KAZAKHSTAN: NEW POLITICAL REALITIES

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Kazakhstan’s first president Nursultan Nazarbayev surprisingly resigned on 19 March and announced that the Speaker of the Senate, Kassym-Jomart Tokayev, will serve as interim leader before the next presidential election, which will take place on 9 June. At the same time, Nazarbayev retained certain powers. The Kazakh transition seems unique of its kind and is attracting international attention.
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The first President of Kazakhstan, Nursultan Nazarbayev, was the main speaker and the centre of attention at the 12th edition of the Astana Economic Forum on Thursday (16 May). To a wide international audience, he provided explanations for his recent decision to step down.

On 19 March, Nazarbayev surprisingly resigned and announced that the Speaker of the Senate, Kassym-Jomart Tokayev, will serve as interim leader before the next presidential election.

On 9 April, Tokayev set 9 June as the date of the early presidential election and said the vote was “absolutely needed” to ensure “continuity, predictability and stability”.

Seven candidates are running for the election, but diplomats say Tokayev is likely to win by some 70% of the votes. The country has invited international observers, including from EU countries.

Nazarbayev retains sweeping powers in the country of 18 million people as the official “national leader”, chair of its security council and head of Nur Otan. He hasn’t disappeared from public view and has represented Kazakhstan at the recent Belt and Road summit in China.

The Astana Economic Forum is a brainchild of Nazarbayev, one of many. The event is a talk show at a very high

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level, with heads of states, leaders of international organisations and Nobel prize winners, as well as panel discussions at a more expert level.

As usual, Nazarbayev was at the centre of attention while President Tokayev was present without taking the floor.

Speaking in Russian, as usual, Nazarbayev said the situation in the world was worrying, mentioning the US-China and the US-EU trade disputes, the rise of populism which he called “a permanent trend”, and the sanctions confrontation, particularly visible between the US and Russia.

To this, he added the risk of a collapse of nuclear deterrence agreements and the resulting arms race, saying that the tendency was worrying and wouldn't bring any good to anybody.

Nazarbayev said dialogue was needed between the USA, Russia, China and the EU, calling them “those on whom the fate of mankind depends”. Another idea he expressed was the creation of a “common security territory” on the basis of the OSCE members.

A third idea he mentioned was an “investment dialogue” between the Eurasian Economic Union, of which Kazakhstan is a member, the EU and the Shanghai Cooperation Organisation.

The first president of Kazakhstan reminded that his country has served as an effective platform for negotiating difficult international issues, and suggested that it could again be the host of initiatives of the kind he outlined.

“It is necessary to move from the unproductive regime of sanctions to direct dialogue between the leaders of the key countries of the world,” Nazarbayev said.

As a member of the Eurasian Economic Union, Kazakhstan indirectly suffers from Western sanctions against Russia.

“The time has come to discuss the way out from the geopolitical crisis between USA, China, Russia and the EU,” Nazarbayev told the audience, in which these countries were represented by their ambassadors or even higher guests. He repeated that Kazakhstan is making its capital available for such talks.

He didn’t mention the name of the capital, which was recently named Nur-Sultan after him.

Nazarbayev further explained his decision to leave the post of head of state. He argued that since Kazakhstan’s independence from the former USSR, the results were good both on the internal and external field. But he added that transition of power was ongoing, in accordance with the Constitution, “in a calm, peaceful way”.

“I am grateful to my fellow heads of state, politicians from the entire world, who wrote to me, who called me, to express support for this step,” he said, speaking about his decision to leave office.

He said the presidential elections would guarantee the country’s future sustainable development, and that he believed Tokayev was the best-prepared candidate. As for his part, he said he would continue to participate in “the strategic vectors of the development of the country, including the internal and foreign policy”, by supporting the new president.

