

Early elections instead of referendum

In January, the prospect of a referendum to extend Nursultan Nazarbayev's presidential term to 2020 seemed inevitable, despite elections scheduled to take place in 2012. In December, quickly and without discussion, parliament passed a constitutional amendment that provided for such a referendum. The rush was explained by popular pressure, with five million signatures having been collected in favour of the initiative in a matter of weeks. On 31 January, however, the Constitutional Council ruled that a referendum would be unconstitutional. Nominally independent, the Council, like all other state institutions in Kazakhstan, is controlled by the President. A decision was therefore taken at the highest level effectively stopping the proposed referendum in its tracks. Instead, President Nazarbayev proposed a compromise: early elections that would cut short his term. Members of parliament immediately agreed and praised the leader of the nation for his wisdom and adherence to democratic values, inadvertently raising obvious question about the soundness of their own principles. The elections were scheduled for 3 April.

Observers could not help but wonder why the referendum plan was finally dropped, or whether the initiation of early elections was actually the real objective of this political play. Perhaps the referendum idea was launched to gauge the reaction of both domestic society and the West (the rest of the international community would not be interested in this development). Once it was clear that the idea put Kazakhstani leadership in a very bad light, Plan B - early elections- was carried out. However, it seems more plausible that this was a two-stage operation from the very beginning. The referendum is introduced at grass-roots level, receives mass support with the help of the administrative resource, the US

and EU predictably denounce it, and once early elections are announced as an alternative, they have no choice but to support them. If the announcement of early elections had not been preceded by the referendum initiative, it would have been criticized for lack of compliance with the Constitution and democratic norms.

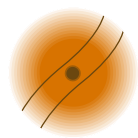
As for the decision to cut the current presidential term short and go for re-election, two arguments are generally put forward. One is that early elections are necessary because of the worsening economic situation and the looming prospect of rising prices and tariffs¹. The other is optimistic and suggests that the President needs the renewed mandate to jumpstart a new set of reforms.

What is clear is that there will be no meaningful competition for the post. The opposition is already weak and marginalized, and will have no chance to mobilize resources and conduct a decent campaign. Understandably, the main opposition party OSDP Azat has decided to boycott the elections. As of the end of February, apart from Nursultan Nazarbayev, three candidates were due to start campaigning: Zhambyl Akhmetbekov from the Communist People's Party of Kazakhstan, Gani Kasymov heading the Party of Patriots of Kazakhstan, and environmentalist Mels Yeleusizov. Both Kasymov and Yeleusizov are traditional "no-chance" candidates². Kasymov is a member of the upper house of parliament, the Senate and a Nazarbayev loyalist. Yeleusizov who has a more independent stance openly admitted that the victory of Nazarbayev is predetermined, and that he decided to participate in order to raise certain issues³.

President Nazarbayev's state visit to China

On 21-23 February, President Nazarbayev made a state visit to the People's Republic of China. In 19 years of independence, this was his fifteenth visit to

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this country. The parties exchanged mutual assurances of the high importance of their relations and signed a number of bilateral cooperation agreements.

The presidents signed an inter-governmental agreement on the protection of the water quality of trans-boundary rivers⁴. Water management is the thorniest issue in bilateral relations between the two countries. China is the upstream state using an increasing amount of water, thus endangering the livelihood of downstream Kazakhstanis. An agreement on water quality is the first step in the right direction.

Major agreements were signed in the economic sphere, among them a \$1.66 billion loan agreement between the State Development Bank of China and Samruk-Kazyna National Welfare Fund, and an individual loan agreement between the Kazakhstan Development Bank and Export-Import Bank of China for the construction of an oil refinery in Atyrau. The parties also inked the memo of cooperation between the national railway company Kazakhstan Temir Zholy and China's ministry of railways on the construction of the Astana-Almaty high-speed railroad, the memo of understanding between Kazatomprom and China's Guangdong Nuclear Power Group providing for long-term supplies of Kazakhstani uranium to China, and a strategic cooperation agreement between Kazphosphate and SinoChem Group Corporation⁵.

