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The Central Asia Observatory (CAO) was established in 2007 by three institutions that are interested in the area: Casa Asia, CIDOB Foundation and Royal Institute Elcano



KAZAKHSTAN
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Bimonthly article

Assel Rustemova*

Highlights

Kazakhstan won seven gold medals out of thirteen in the 30th Olympic games in London, climbing to twelfth in the overall medal count. Alexander Vinokurov, a 38-year old athlete, started by taking the gold medal in cycling. Four gold medals came in weightlifting, among them three women, Zulfia Chinshanlo, Maya Maneza and Svetlana Podobedova, who were the best in 53kg, 58kg and 75kg categories respectively. Ilya Ilyin set the Olympic record by lifting 233kg in *clean and jerk* (C&J), seven kilograms more than his main rival, Aleksandr Ivanov from Russia. Ilyin quoted Kazakh national cuisine and especially horsemeat as the secret to his success.¹ Two more golds were won for triple jump and boxing, with Olga Rypakova jumping 14.98 meters, making her invincible, and Serik Sapiyev fighting a Venezuelan boxer in the quarter finals scoring 20:9, followed by the man he considered his main rival Russian boxer Andrey Zamkovoy in the semi finals, scoring 18:10 and going on to meet Welshman Freddy Evans in the finals, scoring 17:9.² Each gold

medallist will receive \$250,000 from the government of Kazakhstan for services to the country.³ The London Olympics were clearly the best games in the history of independence.

Internal affairs

A new government programme was launched in response to the ongoing protests and strikes among labour unions in mining industries across Kazakhstan (see the previous brief). On 10 July president Nazarbayev announced a doctrine of 'Society of Universal Labour', embodying his desire to increase the social welfare of Kazakhstan's population. The government is required to implement initiatives that will lower unemployment and poverty and increase the professional skills of young workers. Unions are nonetheless concerned about several provisions in the doctrine such as stricter punishment for the organization of strikes and labour disputes, openly stating that claims for salary rises without respective increase of workload mirror the 'social infantilism' of the 1990s.⁴ Labour unions are specifically asking for a more equitable

¹ Luke Meredith (2012), 'Ilya Ilyin Breaks Two World Records', Associated Press, 4 August 2012, available at espn.go.com/Olympics/summer/2012/weightlifting/story/_/id/8234048/2012-london-olympics-ilya-ilyin-breaks-pair-weightlifting-world-records, accessed on August 4, 2012.

² Official Website of London 2012 Olympics (2012), 'Men's Welter (69kg)', available at www.london2012.com/boxing/event/men-welter-69kg/index.html.html?v=20120812-143557959, accessed on August 4, 2012.

³ Interfax-Kazakhstan News Agency (2012), 'Kazakh President Rewards Winners of Olympic Games', Spotlight, 17 August 2012, available at www.interfax.kz/?lang=eng&int_id=expert_opinions&news_id=1163, accessed on August 4, 2012.

⁴ Nursultan Nazarbayev (2012), 'Social Modernization of Kazakhstan: 20 Steps Towards a Universal Labor Society', *Kazakhstanskaya Pravda*, # 303-304, 10 July 2012, available at www.kazpravda.kz/c/1341949171, accessed on August 5, 2012.



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redistribution of profits and salary raises. These measures will strip labour unions of power and recognition. In addition, prime minister Massimov confirmed in his blog that incitement to strike could become a criminal offence in the upcoming amendments to law.⁵ Government agencies are expected to change over 30 laws by the end of the year.⁶ The doctrine is therefore fuelling political conflict between the government and international investors, and between labour unions and workers.

The Doctrine of Universal Labour is a peculiar document. It consists of direct orders to government members and outlines 20 specific steps for managing labour skills extending to all members of society. The President's address on socio-economic modernization fosters competition by externalizing costs and minimizing economic risks for investors. Businesses are encouraged to share responsibility and pull disadvantaged social groups and regions to current standards and increase professionalism by providing incentives to main economic actors.⁷ A new National Qualification System (NSF) will be

⁵ Karim Massimov (2012), 'Action Plan on Social Modernization of Kazakhstan', 13 July 2012, available at www.pm.kz/blog/view/279, accessed on August 5, 2012.

