

## **THE BIRTH OF A NEW, RESILIENT KAZAKHSTAN**

The aftershocks of pandemic-induced supply chain disruptions; the spillover effects of the conflict in Ukraine (in the form of slower economic growth; inflation and other woes); volatility in the global energy markets and domestic unrest. This is a partial list of the challenges – some, ramifications from global crises; others, of a domestic nature – that Kazakhstan has been faced with this year and that have been a litmus test for the country.

A wise man once said that “in the middle of every difficulty lies an opportunity”. And so it has proved to be for Kazakhstan. The multi-pronged crises outlined above have paved the way for a series of sweeping reforms that have improved the legitimacy of the Kazakh state, the resilience of Kazakh society and the performance of the Kazakh economy.

The January unrest came by surprise to most analysts, even to casual observers of Central Asia. Kazakhstan, which had successfully managed to become a beacon of stability in the three decades of its journey as an independent nation, was rocked by violent protests causing over 200 casualties, thousands of injured, and considerable damage to public property, especially in the country’s business hub of Almaty. Peaceful protests which had started in western Kazakhstan due to genuine and legitimate socio-economic grievances of the population such as the increase of the price of Liquefied Petroleum Gas, spread to other cities and were hijacked with the end goal of violent seizure of power and disruption of the Kazakh constitutional order.

The Kazakh authorities did not limit themselves to the restoration of law and order, which was promptly re-established by mid-January. Faced with the risk of a protracted crisis, the Kazakh government’s answer was to address head-on the grievances which had partly motivated the protests and which had held back some of the great potential of the country: persistent inequalities despite the country’s great wealth and growing citizen demand to actively participate and shape political processes. The result: far-reaching economic and political reforms, announced by the President during an historic speech on March 16, and a package of constitutional reforms (affecting one third of the Constitution’s articles), put to a nationwide referendum in June and overwhelmingly approved by over three fourths of the voters.

First, the ongoing structural economic transformation in Kazakhstan entails a process of de-monopolization and de-oligarchization of the economy; building an economy with a strong safety net for the protection of the most vulnerable sectors of the population; and the creation of a prosperous middle class, which according to the OECD is “critical for any successful economy and cohesive society”. To open new opportunities for domestic entrepreneurs and foreign investors, the privatisation of more than 700 state enterprises has been set in motion. The country’s new Investment Concept, approved in June, should help steer the country into the post-industrial era, with economic growth less dependent on mineral resources and more on innovative technologies and high value-added services.

Second, the formation of a new political culture through gradual democratization of the political system all the way down to the local level. Greater decentralisation will increase the responsiveness and accountability of government institutions as well as better align public spending to local priorities.

In the New Kazakhstan, there is a much more transparent and clearer separation of powers between the executive, legislative and judicial branches. One of the main tasks is to create a fair and independent judiciary that can operate independently from external pressure and undue interference from other branches of government. To this end, a Constitutional Court has been established to replace the existing Constitutional Council, an institution which was often susceptible to executive capture. Starting next year, every Kazakh citizen will have the right to appeal to the Constitutional Court.

In parallel, parliamentary control and oversight over the executive branch will be strengthened. To this end, the competences of the Kazakh parliament have been expanded, for instance in the control over the execution of the national budget.

Artificial quotas in the Lower House will be abolished, and all seats freely contested, bringing Kazakhstan in line with the OSCE Copenhagen Document guidelines which state that “all seats in at least one chamber of the national legislature should be directly elected in its entirety in a popular vote.”

These changes are important because the role and place of the legislative power in the structure of political institutions of society, and its ability to have a real impact on day-to-day political decision making, serves as a good indicator for the degree of a country’s advancement along the path of political modernization.

Economic and political reforms are proceeding in parallel, but at different speeds. The old model of “economy first, politics later”, useful in the early stages of independence to consolidate Kazakhstan’s recently obtained statehood, has clearly exhausted itself and outlived its usefulness. President Tokayev believes that the further economic development is no longer possible without gradual political modernization. However, the emphasis on graduality is important here, because examples around the world (e.g. colour revolutions, the Arab Spring, etc) show how explosive and unsystematic political liberalisation can also lead to destabilisation and fragmentation of statehood.

