilmesindeki en büyük neden; diğer tüm petrol üretici devletlerden farklı olarak, gerek sosyal ve tarihsel, gerekse de siyasal ve ekonomik altyapı olarak Kazakistan'ın kendine has bir örnek olarak ortaya çıkmasıdır. Bu noktada; bu çalışma, rantçı devlet literatürünün Kazakistan'daki petrolün ekonomi politiğini anlamada faydalı bir altyapı sunacağını, ancak aşağıda belirtilen noktalarda yetersiz kalacağını savunmaktadır:

Öncelikle, diğer petrol üreten devletlerin tecrübelerine bağlı olarak geliştirilen rantçı devlet literatürü, sadece petrolün, söz konusu devletin ekonomisine girdiği dönem ve sonrasını incelemekte, ne yazık ki petrol öncesi döneme bakmamaktadır. Aslında literatürün bu eksikliği daha önce Chaudry (1989) ve Crystal (1990) tarafından da eleştirilmiş ve petrol öncesi var olan kurumlar ve bunların kapasiteleri konusunda yapılan çalışmaların yetersiz olduğu vurgulanmıştır. Bunlara ek olarak, son dönemlerde Smith (2004) ve Bayülgen (2005) de bu noktaya dikkat çeken makaleler yazmışlardır. Ancak Kazakistan örneği göz önünde bulundurulduğu zaman, literatürün tarihsellik konusundaki eksikliği yeni bir boyut kazanmaktadır. Çünkü Kazakistan örneğinde, petrolün

ekonomi politiđini anlamak için Sovyet sonrası Kazakistan'ı tek bir birim olarak kabul etmek ve sadece Kazakistan birimi içerisinde petrolün ekonomiye girdiđi dönem öncesine bakmak yeterli deđildir. Kazakistan özelinde petrolün ekonomi politiđini anlamak için sadece petrol öncesi döneme bakmak yeterli olmadığından, Kazakistan bađımsızlığını kazanmadan önce ülkenin bir parçası olduđu Sovyetler Birliđi dönemine de bakıp, o dönemde kurulan yapı ve kurumlardaki devamlılık ve deđişimi petrol gelirlerinin yarattıđı dinamiđe de bakarak incelemek gerekir.

İkinci olarak, petrol öncesi döneme ait kurumsal at yapıyı anlamanın yanında siyasi liderliklerin karar verme süreçlerindeki yapısal devamlılıklara ve deđişime de bakmak, petrol üreten bir devletin ekonomi politiđini anlamakta faydalı ipuçları sağlamaktadır. Bu durum Kazakistan özelinde, özellikle bađımsızlık sonrası dönemde eski Sovyet siyasi seçkinlerinin ülkenin yeni siyasi seçkin grubunun temelini oluşturduđu gerçeđi düşünülürse, çok daha büyük önem kazanmaktadır.

Kazakistan'da; Sovyet sonrası dönemde, petrolün ekonomi politiđine yönelik olarak yapılacak olan analizlerde, petrol üreten devletler hakkında var olan literatürdeki tarihsellik eksikliđinin giderilmesine ilişkin olarak Sovyet döneminin söz konusu ülke üzerindeki tarihsel mirasına siyasal, ekonomik ve toplumsal açılardan bakmakta fayda vardır. Bu noktada, Sovyet sonrası dönemde bađımsızlığını kazanan devletler ile ilgili olarak yapılan birçok çalıřma sonucu ortaya çıkan Sovyet sonrası dönüşüm literatürünün, Kazakistan'da petrolün ekonomi politiđi çalıřılırken rantıye devlet literatüründeki tarihselcilik açığına kapatmayı sağlayacađı ve yapılacak olan analizin daha bütünlüklü bir hal almasına faydalı olacađı savunulmaktadır. Bu çalıřmada; petrolün, Kazakistan üzerindeki etkilerine yönelik olarak, rantıye devlet literatüründe eksik olduđu daha önce de vurgulanan tarihsellik eksikliđi argümanı bir adım daha ileriye götürülerek, tarih dışılık sadece tek bir devleti birim olarak kabul ederek deđil, söz konusu devletten önce var olan bir başka devlete ve yeni devlete miras olarak geçen kurum ve yapıların devamlılıđına etkilerinin tartıřılmasının da gerekliliđi vurgulanmıřtır.

Kazakistan'da petrolün ekonomi politiğini çalışırken; tarihsel bir boyut eklemek, özellikle petrolün Sovyet sonrası dönemde ekonomik, toplumsal ve siyasal hayata etkilerini anlamakta önemli rol oynamaktadır. Bu sayede petrol gelirleri ekonomiye dahil olduktan sonra, ekonomik, siyasal ve toplumsal kurumların yapısındaki devamlılık, değişme ve yeniden yapılanma gözlemlenebilecek ve Kazakistan'da petrolün ekonomi politiği daha iyi algılanabilecektir.

Diğer petrol üreten devletlerin tecrübelerinden faydalanılarak bağımsızlık sonrası dönemde Kazakistan'da yaşanan; bazı toplumsal, ekonomik ve siyasal gelişmeler hızlı ve beklenmedik bir şekilde ülke ekonomisine dahil olan petrol gelirlerine bağlanabilir. Ancak; özellikle çok farklı siyasal, toplumsal ve ekonomik gerçeklerin hakim olduğu bir tarihsel geçmişe sahip olan Kazakistan örneğine bakıldığında ve ülkede yaşanan gelişmeler bu tarihsellik içinde incelendiğinde, ilk bakışta bu gelişmelerin sebebi petrol gelirleri olarak görüle bile, ortaya çıkan son durum her zaman petrol gelirlerinden kaynaklanmayabilir. Örneğin, çoğu zaman ekonomiye akan petrol gelirleri, üretici devletleri ekonomideki en büyük ve önemli karar verici aktör haline getirip bağımsız piyasa güçlerinin gelişmesini engellemektedir. Ancak Kazakistan örneğine baktığımız zaman devletin ekonomideki etkin rolünün petrolün ekonomiye girişinden çok daha önce başladığını görmek mümkün. Sovyet dönemi tecrübelerinin ve alışkanlıklarının bir devamı olarak bağımsızlık sonrası Kazakistan'da devletin ekonomideki etkin rolü devam etmiş ve petrol gelirleri de bu pratiğin pekiştirilmesini ve devam ettirilmesini sağlamıştır.