Diplomats say Nazarbayev was very likely to remain the dominant figure and that by stepping aside he was in a better situation should the country’s economic situation worsen.
Kazakhstan is investing in human capital and plans to become one of the world’s 30 most advanced nations by 2050. At a recent conference in the capital Nur-Sultan, leaders and economists offered advice, valid also for other countries as well: to focus on education.

The ‘Astana Economic Forum’ (AEF), now in its 12th edition, is sometimes called ‘the Davos of Central Asia’. On 16 May, the first President of Kazakhstan, Nursultan Nazarbayev provided explanations for his recent decision to step down and give a chance to a younger generation to pursue the ambitious goals.

This year’s AEF was unprecedented. In two days (16-17 May), more than 50 sessions and events took place – record numbers in its 12-year history. For the first time, students and youth had the opportunity to take part in AEF.

Nazarbayev announced that digital transformation is changing the face of the country’s economy, and mobile creative human capital is becoming the main driver of growth. “By 2030, about 375 million people around the world will need to undergo training and change their profession,” said the first president of Kazakhstan.

The Managing Director of the International Monetary Fund, Christine Lagarde, was the only female speaker at the opening panel. She made the audience laugh and applaud when the moderator told her to use a rostrum situated at the right side of the scene, while all previous speakers had used the left one.

“Thank you very much Mr Moderator, and I hope that this particular podium is not exclusively reserved for women, because it will

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not be very well used today,” she said.

Further on in her speech, Lagarde
returned to the role of women in
society, commending Kazakhstan for
being a leader in the region.

“I’m pleased to say that through
the hard work of the government and
private companies, female labour
force participation in Kazakhstan is
now at 65% which is the highest in
the region and a benchmark for every
country in Central Asia,” she said.

Lagarde said the IMF had published
on the occasion of this forum the
report “Promoting inclusive growth
in the Caucasus and Central Asia”,
which she said would be “formidable
reading” for those interested in this
prospect.

In addition to the policy of
increasing the role of women, the IMF
chief focused on three more areas.
She insisted that fiscal policy
should balance debt concerns with
critical initiatives in health, education
and infrastructure, all three conducive
to increase productivity. Here, she said
the IMF would continue its support
to the region through technical
assistance and capacity development
programmes with the proposal to
actually set up a training centre in this
region.

Lagarde said the IMF believes that
corruption needs to be addressed
head-on in the region, her words
triggering another round of applause.

Further, Lagarde said that more
efforts were needed so that the
financial sector would be sound and
its services widely accessible. She
said that only 45% of adults in the
Caucasus and Central Asia countries
had a banking account, which is
almost 20% lower than the average in
other emerging markets.

“If Central Asia can harness
the power of Fintech as emerging
economies in other regions have
done, the potential gains for women,
for young people and for the poor are
significant”, the IMF chief stressed.

The President of Armenia, Armen
Sarkissian, a computer scientist by
background, focused on education
in his speech. Speaking about the
acceleration of events, he gave as an
example the capital of Kazakhstan,
now called Nur-Sultan, which was
built very fast in the steppes, at what is
the heart of Eurasia.

He built on the notion of a
“globally integrated world”, which in
his words hasn’t started now, but at the
historic period of the Silk Road, and on
preparing today’s children for the 21st
century, as the locomotive of progress
in his words would be the human
being, “the creative man”.

“There is going to be another
revolution. It will not be the Fourth
Industrial Revolution to be followed by
a fifth one, but we’re entering a phase
of rapid revolutionary evolution”, in
which “the world will be changing
every day”, he said. The challenge, he
said, was to prepare for that.

The Prime Minister of Georgia,
Mamuka Bakhtadze gave as an
example the experience of his country
’s comprehensive education reform.
He said that this had been “the
bravest step” since Georgia gained
independence.

“This new education reform is, I
would say, revolutionary, a real game-
changing undertaking for our people
and for our future generations,” he
said.