In the realm of foreign policy, some analysts drew premature conclusions about the end of Kazakhstan’s multi-vector foreign policy as a result of the presence of CSTO troops on Kazakh soil. Time has proven that Kazakhstan was able to cope with crisis without having to compromise on its core principles of strategic autonomy and an independent, multi-vector foreign policy. Multi-vectorism, a strategy born out of necessity in Kazakhstan’s early years as a full-fledged member of the international community, has evolved to empower Kazakhstan to negotiate equidistant relationships with the world’s major powers, in addition to deftly navigate crises and adapt to new geopolitical realities.

One such “vectors” is the European Union. Kazakhstan has historically been an important crossroads connecting Europe and Asia in terms of trade, infrastructure and energy. In the current geopolitical reality, this role takes on added importance and significance.

Today, the EU is Kazakhstan’s largest investor and trading partner and a leading source of investment. Out of a total of USD 370 billion invested in Kazakhstan so far, USD 160 billion came from EU Member States. Kazakhstan is also the leading trade partner of the EU in the Central Asian region,

with a total annual volume of bilateral trade worth USD 23 billion in 2021, very close to the pre-pandemic levels.

Facing its worst energy crisis in decades, the EU faces the challenge of pursuing short-term energy security goals alongside long-term green ambitions. In this endeavour, it has found in Kazakhstan a trusted and reliable partner. Kazakhstan is not only the country with the 12<sup>th</sup> largest proven oil reserves, playing a vital role in the EU's quest for diversification of supply routes, but also the largest producer of uranium. This will be critical as the nuclear industry is experiencing a sort of Renaissance, in the words of French leader Emmanuel Macron. In some EU Member States, nuclear energy will be at the heart of the drive towards carbon neutrality by 2050.

Indeed, one of the most promising areas of cooperation is the transition to a green economy and carbon neutrality, which both sides aim to achieve by mid-century (the EU by 2050, Kazakhstan a decade later). From 2040 onwards Kazakhstan plans to actively use low-carbon technologies, such as carbon capture and storage, to expand the share of renewable energy sources to 83% by 2060 and stop generating heat from coal generation after 2050. By 2030, Kazakhstan to increase the share of renewable energy sources to 24% (instead of the previously planned 10%) and reduce the share of coal generation from the current 69% to 40% by 2030.

For an economy long dominated by raw materials, these are very ambitious pledges. To become carbon neutral by 2060 will require substantial investments and wide range application of green technologies and innovations, where EU companies possess plenty of expertise. This year, Italian energy giant Eni inaugurated its second wind farm in the country (Badamsha 2) in the region of Aktobe, and German-Swedish renewable energy consortium Svevind Energy has signed a Memorandum of Understanding (MoU) with Kazakhstan's Invest National Company to develop a green hydrogen complex.

Another important item on the Kazakhstan-EU agenda, in the context of ongoing disruptions to the Northern Corridor, is securing unhindered trade and logistics routes and diversifying supply chains and trade routes. Kazakhstan has for many years been actively working on the development of reliable, efficiency secure transit infrastructure. There are currently 11 international transit corridors passing through the territory of Kazakhstan.

It is therefore in the strategic interests of both Kazakhstan and the EU to increase the capacity of the Trans-Caspian International Transport Route (also known as the Middle Corridor) and enhance its standing in the global transport logistics system. Numerous international freight companies, such as Maersk and Nurminen Logistics, have already launched intermodal services to transport goods from Asia to Europe via Kazakhstan and the Caspian Sea using this corridor. Increasing the cargo passage through the Aktau and Kuryk seaports located on the Caspian shores can help ensure uninterrupted transportation of goods to European countries. The route has plenty of potential for growth since, until date, Kazakhstan's ports had been operating at a fraction of their capacity and can easily absorb extra cargo flows.

## **Conclusion**

The Kazakh state, society and economy have shown remarkable resilience in the face of complex and multi-layered exogenous and endogenous crises, high volatility in global markets and rapidly shifting geopolitical undercurrents.

In January 2022, Kazakhstan witnessed the largest protests in the country's history. The Kazakh state, aware of the public discontent, had (broadly speaking) two options: continuity and business as usual, or radical change. The first option would have led to a long, protracted crisis, with repercussions well beyond Kazakhstan's borders. It chose the second option, addressing the root causes and building a more inclusive economy and political system, thereby paving the way for a New Kazakhstan.

We are only halfway through the year, but we can already confidently say that the year 2022 marks the birth of a new, resilient Kazakhstan.

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