Ayrıca geçmiş tecrübelerle bakıldığı zaman, petrol gelirlerinin olağanüstü fazla olması üretici devletlerin toplumlarında çarpıklaşmaya ve yolsuzluk davranışlarının gelişmesine ve artmasına yol açmaktadır. Kazakistan örneğine bakıldığı zaman yolsuzluğun Sovyet döneminden getirilen bir alışkanlık olduğunu ve petrol gelirlerinin de bu alışkanlığın sürdürülmesinde etkili olduğunu gözlemlemek mümkün. Bununla birlikte siyasi katılımın azlığı da diğer petrol üreten devletlerin tecrübeleri ışığında değerlendirildiği vakit, gelir patlamasının bir sonucu olarak görüle bile, Kazakistan'da yaşanan siyasi katılım ve muhalefet eksikliğini Sovyet döneminden getirilen alışkanlıklar olarak

saymak mümkündür. Bununla birlikte, yine de bağımsızlık sonrası dönemde liderlerin eline geçen muazzam miktardaki gelirlerin, bu alışkanlıkların devam etmesine yardımcı olduğunu vurgulamakta fayda vardır.

Rantiye devlet literatüründe petrol gelirlerinin artması ile birlikte, üretici devletlerin yönetimlerinin, devlet içi kaynaklardan gelir toplama ihtiyacından kurtulduğunu ve bununla birlikte halktan uzaklaştığı vurgulanmaktadır. Bununla birlikte devlet tarafından sağlanan bir takım kamu hizmeti desteklerinin artması ve vergi ödememe gibi unsurlara bağlı olarak halk da aynı şekilde siyasetten uzaklaşmıştır. Geçmişteki Sovyet tecrübesi mirasının devamı ve petrol ekonomilerinin kendine özgü etkilerinden dolayı, bağımsızlık sonrası Kazakistan'da, bir siyasi katılım ve muhalefet kültürü gelişmesi ne yazık ki mümkün olamamıştır. Ancak bu noktada belirtilmesi gereken önemli bir husus vardır. Bu da, Sovyet sonrası bağımsızlığını kazanan devletlerin büyük bir çoğunluğu göz önünde bulundurulduğunda söz konusu durumun sadece Kazakistan veya Hazar bölgesindeki diğer petrol üretici devletlere has bir durum olmadığı, diğer Sovyet sonrası devletlerde de siyasi katılımın ve muhalefet kültürünün geliş(e)memiş olduğunu gözlemlemenin mümkün olmasıdır. İşte bu yüzden, bu kültürün Sovyet sonrası Kazakistan'da eksikliğini tamamıyla petrol gelirlerinin varlığına bağlamak, yanıltıcı ve eksik sonuçlara varmak olacaktır.

Yukarıda; rantiyeli devlet literatüründeki problemlere işaret ederken değinilen iki noktaya ek olarak, söz konusu literatürdeki devlet algısının esas analiz ünitesi olarak ortaya çıkmasından kaynaklanan analiz eksikliklerini sıralamak mümkündür. Rantiye devlet literatüründeki çalışmalarda devlet, esas araştırma birimi olarak ele alınmakta ve devletin uluslararası sistemin bir parçası olduğu olgusu gözden kaçırılmaktadır. Bu da petrol üreten devletin, dış dünya ile ilişkilerini çoğu zaman uluslararası petrol piyasalarındaki fiyat değişiklikleri ve süper güçlerin mücadelesi ile sınırlı kılmaktadır. Kazakistan'da petrolün ekonomi politiği üzerine daha geniş bir resim çizilebilmesi için ülkenin dış dünya ile ilişkilerine daha detaylı olarak bakmamız gerekmektedir. Bu noktada; bu çalışma, petrol üreten devletler ile ilgili analizlerin, devletin içinde bulunduğu küresel dinamiklere bağlı olarak yapılmasının önemine vurgu yapmakta ve

analizin tamamlayıcı olabilmesi için mutlaka küresel unsurların da analize dahil edilmesi gereğine dikkat çekmektedir.

Kazakistan'ın bağımsızlığını kazandığı dönemde, ülkelerin birbirlerine ve diğer aktörlere karşı olan bağımlılığı uluslararası arenada en üst düzeyde gözlemlenmekteydi. Bu nedenle Sovyet sonrası Kazakistan üzerine yapılacak olan herhangi bir analizin, söz konusu küresel dinamiklerden ve bağımlılıklardan arınmış bir şekilde yapılması mümkün değildir. Bu noktada; bu çalışma, Kazakistan'daki petrolün ekonomi politiğini anlamada jeopolitik bir yaklaşım benimsenmesinin faydalı olacağını savunmaktadır. Ancak; söz konusu jeopolitik yaklaşım, geleneksel anlamda kendini gösteren jeopolitik analizin, devlet ve coğrafya ilişkisi bağlamından sıyrılıp kritik jeopolitik literatürünün katkılarından da yararlanmayı önermektedir. Çünkü, geleneksel jeopolitik yaklaşım da tıpkı rantıye devlet literatürünün gözden kaçırdığı gibi devlet ve coğrafyaya bağımlı olmayan bir takım küresel dinamiklerin etkisini gözden kaçırmaktadır. Bu noktada; bu çalışma, özellikle devlet dışı unsurları da analize dahil edebilmek amacı ile eleştirel jeopolitik literatüründe yer alan çokluk varsayımını da Kazakistan'da petrolün ekonomi politik analizine dahil etmeyi gerekli görmektedir. Bu da geleneksel anlamda devletler ve onlarla olan ilişkilere bakarken devlet dışı aktörlerin ve birbirleri arasında var olan çok yönlü ilişkilerin incelenmesi anlamına gelmektedir. Burada bahsi geçen çok yönlü ilişkileri, devletlerarası ilişkiler, uluslararası örgütlerle ilişkiler, devlet bürokratlarının diğer devletlerdeki bürokratlarla ilişkileri, akademisyen ve benzeri grupların diğer devletlerdeki muadilleri ile ilişkileri ve söz konusu devletin küresel medya gibi ulus ötesi küresel faktörlerle ilişkileri ve etkileşimi olarak sıralamak mümkün. Kazakistan özelinde düşünüldüğü zaman, özellikle ülkenin petrol rezervlerine ve yatırım ortamının güvenilirliğine yönelik olarak çıkan akademik yazılardan gazete makalelerine, ülke liderliğinin dış dünyadaki imajına yönelik olarak düzenlendiği halkla ilişkiler kampanyalarına kadar geniş bir yelpazeden bahsetmek mümkündür.