Under the new legislation, he
said, 6% of GDP in Georgia would
be allocated to education, which is
25% of the country’s budget. Also,
according to the new legislation, every
government would be obliged to invest
in human capital

“We have to understand that in our
competitive world only the ones who
have open, prolific minds, information
and the ability to think out of the box,
will be the ones to create the added
value for our economies,” he said.

Herman Gref, CEO of Sberbank,
a Russian bank which is the second
on the Kazakh market, also focused
on education and human capital. He
said education wasn’t able to provide
competent personnel, especially soft
digital skills. He quoted research
according to which almost 90% of
pupils and students don’t like their
textbooks, and a vast majority of
teachers don’t like their job.

This is why his bank was providing
training to its employees, and life-
long learning was not an empty
word. 36,000 IT specialist work with
Sberbank, and every day the company
is recruiting 5,000 people, he said.

Risto Siilasma, CEO of Nokia,
agreed and said that along those same
lines, Nokia, decided to train not just
their engineers or management in
machine learning but every single one
of their 100,000 employees: “every
single receptionist, janitor, secretary
up to the CEO. And there is a level of
urgency in all of this”.


At the Astana Economic Forum, a representative of the EU hinted that the host country, Kazakhstan, could play a role in helping to bridge differences over the reform of the World Trade Organisation.

US President Donald Trump’s administration says the WTO is dysfunctional because it has failed to hold China to account for not opening up its economy as envisaged when Beijing joined the body in 2001.

To force reform at the WTO, Trump’s team has blocked new appointments to its trade court, which is now rapidly running out of judges, meaning it will be unable to issue binding rulings in trade disputes. Trump has even threatened to withdraw the United States from the Geneva-based WTO.

The European Union has published proposals for reform in different areas of the WTO that it has agreed with China, India and other countries, hoping to overcome U.S. objections that have thrown the WTO into crisis. The US is, however, unmoved by the EU’s efforts.

‘NO PLAN B’

Speaking in Astana on 16 May, Luc Devigne, deputy managing director Europe and Central Asia in the European External Action Service (EEAS), made clear that the issues were serious, as in his words, there is “no Plan B”.

“From an EU perspective, in 20 years international trade has changed more than the WTO itself. But there is no need to throw away
the system because there is no plan B. There is no alternative to the WTO, there is nothing similar in terms of effectiveness and we should be really cautious here”, he said.

He further said the EU was “extremely worried” by the aggravated tensions “and a shift by certain members, or a certain member”, to go to unilateral measures. “Only concerted measures can prevent the system from collapse,” said Devigne.

“We are engaged in WTO reform, we want success, there is no alternative, there is no second trading system”, Devigne repeated. “Kazakhstan will have a great responsibility in this regard. Building bridges is important, President Nazarbayev reminded us of the big ambitions of the country in this regard, and we support them”, he said.

Indeed, the first President of Kazakhstan, Nursultan Nazarbayev, has offered his country’s capital as a platform where the US, China and Russia could solve their disputes.

Moreover, WTO members have agreed that the organisation’s next ministerial conference will take place from 8 to 11 June 2020 in Astana. The dates were endorsed at an 18 October meeting of the WTO’s General Council. This may be interpreted as a major success for Kazakhstan, a country that gained its independence in the early 1990s and became the 162nd member of WTO on 30 November 2015.

‘SOUL SEARCHING’

Mark Linscott, a Senior Fellow at Atlantic Council, who has spent most of his career as a US trade representative, with the last two years in Central Asia, offered insight into Washington’s position.

“At this point in time, I think the Trump Administrations has definitely urged some soul searching at the WTO,” he said.

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Linscott recalled that the organisation had undergone other crises in the past. He also argued that the core rules of the system put in place by 1995 remain sound. However, in his words, these rules had not been substantially extended and updated since then, with a few exceptions.

“By assessing what might work and what might not, I think it should be reassuring to note that the multilateral trading system has faced crises in the past. And it has proven flexible enough to respond when driven by forces of creativity”, the former US trade official said.

‘WHAT DID WE GET?’