⁶ Karim Massimov (2012), 'Action Plan on Social Modernization of Kazakhstan...'

⁷ Nursultan Nazarbayev (2012), 'Social Modernization of Kazakhstan: 20 Steps Towards a Universal Labor Society', *Kazakhstanskaya Pravda*, # 303-304, 10 July 2012, available at www.kazpravda.kz/c/1341949171, accessed on August 5, 2012

created to determine the standards and expectations in each profession and each level of expertise. Unemployed or partially employed citizens are encouraged to participate in projects that develop infrastructure and public facilities in order to facilitate industrialization of local economy.

Workers are also encouraged to become owners of their enterprises by investing their savings in the People's Initial Public Offering (IPO) campaign for their respective enterprises. Large enterprises in Kazakhstan, such as KazTransGas, Kazakhstan Temir Zholy, KazPost will sell part of their shares at the stock exchange to Kazakhstani citizens. The government therefore hopes that workers will be less inclined to go on strike if they act simultaneously as investors and actively participate in the People's IPO. The doctrine does not provide for the distribution of free resources to the public sector.

In addition, mass media and government officials will also face changes. The socio-economic modernization programme calls on the government to create a new code of journalist ethics and public events.⁸ The ministry of culture and information is ordered to develop an action plan for the next five years that will encourage a 'positive attitude to work, professional success and patriotism'.⁹ Civil

⁸ Nursultan Nazarbayev (2012), 'Social Modernization of Kazakhstan: 20 Steps...'

⁹ Nursultan Nazarbayev (2012), 'Social Modernization of Kazakhstan: 20 Steps...'



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servants have to become more accountable to their supervisors and conduct work 'in the field' rather than 'at their desks'. As they work on specific problems in specific sectors, officials are encouraged to attract non-governmental organizations to their activities. In practice these measures and changes might turn into ideological propaganda. Restricted by the code of ethics imposed by the government, mass media will be forced to report public activities and events in a praiseworthy tone, while workers seek more radical measures to fight for their rights.

Local experts are also apprehensive about the upcoming changes. According to experts at Rating.kz, a local think tank, only a limited amount of change is possible. The government will doubtless increase criminal punishment for strikes and labour disputes by modifying legal codes.¹⁰ It is also highly probable that the government will develop a local sports channel and conduct events in various regions of Kazakhstan to foster cooperation between and within regions. The involvement of the unemployed or partially employed population in the real economic sector, enhanced measures of government accountability and public

management are considered to be the least likely scenarios.¹¹

Cooperation between the government and the people is necessary to bring about social modernization. As things stand, the population has no voice regarding the implementation of proposed changes. As the scope of opportunities diminishes, labour unions capable of mobilizing 2,000-3,000 people will be forced to engage in civil disobedience and more radical measures if labour laws fail to recognize the importance of justice claims. Although socio-economic modernization aims to tackle the most important problems, its results might aggravate negative trends and leave issues without solutions.

Foreign and international policy

On 22 August President Nazarbayev paid an official state visit to Kyrgyzstan. Although the Kyrgyz and Kazakh presidents have met on numerous occasions, this was the first visit by a Kazakhstani head of state to independent Kyrgyzstan and the first presidential visit since the revolt in 2010.¹² The visit had strong economic significance for Kyrgyzstan.

¹⁰ Rating Agency (2012), 'Rating of the Main Orders of President Nazarbayev on Social Modernization of Kazakhstan', *Political Ratings*, 22 August 2012. Available at <agencyrating.kz/kluchevyh-ustanovok/>, accessed on August 5, 2012.

¹¹ Rating Agency (2012), 'Rating of the Main Orders of President Nazarbayev on Social Modernization of Kazakhstan...'

¹² Caspionet.kz (2012), 'Nursultan Nazarbayev Pays Official Visit to Bishkek', News, 22 August 2012, available at <http://caspionet.kz/eng/general/Nursultan_Nazarbayev_pays_official_visit_to_Bishkek_1345608180.html>, accessed on August 25, 2012.