Özetle, bu çalışma Kazakistan'da petrolün ekonomi politiğinin incelenmesi için üç yönlü bir analiz önermektedir. Buna göre bu çalışmanın çerçevesi ilk olarak

Kazakistan'da Sovyet dönemi ve bağımsızlık sonrası ortama etkileri, ikinci olarak petrol gelirlerinin bağımsızlık sonrası Kazakistan'daki; ekonomik, toplumsal ve siyasi etkileri, son olarak da küresel ekonomi politikte Kazakistan'ın yeri olarak belirlenmiştir.

Sovyet döneminde Kazakistan ve diğer Sovyet devletlerinin temelini oluşturan siyasal, ekonomik ve toplumsal yapı bağımsızlık sonrası dönemde de yeni devletin yapısında kendini hissettiren yapısal bir miras olarak ortaya çıkmaktadır. Bu çalışma, bağımsızlık sonrası dönemde her üç alanda da devam eden Sovyet etkilerine vurgu yapmaktadır. Çalışma; böylesi bir vurguyu, bağımsızlık sonrası dönemde ortaya çıkan petrol gelirlerinin etkilerini daha iyi anlamaya yönelik bir altyapının hazırlanması gereği olarak görmektedir.

Bu çalışmada; Kazakistan'da petrol gelirlerinin bağımsızlık sonrası yapıya etkilerini anlamak ve diğer petrol üreten devletler ile arasındaki benzerlik ve farklılıkları gözlemleyebilmek açısından rantiyeye devlet literatürünün varsayımlarını sorgulamaya başlangıç noktası olarak kabul etmek uygun görülmüştür. Bu doğrultuda; çalışmanın bu kısmıyla ilgili araştırma çerçevesi rantiyeye devlet literatürünün varsayımlarından hareketle, üç boyutlu olarak ekonomik, toplumsal ve siyasal boyutlar olarak sıralanmıştır. Bu doğrultuda; her üç boyut için de, diğer petrol devletlerinin tecrübelerinin anlatıldığı ve yaşanan sıkıntılarının işaret edildiği geniş yelpazeli bir literatür taraması sonucu her üç boyut için de ayrı ayrı varsayım grupları belirlenmiştir. Literatür taraması sonucu belirgin bir şekilde ortaya çıkan ekonomik alana ilişkin varsayımları şöyle sıralamak mümkündür: 1) Petrol üreten devletlerde, devlet gelirinin büyük bölümü devlet dışı kaynaklardan elde edilmektedir; 2) Petrol kaynaklarının satılması sonucu elde edilen büyük miktarlardaki gelirler, üretici devletleri ülke içi çeşitli üretim kaynaklarını mobilize ederek yerel düzeyde gelir elde etme ihtiyacından ve zorunluluğundan kurtarmaktadır; 3) Petrol üreten devletlerin büyük bir çoğunluğunda, petrolden elde edilen gelir diğer gelir kaynaklarının çok üstündedir ve söz konusu ekonomiye akmaya başladıktan sonra petrol dışı diğer sektörlerin neredeyse tamamen yok olduğunu gözlemlemek mümkündür; 4) Ülkeye giren büyük miktardaki yabancı sermaye sayesinde üretici devletin

yerel para birimi değer kazanmaktadır ve bunun sonucunda ülke Hollanda Hastalığı diye tanımlanan yüksek para biriminin neden olduğu önemli ekonomik problemler yaşamaya başlar, petrol dışı sektörlerde yabancı yatırım eksikliğini bu duruma uygun bir örnek olarak göstermek mümkündür; 5) Petrol gelirleri, devlet liderliğinin kısa dönemli büyük bütçeli programlar geliştirmesine imkan tanımakta ve böylelikle uzun dönemli gelişme programları göz ardı edilmektedir; 6) Çoğunlukla yabancı sermaye ve onların petrol sektöründe yoğunlaşması nedeniyle petrol üreten devletlerde özel sektörün yapısı, zamanla değişiklikler göstermektedir.

Literatürde ortaya çıkan ikinci grup olarak sosyal alanda rantıye devletin petrol üreten ülkelere yönelik olarak ortaya attığı varsayımları şöyle sıralamak mümkündür: 1) Yüksek miktarlarda petrol gelirlerinin ekonomiye girmesi ile birlikte üretici devletin toplumsal yapısı çarpıklaşmakta, ahlaki yozlaşma ve rüşvet giderek artan hal almaya başlamaktadır. Bununla beraber, devlet liderlikleri ile paralel bir şekilde ülkedeki bireyler de kendileri için çıkar sağlamaya yönelik eğilimler geliştirmekte ve hatta çoğu zaman vatandaşlık bile kendi başına rant sağlama unsuru haline gelmektedir; 2) Üretici devletlerde petrol gelirleri iki çeşit sosyal grubun ortaya çıkmasına yol açmaktadır. Bunlardan birincisi; ülke vatandaşlarının oluşturduğu ve genellikle üretim süreçlerinde yer almadan zenginliklerden pay elde eden bir zengin sınıf ve ikincisi ise ülkeye çalışmak için yurt dışından gelen diğer ülke vatandaşlarından oluşmaktadır; 3) Petrol gelirleri patrimoniyal bir toplum yapısının gelişmesine ve korunmasına yol açmaktadır.

Üçüncü olarak ise rantıye devlet literatüründeki siyasal varsayımları şu şekilde sıralamak mümkündür: 1) Yerel kaynakları etkinleştirerek –örneğin etkin bir vergilendirme sistemi geliştirerek- gelir elde etme ihtiyacından kurtulan devlet liderlikleri kendilerini toplumlarının siyasal baskısı ve etkisinden bağımsız olarak hareket edebilir hissetmektedir; 2) Petrol üreten devletlerdeki toplumlar, siyasal ilgisizlik geliştirmektedirler ve liderlerin aldığı kararlara -mantıksız olsalar bile- tepki göstermemektedirler; 3) Petrol üreten ülkelerde, devlet hazinelerine akan petrol gelirlerinin kontrolü, ülke liderliğinin toplumlarından