Ekaterina Mayorova, director of the department for trade negotiations of the Russian ministry of economy, said her country had joined the World Trade Organisation with the hope that it could participate in the elaboration of new rules. Russia joined WTO in 2011 after a record-long accession process.

“We regret that reality doesn’t really correspond to our expectations,” she said.

“Instead of stability of our access to international markets, we were faced with more protectionism,” Mayorova said, adding that, furthermore, Russia itself was faced with sanctions and that a “key partner” used measures from the time of the Cold War.

“We paid an entry ticket, but what did we get in exchange?” she asked.
Kazakhs will vote for a new President on 9 June and, for the first time since the country’s independence, Nursultan Nazarbayev is not running. Diplomats say the winner will certainly be Kassym-Jomart Tokayev, but six other candidates have joined the race.

Speaking at the Astana Economic Forum, Nazarbayev said he could have run again and won by a large majority. “I participated in five elections, and never obtained results under 85%,” he said and continued:

>Although my mandate had not expired, and I could be a candidate again, being sure 100% that I would be elected in the same way, changes are needed. A new approach, a new generation is needed. I am sure that the new team, the new generation, will bring in innovation”.

He said Kazakhstan was rich in natural resources, which is why under Soviet time it only extracted them and there was no processing. After independence, an industrial programme was put in place and a special reserve fund was created, to the present amount of $90 billion, which he said was a “solid amount” for the 18-million strong nation.

The second programme of independent Kazakhstan, in Nazarbayev’s words, was on infrastructure.

In Soviet times, all roads and railroads were heading North, to Russia, while in present days the country is part of the Silk Road and a lot of transport infrastructure in the direction East-West. $30 billion

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were spent on such infrastructure, including 14,000 km of roads, 2,500 km of railroads, two seaports on the Caspian and the dry port of Khorgos at the border with China, he said.

This project is already bringing good dividends, the first President of Kazakhstan said.

“Next – this work has to continue”, he said, adding that the next leadership must continue, focusing on improving the living standards.

“We have finances, we have managers, and this should be, in my view, the goal of the future leaders”, he said, before cracking a joke about a certain confusion in having “the first President, then the President”.

There will be no duplication, There is one President, and he is the leader”, he said to big applause.

Tokayev was present but did not take the floor.

Tokayev took over as head of state after Nazarbayev surprisingly resigned on 19 March. Born in 1953, Tokayev is a career diplomat and a polyglot: He is fluent in Kazakh, Russian, English and Chinese and has knowledge of French.

He has served, among other positions, as director general of the United Nations Office in Geneva, and as a personal representative of the UN Secretary-General to the Conference on Disarmament. Nazarbayev described him as “the best prepared” among the candidates.

Six other candidates are running and apparently, all are running campaigns, with billboards on boulevards and distribution of leaflets.

The Astana Times announced on Friday (24 May) that the Central Electoral Commission (CEC) has accredited 125 international observers, including 22 long-term observers from the Election Observation Mission of the Office for Democratic Institutions and Human Rights (ODIHR) of the Organisation for Security and Cooperation in Europe (OSCE) for the elections.

The ODIHR mission is led by Ambassador Urszula Gacek and consists of a core team of 12 experts based in Nur-Sultan (as the capital was re-named after Nazarbayev stepped down). ODIHR has requested OSCE participating states to send 24 long-term observers and 300 short-term observers.

Approximately 16 observers from foreign countries are also included in the list of observers, representing the central electoral authorities of Armenia, Bulgaria, Georgia, Malaysia, Moldova, Latvia, Russia and Turkey.

The Bulgarian ambassador to Kazakhstan, Vassil Petkov, told EURACTIV that the Bulgarian MPs who will come as observers will also use the opportunity to meet with their Kazakhs colleagues.

The accreditation of observers from other countries and international organisations will be open until 3 June.
The resignation of Kazakhstan’s long-standing leader Nursultan Nazarbayev on 19 March is seen by many as a step in the right direction for the country’s democratic development.

