



# KAZAKHSTAN'S "PIVOT TO CHINA"?

Ernesto Gallo

*Kazakh President Nazarbayev's visit to China on May 19-20 has taken place at a time of rising challenges for Kazakhstan. Nazarbayev's attempt to "pivot to China" can bring benefits in terms of economy and security, but Astana will likely continue to pursue a multi-vector foreign policy to avoid leaning on any one power.*

Kazakhstan is facing a crucial year in terms of its foreign policy and domestic challenges. Close at hand is Astana's relationship with Moscow following Russia's annexation of Crimea, and the tensions concerning its own Russian minority: approximately 20-22 per cent of Kazakhstan's population is of Russian origin, mainly concentrated in the north of the country. Although Nazarbayev has supported Putin against Kiev, Kazakhstan notably abstained on the highly sensitive United Nations resolution 68/262 of March 27 on Ukraine's territorial integrity.

Another source of tensions is the Customs Union with Russia and Belarus; their cheap products have had a negative impact on Kazakh businesses, particularly in the agricultural sector. A further question mark is how the effects of the Eurasian Economic Union (EEU)—signed on May 29—will combine with those of the World Trade Organization (WTO), which Kazakhstan is poised to join later in 2014. Trade aside, Kazakhstan has recently faced financial speculation with its Central Bank forced to devalue the Tenge by around 20 per cent in February.

Being challenged at home by the Russian-speaking minority and internationally by the Ukraine crisis, as well as Western industrial competition through WTO accession and financial pressures, Nazarbayev's visit to China on May 19-20 has thus come amidst an awareness of the latter's importance for Kazakhstan's near future. How important has China become, in particular with the visit coming a few days before Putin's Beijing visit and the signing of the EEU treaty in Astana? What can Kazakhstan obtain from its neighbour?

China is already Kazakhstan's main trade partner and one of its most important investment sources, while Kazakhstan is pivotal to Beijing's aims of securing minerals and energy resources, including establishing infrastructure connecting Western Europe with China. Security is also a key issue, especially with regard to the common fight against terrorism and Islamic separatism.

The relationship is deepening further. Last September in Astana, Presidents Xi and Nazarbayev signed 22 commercial deals, and the China National Petroleum Corporation (CNPC) bought an 8.4 per cent stake in the mammoth gas and oil field in Kashagan. Xi's Astana visit also heralded the launch of China's mega project of the "New (Economic) Silk Road." Work on transport infrastructure will continue within the framework of the New Silk Road project, which can deliver benefits to both countries, and contribute to stability in China's restive western province of Xinjiang, home to ten million Uyghurs as well as several hundred thousand Kazakhs.

## Nazarbayev's China Visit

This time round with Nazarbayev's visit to Beijing, trade and investments again took centre stage. Nazarbayev highlighted the necessity to raise the bilateral trade volume from US\$29 to \$40 billion by 2016. On May 20, furthermore, Xi and Nazarbayev launched the construction of a terminal in Lianyungang, a port city which will link Eurasian railways from Kazakhstan to the Pacific Ocean, and traffic from/to Australia, Canada, and the U.S.

Other agreements were signed between the respective sovereign wealth funds and development banks. For example, the Development Bank of Kazakhstan and China's Exim Bank agreed to invest US\$ 1 billion in the modernization of the Shymkent oil refinery. A further US\$150 million will be invested by KazMunayGas and CNPC to build an oil and gas plant near Almaty. Nazarbayev also met the heads of major Chinese corporations during his visit and agreed on co-operation in such areas as diverse as aircraft production, telecommunication, and mining.

While the economic dimensions of Sino-Kazakh relations are evident, there also exist tensions between the two countries. Many Kazakhstanis fear a Chinese economic



“invasion” in the light of China’s flooding the market with cheap goods. Nazarbayev’s visit to China has also been overshadowed by the Russia-China gas “mega deal,” which might leave Kazakhstan squeezed between its two large neighbours. Indeed, the 30-year agreement between Beijing and Moscow leaves Kazakhstan with less room for manoeuvre and bargaining power in negotiations with both Russia and China, and in dealing with its own Russian-speaking minority. Reaching out to new partners has thus become more urgent.

## Reaching Out to Other Partners

The most important moment in Nazarbayev’s visit was Shanghai’s CICA (Conference on Interaction and Confidence-Building Measures in Asia) Summit, held on May 20-21. CICA was an early brainchild of Nazarbayev from 1992, aimed at promoting peace, security, and stability in Asia within an intergovernmental framework. The Shanghai summit was attended by UN Secretary-General Ban Ki-moon, Vladimir Putin, Xi Jinping, Iran’s President Hassan Rouhani, as well as seven other heads of state, including those of Turkey, Pakistan, and Afghanistan. Furthermore, the involvement of new and rising actors can provide some bargaining potential to Kazakhstan, which would otherwise risk being overdependent on both Russia and China. CICA might provide Kazakhstan with an opportunity to have an “institutionalised” dialogue with other Eurasian and Asian states which share similar political and economic issues.

In terms of the economy, Kazakhstan will further attempt to diversify and deepen its links and commitments. The VII Astana Economic Forum held on May 21-23 witnessed the participation of 10,000 delegates, including former European leaders Tony Blair and Romano Prodi, State ministers from Portugal, Serbia, Bulgaria, Turkey, Iran, Afghanistan, Ghana, Kenya, and other emerging economies; it also saw the attendance of China’s Central Bank Governor and representatives of the UN and the WTO. Astana is keen to reach out to new markets, particularly in Africa, Eastern Europe, and South-west Asia, and curb its economic dependence on Russia and China. The other BRICS, in this sense, will be important, too.

And while Kazakhstan is one of the founders of the Eurasian Economic Union, its founding treaty being signed by Russia, Belarus, and Kazakhstan on May 29 in Astana, Kazakhstan will be keen to involve new partners so as not to lead to Russian domination. Armenia has already expressed willingness to join and Kyrgyzstan intends to follow a “road

map” of reforms in order to also enter the union. Kazakhstan is also seeking to cast the net further to potentially bring in “associate” members, such as Turkey, Iran, and countries as far away as Chile or Vietnam, as was recently stated by the Kazakh deputy foreign minister, Samat Ordabayev.

In sum, 2014 is a decisive year for Kazakhstan, one that will test its “multi-vector foreign policy” of attempting to balance the interests of Russia, China, the U.S., or any other powerful international players. “Pivoting to China” might bring dividends in the short term, but Kazakhstan will also have to find new partners and a well-defined role in the international community in order not to be “sandwiched” between Russia and China.

*Dr. Ernesto Gallo is a lecturer in social sciences and currently a guest researcher at ISDP. He holds a PhD from the University of Turin.*

*The opinions expressed in this Policy Brief are those of the author and do not necessarily reflect the views of the Institute for Security and Development Policy or its sponsors.*

© The Institute for Security and Development Policy, 2014. This Policy Brief can be freely reproduced provided that ISDP is informed.

### ABOUT ISDP

*The Institute for Security and Development Policy is a Stockholm-based independent and non-profit research and policy institute. The Institute is dedicated to expanding understanding of international affairs, particularly the interrelationship between the issue areas of conflict, security and development. The Institute’s primary areas of geographic focus are Asia and Europe’s neighborhood.*

WEBSITE: [WWW.ISDP.EU](http://WWW.ISDP.EU)