kopmasına baęlı olarak küçük ve çok sınırlı bir seçkinler grubunun kontrolüne geçmektedir; 4) Devlet liderlikleri devlet oluşturma süreçlerinde ulusal efsaneler yerine ataerkil liderlik çerçevesinde siyasetlerini belirlemektedirler. Bunun en büyük sebebi ulusal efsanelerin tüm ulusun ortak mirası olması ve bu efsanelerde hak talep edebilecek olan olası muhalif grupların liderlięin güçlerinin zayıflamasına yol açma ihtimalinden korkulması olarak vurgulanabilir; 5) Petrol gelirleri üretici devletlerin liderliklerinde yüksek miktarda güvenlik harcaması içine girme ihtiyacı doğurmaktadır. Bu güvenlik harcamaları çoęu zaman hem içte muhalefete yönelik korunma ihtiyacından hem de ülkenin sahip olduęu doğal zenginlikleri dış tehditlerden koruma ihtiyacından ortaya çıkmaktadır; 6) Devlet geliri için dış kaynaklara baęımlılık, devlet dışı dinamiklere kırılganlıęın gelişmesine yol açmakta ve çoęu zaman liderlięin dış dinamiklere baęımlı olarak karar vermelerini gündeme getirmektedir. Uluslararası petrol piyasasındaki iniş ve çıkışları, bu gibi durumların ortaya çıkışına örnek olarak göstermek mümkündür.

Rantiye devlet literatürü temelinde; bu çalışmadaki analizin çıkış noktası, olarak oluşturulan bu çerçeve Kazakistan'da petrolün Sovyet sonrası dönemde ekonomik siyasal ve toplumsal etkilerini ve söz konusu alanlardaki devamlılık ve deęişiklikleri gözlemlemeye ve tespit etmeye yardımcı olmaktadır.

Bu çalışma için hem birincil hem de ikincil kaynaklar kullanılmıştır. İkincil kaynaklar için gerçekleştirilen kütüphane araştırması Ankara, Amerika Birleşik Devletleri ve İngiltere'de gerçekleştirilmiştir. Ankara'da gerçekleştirilen üniversite kütüphaneleri araştırmalarına ek olarak 2003 yılında Amerika'da sekiz ay boyunca Boston Üniversitesi ve Harvard Üniversitesi kütüphanelerinde çalışma yapılmıştır. Daha sonra 2006 yılında ikincil literatürdeki güncelleme 6 hafta boyunca Oxford Üniversitesi'nde misafir araştırmacı olarak bulunan dönemde tamamlanmıştır. Belirtilen iki araştırma döneminde de söz konusu üniversitelerdeki ilgili akademisyenlerle çalışmanın çeşitli aşamaları ile ilgili görüşmeler yapılmıştır. Çalışma ile ilgili birincil kaynaklar Kazakistan'a 2003, 2004 ve 2005 yıllarında düzenlenen üç araştırma ziyareti ile gerçekleştirilmiştir. Bu ziyaretlerde gözlemlerin yanı sıra, siyaset yapımcılar, yerel ve uluslararası sivil

toplum temsilcileri, yerli ve yabancı iş adamları, hukukçular, akademisyenler ve öğrenciler ile görüşmeler gerçekleştirilmiştir.

Yukarıda belirtilen araştırma çerçevesine bağlı olarak Kazakistan'da petrolün ekonomi politiği incelendiği vakit, petrolün Sovyet sonrası dönemde ülkedeki ekonomik siyasi ve sosyal etkilerine dair üç ana boyutun varlığından söz etmek mümkündür:1) Eskiden (Sovyet döneminden) var olan kurumların bağımsızlık sonrası dönemde ülkeye akan petrol gelirleri sayesinde sağlamlaşması; 2) Eskiden var olan kurumların Sovyet sonrası dönemde değişime uğrayarak yeniden yapılandırılması 3) Daha önce var olmayan ve bağımsızlık sonrası koşulların gerekli kıldığı yeni kurumların ortaya çıkması.

Birinci olarak, bu çalışmada yapılan analizler göstermiştir ki Sovyet sonrası dönemde var olan sisteme dahil olan petrol gelirleri; bir takım sosyal, ekonomik ve siyasal yapıların ve kurumların güçlenmesine ve bağımsızlık sonrası dönemde de varlıklarını sürdürmesine yol açmıştır. Ekonomik alana bakıldığında, Kazakistan'daki liderliğin gündeminin en üst sırasında kapalı ve merkeziyetçi bir ekonomik sistemden piyasa ekonomisine geçişin yer aldığını görmek mümkündür. Bunu da kısaca Sovyet sonrası dönemde ülkedeki diğer alanlardaki, özellikle siyasi alandaki, tüm gelişmeleri bir yana bırakmak pahasına var olan eski ekonomik yapının tamamen ortadan kaldırılıp yeni dünya ile uyumlu bir yapı kurulmasının hedeflenmesi olarak özetlemek mümkündür. İlk başlarda Kazak liderliği, petrol gelirlerinin ekonomik dönüşümün lokomotif rolünü oynayacağına ve bu süreci kolaylaştıracağına inanmış ve politikalarını da buna göre şekillendirmiştir.

Ne var ki, günümüz Kazakistan'ına bakıldığında, ilk başlarda planlanan aksine, tıpkı Sovyet döneminde olduğu gibi devletin ekonomik karar verme süreçlerindeki esas aktör olarak kaldığını söylemek mümkün. Bağımsızlık sonrası Kazakistan ekonomisine akmaya başlayan petrol gelirleri devletin ekonomideki dominant kültürünü sürdürebilmesini sağlamıştır. Buna ek olarak, büyük miktardaki petrol gelirleri, karar verici olmanın yanı sıra devletin Sovyet döneminde de var olan gelir dağıtıcı rolünün de artarak devam etmesine yol

açmıştır. Ülkenin Sovyet sonrası dönemdeki gelişmesi ile ilgili raporlar hazırlayan Uluslararası Para Fonu (IMF) ve Dünya Bankası gibi uluslararası saygınlığa sahip kurumların analizlerine bakıldığında da Kazakistan ekonomisindeki en büyük sorunlardan birini; devletin “görünmez bir el olamaması” olarak tespit etmek mümkün. Bunun en büyük nedeni ise; petrolden elde edilen gelirlerin, boyutunun ülke liderliğini karar alma süreçlerinde toplumsal baskının etkisinden uzak tuttuğu ve hatta gelir kontrolünün çok sınırlı bir seçkinler gurubunun kontrolünde olması olarak gösterilmektedir. Sovyet sonrasında bağımsızlığını kazanan ve piyasa ekonomisini, kendine hedef olarak belirleyen Kazakistan’da devlet görünmez bir el olmaktan ziyade en güçlü ekonomik aktör olma rolünü devam ettirmekte ve piyasa ekonomisinin olmazsa olmazı olan bağımsız piyasa güçlerinin ortaya çıkıp gelişmesini engellemektedir.