And the snap elections on 9 June called by the interim President Kassym-Jomart Tokayev, who replaced Nazarbayev following constitutional procedure, are the right call to determine a legitimate successor to the country’s founding father.

Nazarbayev is often likened to Turkey’s Atatürk for his success to gain his country’s independence from the Soviet Union, his secular, modernising and reformist ideas, his visionary plans for the socio-economic development of Kazakhstan, his nation-building efforts and his peaceful foreign policy.

The task bestowed upon him was
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not an easy one. In an era, where most former Soviet Republics struggled with conflicts threatening their territorial integrity, he managed to delimitate Kazakhstan's borders with giant neighbours, such as Russia and China, while striking contracts with international companies, which helped develop the country's natural resources.

Despite the country's proximity to the Islamic Republics of Iran and Afghanistan, secularism, multiculturalism and religious tolerance became the motto of Kazakhstan, where 125 minorities co-exist peacefully. While the majority of the Kazakh population is Muslim, 26% of Kazakhs practice Christianity and a small part of the population follows Judaism. The Kazakh state not only guarantees religious freedom in its Constitution but it also promotes it internationally by hosting the Congress of Leaders of World and Traditional Religions. Even during the month of Ramadan, cafes, restaurants and bars in Kazakh cities, such as Almaty, are crowded with people.

The modernity of the Kazakh capital Nur-sultan (formerly Astana) built from scratch by international architects, symbolises the rapid economic development of the country whose GDP rose from -11% in 1991 to an average of 6% in the 2010s. Even in the aftermath of an economic downturn, caused by plummeting oil prices and indirect effects of sanctions imposed on Russia, the country has maintained its growth rate at 4%.

Long-term plans are put in place to develop a digitalised and green economy in order to reduce reliance on raw materials, to enhance the private sector and foreign investment, to support the SME sector and to achieve the full potential of human capital. The opening of the Astana International Stock Exchange last year – in cooperation with NASDAQ and the Shanghai Stock Exchange – demonstrates the country's aspirations to become a regional financial centre. These economic and social transformations are guided by a vision to make Kazakhstan one of the top 30 developed countries in the world by 2050.

While continuing to have good relations with Moscow as part of the Eurasian Economic Union, Kazakhstan also engaged in its own nation-building efforts. Russian is still one of the two official languages in the Caspian state, where ethnic Russians constitute 20% of the population. At the same time the Kazakh language, which was nearly extinct during the Soviet time, has been promoted and is widely used in schools and administrations. While the Soviet legacy played well for Kazakh women, whose labour force participation is a remarkable 65%, its gulags, famines and nuclear weapon tests are still vivid in the memory of the people. During the Soviet period in the early 1930s, nearly 40% of ethnic Kazakhs starved to death at collective farms, where they were forced to work.

As with Russia, Kazakhstan has good relationships with its south-eastern neighbour China in the framework of Shanghai Cooperation Organisation. The Kazakh state is seen as a buckle in the Beijing-led Belt and Road Initiative, due to its logistics and infrastructure networks.

The country is also in close cooperation with the West. Being a member of the Organisation for Security and Cooperation in Europe and a non-permanent member of the UN Security Council in 2017-2018, Kazakhstan signed an Enhanced Cooperation and Partnership Agreement with the EU in 2015. The EU recognises the importance of the region with a recent strategy, which allocates EUR 1,1 billion to development cooperation with Central Asia. Since 2010, Kazakhstan and the U.S. have an agreement on transit for cargo to Afghanistan, which was extended in 2018, enabling the US to use two Kazakh ports as a transit route.

Following the elections on 9 June, the next President will face important challenges, the first one being to ensure a smooth transition. Then he will have to oversee that there is no backsliding in economic, social and political reforms, re-establish trust for international partners and continue the peaceful relations with the main actors having stakes in this region of key geostrategic importance.
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