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Nazarbayev encouraged his counterpart to develop the domestic economy through foreign investments, rather than external borrowing and foreign aid.

Today, 80% of the Kyrgyz economy depends on foreign aid and remittances.¹³

Under such circumstances Nazarbayev brought several economic proposals to the table. First of all, Kazakhstan agreed to supply 200,000 tons of grain on the basis of a deferred payment scheme and to allocate an additional 100 million cubic meters of gas.¹⁴ Lack of grain and gas were the primary reasons for popular revolts in 2005 and 2010. Second, the Kazakhstani government issued \$100 million towards the industrialization of Kyrgyzstan by setting up a bilateral investment fund.¹⁵ Third, the two countries agreed to construct vital infrastructure projects. An oil pipeline from Kazakhstan to Kyrgyzstan will be created in order to ship Kazakhstani oil to a refinery that Kyrgyzstan is planning to build with the help of Azerbaijan. Once finished, Kyrgyzstan will have enough gasoline to supply the entire country.

¹³ Caspionet.kz (2012), 'Nursultan Nazarbayev Pays Official Visit to Bishkek...

¹⁴ TengriNews.kz (2012), 'Kazakhstan's President Nursultan Nazarbayev advised Kyrgyzstan not to rely excessively on foreign aid', Hot News, 22 August 2012, available at <http://en.tengrinews.kz/politics_sub/Kazakhstans-President-Nursultan-Nazarbayev-advised-Kyrgyzstan-not-to-rely-12408/>, accessed on August 25.

¹⁵ TengriNews.kz (2012), 'Kazakhstan's President Nursultan Nazarbayev advised Kyrgyzstan...

Besides the pipeline, the two leaders agreed to construct an electricity grid from Kemin to Almaty.¹⁶ This line will enable Kyrgyzstan to export electricity to the most populated city in

Kazakhstan. Private actors were also encouraged to support bilateral ties. For example, KazakhMys Gold Kazakhstan, the largest Kazakhstani investor in the neighbouring economy pledged \$320 million to modernize gold production facilities and start extraction in 2013.¹⁷

President Nazarbayev's visit coincided with the Second Summit of the Cooperation Council of Turkic-Speaking States (CCTSS), which includes Turkey and Azerbaijan. Within the framework of the CCTSS, Kazakhstan and Kyrgyzstan agreed to open two schools for 900 students that will cost \$8 million in Kyrgyzstan¹⁸, providing the possibility of full scholarships to talented students to study at the universities in Kazakhstan.¹⁹ With these proposals in mind, president Nazarbayev expressed his hope that bilateral trade turnover

¹⁶ TengriNews.kz (2012), 'Kazakhstan's President Nursultan Nazarbayev advised Kyrgyzstan...

¹⁷ Caspionet.kz (2012), 'Nursultan Nazarbayev Pays Official Visit to Bishkek...

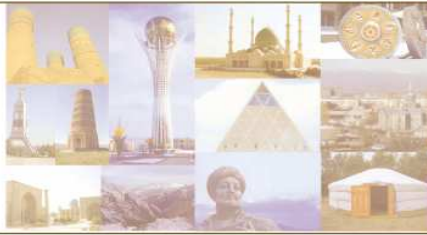
¹⁸ Caspionet.kz (2012), 'Nursultan Nazarbayev Pays Official Visit to Bishkek...

¹⁹ Gulnaz Kalikhanova (2012), 'Nazarbayev's Visit to Kyrgyzstan Boosts Neighborly Economic Ties', The Astana Times, available at <<http://www.astanatimes.kz/index.php?uin=1299129610&pg=1345859394>>, accessed on September 6, 2012.



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between the two states will increase from \$470 million in the first half of 2012 to \$1 billion by the end of the year.²⁰

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²⁰ Gulnaz Kalikhanova (2012), 'Nazarbayev's Visit to Kyrgyzstan Boosts Neighborly Economic Ties...