Toplumsal alana bakıldığında, bağımsızlık sonrası dönemde varlıklarını sürdürmeyi başaran ve hatta sağlamlaştıran yapıların varlığına dikkat edildiği noktada ilk olarak karşımıza çıkan unsurun Kazakistan’daki toplumun çok etnikli yapısı olduğunu söylemek mümkündür. Bu noktada özellikle öne çıkan Rus ve Kazak etnik gruplarının varlığı büyük önem taşımaktadır. Sovyet sonrası dönemde bölgedeki komşu ülkelerde yaşanan ayrılıkçı eğilimler ve etnik temelde ortaya çıkan çatışmaların tam aksine, Kazakistan’da petrol gelirleri; ülke liderliğini, ülkenin, bütünlüğünü ve beraberliğini sağlayabilecek güçte kılmıştır. Ülkedeki Rus nüfusun neredeyse Kazak nüfusa eşit olması, aslında Sovyet sonrası Kazakistan’ın bütünlüğüne en büyük tehditlerden birini oluşturmakta idi. Bu bağlamda petrol gelirlerinin liderliğin hizmetine sunduğu gücün yanında, liderliğin, özellikle Rusya ile olan ilişkilerinde çok dikkatli davranması da bu olasılığın en aza indirgenmesinde önemli bir rol oynamıştır. Kazak liderliğinin Rusya ile ilişkilerinde, geçmişten gelen bağımlılığın ve ülkede bulunan büyük miktardaki Rus nüfusun oluşturduğu etkinin yanı sıra, yine petrol unsurunun bağlayıcılığının rolünü de göz ardı etmek mümkün değildir. Bunun en büyük nedeni, Sovyet döneminde geliştirilen petrol boru hattı sisteminin bağımsızlık sonrası dönemde Rusya’nın Kazak petrolünü dünyaya taşımadaki en önemli hat olarak etkisinin devam etmesidir.

Kazakistan’da toplumsal alana bakıldığı zaman, Sovyet yönetiminin özellikle Brezhnev ve sonrasına denk gelen son dönemlerine damgasını vuran yüksek orandaki yolsuzluk, Sovyet sonrası dönemde yüksek miktarda petrol gelirlerinin ekonomiye girmesi sayesinde hayatta kalmayı başaran bir diğer unsur olarak karşımıza çıkmaktadır.

Sovyetler Birliğinin son dönemlerinde yolsuzluk, Birliği oluşturan tüm devletlerde var olan unsurlardan biriydi. Sovyet sonrası dönemde özellikle Kazakistan gibi muazzam miktarda gelire kavuşan bir ülkede var olan yolsuzluk alışkanlığı devam etmiş ve hatta artmıştır. Özellikle petrole bağlı olarak ortaya çıkan yüksek miktarlardaki çıkar unsurları etkisini giderek artan seçkinler arası rekabet olarak göstermiştir. Bu rekabetin en olumsuz yanlarından biri olarak toplumun farklı kesimlerinden gelir grupları arasındaki uçurumdur.

Sovyet sonrası Kazakistan’da artan yolsuzluğa ve bu yolsuzluğun boyutuna ilişkin bir fikir sahibi olmak için “Kazakhgate” Skandalı diye tabir edilen ve devlet başkanının bile adının karıştığı olaya bakmak yeterli olacaktır. Söz konusu skandal patlak verdiğinde ortaya çıkmıştır ki üst kademe yönetimde bulunan isimler zengin petrol sahalarında araştırma imtiyazlarının çok uluslu petrol şirketlerinin kullanımına açılması karşılığında yüksek miktarda rüşvet almış ve bunları İsviçre bankalarında açtıkları şahsi hesaplarına yatırmışlardır.

Ekonomik ve toplumsal alandaki devamlılıklara ek olarak Kazakistan’da siyasal alanda bağımsızlık sonrası dönemde varlıklarını sürdürmeyi başaran yapılarla ilişkin de örnekler vermek mümkündür. Sovyet dönemine ait analizlere bakıldığında, batılı anlamda demokratik bir geleneğin veya böylesi bir yapı için gerekli olan kurumların var olmadığını gözlemlemek mümkündür. Sovyet sonrası dönemde ise, liderliğin, ekonomik dönüşümün gerçekleştirilmesini en büyük hedef olarak belirlemesiyle birlikte siyasal dönüşüm ve gelişme ikinci plana atılmıştır. Petrol gelirlerinin; liderliği oluşturan küçük bir grubun kontrolünde bulunması ise, bağımsızlık sonrası Kazakistan’da eski demokratik olmayan yapıların devam ettirilmesi için olanak sağlamıştır.

Sovyet geleneğinin bir temsilcisi olarak devlet başkanı Nazarbayev eskiden bir paçası olduğu demokratik olmayan düzende edindiği alışkanlıklarını bağımsızlık sonrası Kazakistan'a taşıdığını ve hatta elde ettiği yeni petrol gelirleri sayesinde bölgedeki diğer ülkelerin devlet başkanları ile karşılaştırıldığında, çok daha avantajlı bir konuma geldiğini söylemek mümkündür.

Ancak, buna bağlı olarak belirtilmesi gereken bir diğer husus ise güçlü devlet başkanlıklarının bölgedeki petrol geliri sahibi olmayan ülkelerde de devam ettiğidir. Bu da bizi şöyle bir gerçekle yüz yüze bırakmaktadır. Petrol gelirleri liderliğin gücünün sağlanmasına yol açmıştır. Ne var ki, ortaya çıkan demokratik olmayan görüntü petrol gelirlerinin etkisi sonucu olmaktan çok Sovyet döneminden getirilen alışkanlıkların bir devamıdır. Bütün bunlara ek olarak petrol gelirlerinin siyasi katılım eksikliğinin devamına katkı sağladığı ve güçlü bir muhalefet anlayışı ve grubunun ortaya çıkmasına engel olduğunu da söylemek mümkündür.

