

Devaluation of the tenge

On 4 February the National Bank of Kazakhstan announced that it would no longer support the tenge exchange rate in the KZT117-123/\$1 corridor and that it is moving to a new corridor of KZT145-155 per dollar. The overnight 25% devaluation of the tenge took the population by surprise and caused temporary panic. People rushed to banks to withdraw their deposits and exchange tenge for hard currency. Currency exchange outlets established very high sales rates for the US dollar but soon ran out of supplies. Many shops selling imported products marked them up immediately.

The government explained the measure by referring to devaluations in countries that are major trade partners of Kazakhstan, starting with Russia, where the rouble has been devalued by 44%, albeit gradually (between January 2008 and January 2009). As a result, Kazakhstani products were losing out to competition from cheaper products from other countries. Supporting the tenge in the previous corridor was becoming too expensive. From October 2008 to 4 February 2009, the National Bank spent USD 6 billion on supporting the tenge. Meanwhile, revenues were depleting primarily due to the drastic fall in oil prices. Oil accounts for 60% of Kazakhstan's exports and is the main source of hard currency revenues.

According to experts, the move was necessary and inevitable. However, it is not clear whether the chosen method of sudden devaluation was the best course of action¹. It further undermined the people's trust in the government. Government officials (including the Minister of Economy and Budget Planning) had previously stated that devaluation would not exceed 10%². Those most affected were citizens with deposits in the national currency.

Devaluation was another major development in the ongoing financial and economic crisis. Kazakhstan is the most integrated Central Asian state in the world economy and, as such, has been the most severely affected. The IMF forecasts that Kazakhstan's economic growth will slow to 1% this year.

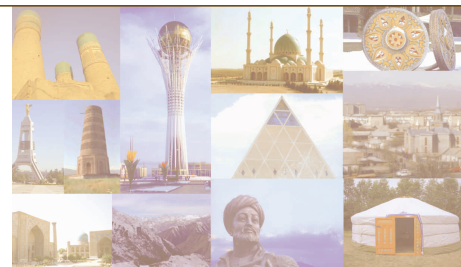
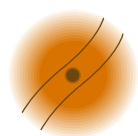
Nationalization of banks

The financial and construction sectors -two pillars of Kazakhstan's economic growth- have been experiencing difficulties since 2007 as a result of the global credit crunch. It is not surprising, therefore, that the anti-crisis programme adopted by the government primarily targets banks and construction companies.

To stabilize the financial system, the National Welfare Fund "Samruk-Kazyna" allocated KZT476 billion (about USD3 billion) to various banks and financial organizations on behalf of the government. The main recipients are the country's four biggest banks: BTA (KZT212 billion), Kazkom (KZT120 billion), Halyk (KZT120 billion) and Alliance (KZT24 billion). The transfers were subject to the support of the construction sector and small and medium enterprises. The banks signed memorandums with the government.

The significance of this programme is in the partial and full nationalization of banks. Thus, the government acquired 74% of shares and accordingly full control of BTA (Bank Turan-Alem). The move was accompanied by the removal of the chairman of the board of directors, Mukhtar Ablyazov, who accused the government of deliberately trying to undermine the bank and of using public means for private ends. He has since fled the country and the Prosecutor's Office has filed criminal charges of embezzlement against him³. The government acquired a 76% stake of Alliance Bank for the symbolic

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sum of KZT100. Unlike their BTA counterparts, the Alliance Bank directors stated that there had been no pressure from the authorities and that they realized it would be impossible to cope with the challenges of the financial crisis without the help of the government, and were ready to give away the controlling portfolio⁴.

Government representatives say that the nationalization of banks is a temporary measure and that once they are back on firm ground, the shares will be re-privatized. However, there are concerns that this nationalization drive has not only been fuelled by a desire to stabilize the country's financial system, but also by the private interests of certain financial groups. It remains to be seen how this move will affect the distribution of power at the level of Kazakhstan's political and economic elites.

Situation with the media

In January, the ruling party Nur-Otan (in Kazakh language "nur" means "light" and coincides with the first syllable of President Nursultan Nazarbayev's given name; "otan" means "fatherland") created a media holding "Nur-media." The holding will control a number of the largest national newspapers, radio stations and television companies. This development has further increased the monopolization of the media in the country.

At the same time, the media community has accused the government of suppressing freedom of speech. Journalists have heavily criticized the draft law on regulation of internet space, that introduces responsibilities for the contents of all internet sources, including blogs, chats and electronic libraries, hitherto reserved for "traditional" media: press, television and radio. The law would also enable the Prosecutor's Office to suspend the publication of any media source that is deemed to violate "the interests of society and state"⁵.

New constraints on media and the not-so-liberal law on the media that was recently adopted to fulfil the promises Kazakhstan made to other OSCE members in Madrid over a year ago show that the leadership of the country is not too eager to liberalize the political space in the country. The ongoing economic crisis may well heighten interest in controlling the media further.

Ratification of the Kyoto Protocol

On 28 February, the Senate of the Parliament of Kazakhstan approved the ratification of the Kyoto Protocol to the UN Convention on Climate Change (the *Majlis* adopted it earlier, now it has to be signed into law by the President). Although the government had previously planned to sign Annex I to the Protocol, implying maximum obligations (targeting developed countries), it finally decided to sign the less demanding Clean Development Mechanism, targeting developing countries. The Minister of Environmental Protection stated that at present it is impossible for Kazakhstan to shoulder the major responsibilities inherent in Annex I due to the ongoing economic crisis and shrinking of the funds available for the modernization of Kazakhstan's economy. However, he also said that once the situation improves, Kazakhstan would switch to Annex I since it is in the overall interest of the country.

¹ Interview with Andrei Tselios, president of the Kazakhstan Stock Exchange, Panorama No.4, 6 February 2009.

² Panorama No.2, 23 January 2009.

³ Zona.kz, 10 March 2009 (<http://www.zonakz.net/articles/24618>).

⁴ Respublika, 6 March 2009.

⁵ Panorama No.2, 23 January 2009.

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