The agreements concluded involve multi-billion dollar contracts, increasing China's already substantial participation in the Kazakhstani economy⁶. As the weekly journal *Ekspert* put it, if Europe was once seen as the source of investment and technology, it has been ousted by China, but it still provides for election observers⁷. This statement is clearly a sarcastic exaggeration, but it reflects the changing dynamics in the region and the stronger gravitational pull of the Chinese economy. At the same time, the opposition, independent scholars

and media continue to voice concern about Kazakhstan's growing dependence on its neighbour.

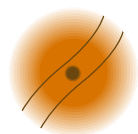
People's IPO

In a speech at the ruling Nur Otan Party Congress in December 2010, President Nazarbayev instructed his government to develop the "people's IPO (initial public offering)" programme. He also called on foreign companies operating in Kazakhstan to participate on the grounds that it was "their duty to our citizens."

According to the President, the IPO will be carried out in several stages. In the first stage, KazMunaiGaz Exploration and Development, a subsidiary of the national oil and gas company KazMunaiGaz, will float 5% of its shares on the Kazakh stock exchange. These shares are worth \$500 million and can only be bought by Kazakhstani citizens. Shares that remain unsold to individuals will then become available to Kazakhstan's pension funds for purchase.

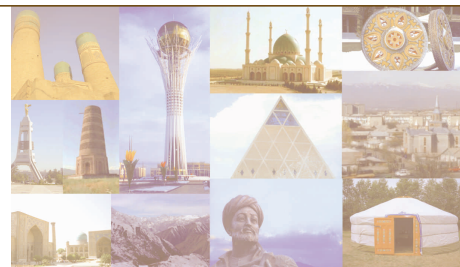
Kazmunaigaz will be followed by Kazakhstan Electricity Grid Operating Company (KEGOC), Kazpost and Kazakhstan Temir Zholy (all these companies are wholly owned by the sovereign welfare fund Samruk-Kazyna). Later, the major mining companies such as metal Eurasian Natural Resources Corporation (ENRC) and Kazakhmys (in which Samruk-Kazyna holds only 11.65% and 14.99% respectively), will also offer some of their shares. Details of how this will be achieved are not clear yet.

The official rationale of this new policy is to teach Kazakhstani citizens how to earn money on the stock market. They would learn financial skills and become co-owners of prime state and non-state assets, thus benefiting from the country's riches. Ideally, this might help boost the propertied middle class, the basis of social stability. Whether this plan can be put into practice remains to be seen. Privatizations in the early period of independence jumpstarted the market, but drastically increased the gap between rich and poor.



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¹ According to the World Bank, global food prices are rising at “dangerous levels” and a sharp rise in food prices across Central Asia could also have social and political implications for that region (Reuters, 15.02.2011).

² Kasymov ran in 1999 presidential elections and received 4.7% of the votes (Nazarbayev - 81%); Yeleusizov ran in 2005 elections and received 0.28% of the votes (Nazarbayev – 91%). Thus, the main intrigue of the election is the percentage that the incumbent President will win this time – most agree that it cannot be lower than 91%. Yermuhamet Yertysbayev, political adviser to the President, in an interview to the weekly newspaper *Liter* predicted 95.9% (“Liter”, 02.02.2011).

³ Radio Azattyq, 23 December 2010
(http://rus.azattyq.org/content/nursultan_nazarbayev_election/2257162.html)

⁴ Kazinform, 23.02.2011
(http://www.kazakhstan.org.sg/content/intro.php?act=news&c_id=1160).

⁵ Ibid.

⁶ In 2010 bilateral trade exceeded \$20 billion. China became the largest export market for Kazakhstan and its second-largest import supplier (after Russia).

⁷ Ekspert, No.8 (299), 28 February – 6 March 2011.

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