Bununla birlikte; Kazak liderliği, artan bir şekilde kişisel özgürlükler ve bağımsız medya gibi konularda kısıtlamalara gitmiş, liderlik ve toplum arasındaki farklılıklar gittikçe bir uçurum haline dönüşmeye başlamıştır. Aslında bunlar, Sovyet döneminde yaşanmış tecrübelerin bir uzantısı ve güçlenmesinin bir sonucuydu. Özetle, siyasal alanda Kazakistan'da Sovyet sonrası siyasal kültürün devamından bahsetmek mümkündür. Üstelik liderliğin hizmetinde bulunan petrol gelirleri, ellerindeki pazarlık payını arttırmıştır. Bölgedeki diğer ülkelerde peş peşe yaşanan renkli devrimler, Kazakistan'daki liderlik üzerinde baskı oluştursa da ülkede böyle bir hareketin gelişmesi mümkün olamamış ve petrolden elde edilen gelirin varlığı da liderliği herhangi bir muhalif olguya karşı korumuştur. Bununla beraber değişimin yaşandığı ülkelerde sivil toplum ve uluslararası bağlantılarının etkisini de dikkate alarak Kazak liderliği bu tarz örgütlere karşı sert önlemler almaktan da geri durmamıştır. Bunun en büyük örneği sivil toplum örgütleri ile ilgili yasada yapılan değişikliklerdir.

Sovyet sonrası Kazakistan'daki petrolün ekonomi politiğinin analizi sonucu ortaya çıkan ikinci boyut ise, var olan kurum ve yapıların yeniden oluşturulmasıdır. Bu boyutu da ekonomik, toplumsal ve siyasal açılardan bakıldığı vakit karşımıza aşağıdaki unsurlar çıkmaktadır.

Ekonomik alana bakıldığı zaman Sovyet sonrası dönemde yeniden yapılanan en önemli olgu, Sovyet sonrası Kazakistan'ın dış dünyaya olan bağımlılığıdır. Sovyet dönemi boyunca büyük bir birliğin parçası olarak tıpkı diğer parça devletler gibi; Kazakistan ekonomisi de tamamıyla Moskova'dan alınan kararlara ve geliştirilen politikalara bağımlı haldeydi. Buna bağlı olarak bu çalışmada Kazakistan'ın bu gün için gelişen petrol ekonomisinden dolayı yaşamakta olduğu dış dünyaya olan giderek artan bağımlılığının aslında yeni bir şey olmadığı ileri sürülmektedir. Moskova'yı etkileyen her şey Kazakistan'ı da etkilemiştir. Bu gün ise bağımsızlığını ilan ettiği halde Kazakistan hala daha Moskova'ya bağımlı haldedir. Ancak bugün, dünden farklı olarak, sadece Moskova, tek bağımlılık merkezi değildir, başka bağımlılık merkezleri de ortaya çıkmıştır. Bölge dışı devletleri, uluslararası organizasyonları, ve çok uluslu şirketleri, bu yeni bağımlılık merkezlerinin başlıcaları olarak sıralamak mümkündür.

Sovyet sonrası dönemde; Kazakistan'ın ekonomik dengeleri, hala dış dünyanın etkisine bağımlıdır. Bunun başlıca sebebi, küreselleşen dünyada birbirine bağımlı ekonomik ilişkiler, ve ülkenin karalarla çevrili coğrafik konumunun empoze ettiği koşullardır. Sahip olduğu petrolü dış piyasalara satabilmek için Kazakistan'ın dış dünya ile girift ilişkiler geliştirmesinin gerekliliği kaçınılmazdır.

Devletin, dağıtıcı fonksiyonu da bağımsızlık sonrası dönemde yeniden yapılanan kurumlardan biridir. Sovyet döneminde, devletin dağıtıcı özellikleri gelişmiş durumdaydı. Sovyet sonrası dönemde ise devletin yerel kaynaklardan gelir toplama kapasitesinin ortadan kalkmasına rağmen, petrol gelirleri Sovyet sonrası Kazakistan'da devletin dağıtım fonksiyonlarını devam ettirebilmesini sağlamıştır. Bunu; özellikle gaz, elektrik, ve telefon gibi bir takım kamu

hizmetlerinde sağlanan indirimlerle gerçekleştirmiştir. Ancak Sovyet dönemi ile karşılaştırıldığı vakit bu gün sağlık ve eğitim hizmetleri hala devlet tarafından sağlanıyor olsa da kalitelerinin eskisi kadar iyi olmadığını söylemek de mümkündür.

Ekonominin; petrol dışı sektörlerinin durumu ise Sovyet dönemi sonrasında yeniden yapılanma yaşayan unsurlar olarak karşımıza çıkmaktadır. Tüm Sovyet dönemi dikkate alındığı vakit, Kazakistan'da petrol sektörünün çok düşük bir profile sahip olduğunu ve hatta son yıllarına kadar neredeyse hiç gelişmemiş olduğunu söylemek mümkündür. Bununla birlikte Kazakistan ekonomisinde büyük bir rolü olan tarım ve endüstri sektörünün de Sovyet yönetiminin son dönemlerinde pek iyi durumda olmadığını, kötüleştiğini ve dünya ile rekabet edemeyecek bir üretim yapısına büründüğünü de söylemek mümkündür. Sovyet sonrası dönem, bu süreci hızlandırmış ve ekonomideki değişik sektörlerin yeniden yapılanmasına yol açmıştır. Geçmişin aksine petrol, ekonomideki en büyük sektör haline gelmiş ve zaten kötüleşen diğer sektörler iyice küçülmüştür.

Son döneme ait istatistiklere bakıldığında, Kazakistan'ın gelir vergilerinin yüzde doksan beşinin petrol gelirlerinden toplanan vergiler olduğu görülmektedir. Şüphesiz ki, uluslararası alanda rekabet gücüne sahip olmayan Kazakistan'ın petrol dışı sektörleri yabancı yatırımcılar için cazibe merkezi olmaktan uzaktır. Ancak bunun tek nedeni olarak hızla gelişen petrol sektörünü görmek tam anlamıyla doğru bir tespit değildir. Bağımsızlık öncesi dönemde, Sovyet ekonomisini her devletin ayrı bir fonksiyona sahip olduğu büyük bir makineye benzetmek mümkündür. Merkezi yönetim sisteminin dağılması, her devletin yalnız başına kalmasına ve tek başına bir anlamı olmayan makine parçalarına dönüşmelerine yol açmıştır. Bunun yanında Sovyet döneminin son yıllarında, dünyanın geri kalanı ile karşılaştırıldığı vakit ekonominin temelini oluşturan teknolojik ve bilgi altyapısının kötü durumda olması da bu soruna ayrı bir boyut kazandırmıştır. Yabancı yatırımcılardaki petrol dışı diğer bütün sektörlerle yönelik olarak yatırım yapma isteksizliği sadece Kazakistan için değil diğer bütün Sovyet sonrası bağımsızlığını kazanan devletler için de geçerlidir.

Bu nedenle petrol dışı sektörler'e yatırım eksikliği ve gelişme azlığını, sadece Kazakistan'a ve ülkenin sahip olduğu petrol gelirlerine bağlamak yanlış olacaktır. Üstelik bağımsızlık sonrası dönemde, Kazak liderliği diğer petrol devletlerinde yaşanan tecrübelerin sağladığı derslere dayanarak ekonomiyi çeşitlendirmek ve Kazak ürünlerinin uluslararası piyasalardaki rekabet gücünü arttırabilmek için Küme Geliştirme Projesi (Cluster Development Project)'ni ortaya atmışlardır. Bu proje ile Kazak ekonomisinde 1)Turizm; 2) Tarım; 3) Petrol ve Gaz Makineleri; 4) Kargo; 5) İnşaat malzemeleri; 6) Metalürji ve 7) Tekstil gibi sektörlerin geliştirilerek, rekabet güçlerinin arttırılması hedeflenmektedir.

Bütün bunlara ek olarak yabancı yatırımcıların Kazakistan'ın petrol dışı sektörlerine olan ilgisizliğini bir yandan da petrol gelirlerinin attırması sayesinde yükselen Kazak para birimi Tenge'nin değeri, ülkenin yatırım açısından cazibesini ortadan kaldırmaktadır.

Toplumsal alanda yeniden yapılanan kurumlara bakıldığı zaman, siyasi ve teknokrat saygınlığının yapısı en önemli örnek olarak karşımıza çıkmaktadır. Sovyet dönemi boyunca teknokratik ve siyasal saygınlık çoğunlukla etnik Ruslardan oluşmakta idi. Sovyet sonrası dönemde ise özellikle siyasal saygınlığın yapısında bir değişme gözlemlenmektedir. Bağımsızlık sonrası dönemde Kazakistan'daki önemli siyasal pozisyonlarda etnik Kazakların sayılarının arttığı gözlemlenebilmektedir. Teknokratları oluşturan saygınlığın ise çok etnikli bir yapıya sahip olduğunu söyleyebiliriz. Siyasi ve iş çevrelerindeki seçkinler; devlet başkanı Nazarbayev, ailesi, yakın akrabaları ve eski Sovyet seçkinlerinden oluşmaktadır. Bağımsızlık sonrası gelen petrol gelirleri bütün bu çeşitli seçkin gruplarının Kazak liderliğine olan desteğinin ve bağlılığının devam etmesine yol açmıştır.

Seçkinlerin yapısı ve liderliğe olan desteği, ülkedeki patrimoniyal ilişkilerin de yeniden yapılanması ile yakından alakalıdır. Sovyet öncesi dönemde kan bağına dayalı ilişkiler büyük önem taşımaktaydı, Sovyet döneminde ise bu ilişkiler komünist parti disiplinin empoze ettiği bir takım yeni ilişki ağları ile yer

değiştirilmeye çalışılmıştır. Bu günkü Kazakistan'a bakıldığı zaman her iki dönemdeki yapıların harmanlanarak ortaya çıkardığı yeni patrimonyal ilişkileri gözlemek mümkün.

Kazakistan'da petrolün ekonomi politiği incelendiği zaman ortaya çıkan üçüncü boyut ise daha önce var olmayan yeni kurumların ortaya çıkmasıdır. Tıpkı diğer boyutlarda olduğu gibi yeni ortaya çıkan kurumları da hem ekonomik, hem toplumsal hem de siyasal alanlarda gözlemek mümkündür.

Ekonomik alan incelendiğinde, özellikle petrol gelirlerine dayalı ekonomik gelişmeye bağlı olarak, Sovyet döneminde hiç var olmayan bir takım yeni kurumların ortaya çıktığını görmekteyiz. Yeni oluşturulan vergi sistemi, bu alandaki yeni kurumsallaşma için verilebilecek en belirgin örnektir. Bağımsızlık sonrası Kazak liderliği, batılı anlamda bir vergi sistemi kurulabilmesi için büyük çaba sarf etmiştir. Ancak kurulan sistem gerçek anlamda batıdaki vergi sistemlerine benzemekten uzaktır. Çünkü Sovyet sonrası Kazakistan'da toplanan vergiler esasen petrol sektöründen elde edilmektedir. Ancak belirtmelidir ki diğer petrol üreten ülkelerde petrol gelirinin devletin vergi toplama kapasitesine olumsuz etkileri ile karşılaştırıldığında, Kazakistan'da tam tersine, tam anlamıyla batıdaki vergi sistemlerine benzemese de daha önceden var olmayan bir vergi sistemi kurulmuştur.

Kazakistan'da; önceden var olmayan, ancak bağımsızlık sonrası dönemde ortaya çıkan bir diğer ekonomik faktör de yabancı yatırımın ülkeye girmesidir. Sovyet dönemi süresince ülkede yabancı yatırımın varlığından söz etmek pek mümkün değildi. Sovyet sonrası dönemde ise ülkede hem özel sektörün gelişmesinden hem de yabancı yatırımın artmasından bahsetmek mümkündür. Ülkede özel sektörün gelişmesi, özellikle bağımsızlık sonrası dönemde yaşanan özelleştirme süreci büyük yatırımların yapılmasına yol açmıştır.

Toplumsal alanda ise, daha önce yaşanmamış ancak bağımsızlık sonrası ortaya çıkan en önemli unsur, ülkede gittikçe sayıları artan yabancılar ile ilişkiler oluşturmaktadır.

Siyasal alanda yeni oluşan kurumlar ve yapılar, özellikle dış politika ve ülkenin güvenlik politikası oluşturma ihtiyacına yönelik olarak ortaya çıkmıştır. Hem dış politika, hem de güvenlik politikası, bağımsız Kazakistan özelinde düşünüldüğünde bunların tamamen Sovyet sonrası olgular olduğunu söylemek yanlış olmayacaktır. Her iki politikanın oluşmasına yönelik ihtiyacın temelinde, ülkenin sahip olduğu petrol ve doğal gaz kaynaklarının önemi vardır. Bu durumun, temelini oluşturan unsur ise, söz konusu doğal kaynakların ve özellikle petrolün, dış dünyadaki piyasalara güvenli ve ekonomik bir biçimde ulaştırılmasıdır.

Sovyet sonrası dönemde birçok devlet ve Uluslararası organizasyon, bölgede aktif rol oynamaya başlamıştır. Tabii ki petrol zengini Kazakistan bu ilgiden nasibini almıştır. Üstelik Kazakistan ile ilgilenen devletler ve uluslararası organizasyonların yanı sıra çok uluslu şirketler de yer almaktadır.

Kazakistan'da liderliğin dış politika ile ilgili politika tercihlerinin faydacılıkla şekillendiğini söylemek mümkün. Söz konusu pragmatizmin arka planını bir takım tarihsel birikimin etkilemesinin yanı sıra, bunun ardında bağımsızlık sonrası dönemde gerçek anlamda ulusal çıkarların tanımlanamaması gibi unsurlar da yer almaktadır. Demografik yapının ikili örüntüsü ise tüm bunları ve özellikle Rusya ile olan ilişkileri etkileyen bir diğer faktör olarak karşımıza çıkmaktadır.

Avrasyacılık ve ya Avrasya birliği gibi fikirlerin ortaya çıkmasını; aslında, Kazak liderliğinin Rusya'nın etkisini dengelemek amacıyla yaptığı manevralar olarak değerlendirmek mümkündür. Devlet başkanı Nazarbayev'in dış politikasının ikinci unsuru ise, çok yönlülük (multi-vectoralism) olarak karşımıza çıkmaktadır. Söz konusu çok yönlülük yaklaşımın ortaya çıkmasındaki en büyük etken, ülkenin coğrafi konumu ve karalarla çevrilmiş olmasının empoze ettiği zorunluluklardır.

Bağımsızlık sonrası dönemde, Kazakistan liderliği bölgedeki bütün komşularıyla ve hatta bölge dışından olan büyük devletlerle iyi ilişkiler kurmaya

büyük önem vermiştir. Söz konusu devletlerle diplomatik ilişkiler kurmanın yanı sıra bağımsızlık ilanının hemen ardından Kazakistan Birleşmiş Milletler ve bağlı örgütlerine üye olmuştur.

Bütün bunlara ek olarak, uluslararası medyanın Hazar bölgesi enerji kaynaklarına büyük önem vermesi bölge ülkelerini ve bölgede aktif olan ülkeleri güçlendirmiştir. Bu güç beraberinde uluslararası medyanın dikkatinin devamlılığı ihtiyacını da doğurmaktadır. Bu nedenle Sovyet sonrası dönemde Kazak liderliğinin siyasi kararlarını yönlendirmede uluslararası medyanın takınacağı tavır da büyük önem taşımaktadır. Bu noktada Kazak liderliği açısından iki temel kaygının varlığından bahsetmek mümkündür. Bir yandan ülkenin petrol ve doğal gaz sektörünün verimliliği ve yatırım açısından güvenli bir ortam olduğunu dünyaya duyurmak, diğer yandan da özellikle yolsuzluk skandalları yüzünden bozulan liderlik imajının düzeltilmesi ihtiyacı olarak tanımlamak. Bu nedenlerle; Kazak liderliği, uluslararası imajını düzeltmek ve korumak amacıyla muazzam bütçeli halka ilişkiler kampanyaları düzenlenmektedir.

Geçmişe bakıldığında zaman Kazakistan'da küresel dinamiklerin etkisine açıklık ve diğer devletlerle ilişkilerin bağımsızlık sonrası dönemde yaşanan olgular olduğunu söylemek mümkündür, üstelik tüm bunlar üzerinde petrol sektörünün gelişmesi ve ülkenin elde ettiği gelirlerin artışının da önemli etkileri olduğu söylenebilir. Bu; özellikle, petrol boru hattı güzergahlarının belirlenmesine yönelik olarak kendini göstermektedir.

Özet olarak şunu söylemek mümkündür, rantıye devlet modeli Kazakistan'da petrolün ekonomi politikasını anlamaya yönelik olarak faydalı bir çıkış noktası sağlamaktadır. Ancak, bütünlüklü resmi görmemiz açısından yetersiz kalmaktadır. Ülkedeki bağımsızlık sonrası toplumsal, ekonomik ve siyasi dengeler göz önünde bulundurulduğunda görülmüştür ki aslında diğer petrol üreten devletlere petrole bağlı olarak ortaya çıkan bir çok dinamik Kazakistan özelinde daha önceden var olan yapıların ya devamı ya da şekil değiştirmiş halidir. Bu nedenle petrolün ekonomiye dahil olduğu döneme bakmakla beraber

hem öncesini anlamaya yönelik analizlere hem de devlet dışı dinamikleri anlamaya ihtiyaç vardır.

Appendix E. CURRICULUM VITAE

PERSONAL INFORMATION

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EDUCATION

Degree	Institution	Year of Graduation
MA	Eastern Mediterranean University (EMU), International Relations Gazimağusa, Cyprus	2000
BA	Eastern Mediterranean University (EMU), International Relations Gazimağusa, Cyprus	1997
High School	Famagusta Turkish Maarif College	1993

WORK EXPERIENCE

Year	Place	Enrollment
2001- Present	METU, Center for Black SEa and Central Asia (KORA)	Research Assistant
1998 – 2000	Eastern Mediterranean University (EMU), International Center for Contemporary Middle East Studies, Gazimağusa, Cyprus	Reserach Assistant
1995-1998	Eastern Mediterranean University (EMU), International Relations Gazimağusa, Cyprus	Reserach Assistant

FOREIGN LANGUAGES

Advanced English, Elementary Russian

PUBLICATIONS

1. “Eurasian Studies in Turkey”,co-author Ayşe Güneş- Ayata and Isik Kuscu, Central Eurasian Studies Review, Vol. 3, No. 2, (Spring 2004), pp. 2-10.
2. “Second METU Conference on International Relations” (Conference Review), co-authored with Işık Kuscu, Central Eurasian Studies Review. Vol. 2, Number 3, Fall 2003.
3. “Oil and Natural Gas Sector in the Post Soviet Turkmenistan: Opportunities and Challenges”, Turkish Review of Eurasian Studies, Istanbul:OBIV,2, pp. 221-243.
4. “An Analysis of the Western Scholarly Discourse on Turkic Identity in Central Asia”, The Turkish Yearbook of International Relations, No: 32, pp. 127-166.

RESEARCH EXPERIENCE

1. December 2003, Field Research in Kazakhstan
2. February-September 2004, Visiting Scholar, Department of Anthropology, Boston University, Boston, Massachusetts, USA.
3. December 2004, Field Research in Kazakhstan
4. June 2005, Field Research in Kazakhstan
5. February-March 2006, Visiting researcher, University of Oxford, UK.