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Russia-Kazakhstan relations in light of the Ukraine war: An overview of Kazakhstan's pivot to Asia

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ABSTRACT

Russia's invasion of Ukraine has brought about key questions that dictate the future of its relations with Kazakhstan. The crux of the matter is that Kazakhstan seeks to assert itself as a regional power of its own. Already Central Asia's largest economy, Kazakhstan is the key player in an increasingly contested geopolitical battleground; it can either maintain its status as a Russian proxy state or pursue independence in decision-making via closer ties with its neighbor China and or the West. Recent events and evidence have shown that the nation is taking the latter approach and thus solidifying its pivot to Asia.

Keywords: Kazakhstan, Russia, Ukraine, Politics, Policy

1. INTRODUCTION

Russia's invasion of Ukraine has raised some interesting possibilities as to the future of its relations with Kazakhstan. The crux of the matter is that Kazakhstan seeks to assert itself as a regional power of its own. Already Central Asia's largest economy, Kazakhstan is the key player in an increasingly contested geopolitical battleground; it can either maintain its status as a Russian proxy state or pursue independence in decision-making via closer ties with its neighbour China and or the West. The approach Kazakhstan is taking is guided by a combination of Human (choice or policy-based) and Non-Human (money flows/supplies) factors.

HUMAN	NON-HUMAN
Foreign Policy	Economic implications
Security Policy	Energy relations

Within the human element, shifting foreign policies are starting to become more and more evident. Kazakhstan, too, was once a part of the USSR, and still remains in Russia's immediate sphere of influence. Kazakh politicians could see Russia's 'special operation' as, at least symbolically, a risk to Kazakhstan's own sovereignty. As recently as 2013, Vladimir Putin remarked that "Kazakhstan never had its own statehood", which could provide further reason for the Kazakh government to pursue closer relations elsewhere, most likely with China, its superpower neighbour, which has already invested billions into the nation as part of its Belt and Road Initiative (BRI) project (*China's Belt and Road Initiative: Kazakhstan and Geopolitics*, 2020).

Kazakhstan may also rethink its security policies in light of the conflict. Given the situation in Afghanistan, Kazakhstan may be wary of having a pre-occupied Russia as its biggest defence partner. It may instead may look to its neighbours, particularly Tajikistan and Uzbekistan, for support and coordinated counter-terrorism operations in the region.

However, Kazakhstan may be wary of pursuing a drastic change in policy, especially given the events that unfolded in January of this year, when the intervention of a Russian-majority coalition of soldiers quelled anti-government protesters.

The economic implications of the Ukraine War have already impacted Kazakhstan. Being a land-locked country, it is heavily reliant on Russia as an exporting destination and as a transit route for its goods. Western sanctions on Russia, therefore, have crippled a

crucial gateway for Kazakh goods, and this has been exacerbated by the fact that Russian corporations often hold significant stakes in Kazakhstan's biggest industries and exporting companies. As a consequence, Kazakhstan has greatly expanded its trade with Asia, making its use of its 2000 kilometre border with China.

Oil and gas revenue accounts for 35 percent of Kazakhstan's GDP and 75 percent of its exports (*Kazakhstan Oil and Gas Tax Guide_2021.indd*, n.d.), including most of its foreign direct investment (FDI). While most of these exports go directly to Russia, the Ukraine conflict could mean that more and more flows into China and Eastern Asia through the Kazakhstan-China pipeline, which already brings in about 20 million metric tonnes of oil from Kazakhstan's deposits in the Caspian Sea directly to China every year (*Kazakhstan (KAZ) Exports, Imports, and Trade Partners | OEC*, n.d.).

2. IMPLICATIONS ON FOREIGN POLICY

The Ukraine conflict has already sparked a paradigm shift in Kazakhstan's foreign policy. Kazakhstan, a state historically under Russian influence, is increasingly following an independent foreign policy where it can pursue opportunities irrespective of Russia's preferences. It seems that Russia's decision to invade Ukraine has irked Kazakhstan's decisionmakers and dramatically deteriorated bilateral relations between Moscow and Nur-Sultan.

It is clear that Russia's decision to support Tokayev's government in January 2022 is not paying dividends. President Tokayev continues to downplay (Putz & Kuo, 2022) the intervention of Russian-majority Collective Security Treaty Organisation (CTSO) forces in an attempt to distance himself from Russia's role in securing Kazakhstan's government. As Russia's invasion of Ukraine began to stall, Kazakhstan was the first CSTO member-state to publicly (Alexander, 2022) rule out sending troops to assist the botched 'special military operation.' Furthermore, Kazakh Foreign Minister Mukhtar Tileuberdi said on April 5 that his country will not recognize the Donetsk and Luhansk People's Republics as independent states- an effective rebuttal of Moscow's justification for war.

Over the past few years, Kazakhstan has sought to pivot its foreign policy away from Russia and deepen relations with the European Union and China. President Tokayev's 2021 decision to shift (*Kazakhstan's Alphabet Switch Reflects Wider Societal Changes*, 2021) Kazakhstan from a Cyrillic alphabet to a Latin-based script is a key example. Tokayev's decision to promote the Kazakh language over Russian was likely a component of his aspirations to move away from Russia's sphere of influence and to fray a cultural tie between Kazakhstan and Russia.

Kazakhstan's response to Russia's invasion of Ukraine has struck several of Moscow's "pressure points" (Velazquez, 2022). Tokayev's signalling that Kazakhstan aims to pursue new foreign policy opportunities irrespective of Russia's preference and his government's refusal to legitimise the Kremlin's invasion of Ukraine represents a serious blow to Moscow's hold on the largest state in Central Asia. Moving forward, it is unclear how successful Tokayev will be in breaking from Moscow. However, at this point it seems clear that Tokayev will not be a leader that Moscow can count on.

3. IMPLICATIONS ON SECURITY POLICY

A pre-occupied Russia presents both a challenge and a window of opportunity for Kazakhstan to strengthen its security policy and infrastructure.

In the short-term, Kazakhstan will have to settle for what it already has: Russia. Current economic circumstances have necessitated arms producing nations to cut down on manufacturing. This coupled with the sheer distance from potential exporters (in lieu of Russia), means that for the foreseeable future, Kazakhstan will have to walk a diplomatic tightrope within its defence policy. To achieve his aim of an independent future for Kazakhstan, President Tokayev will have to be careful to prevent Russian aggression on the basis of debt or disloyalty, especially given the sizable Russian minority in northern Kazakhstan and increasing Russian belligerence.

However, in the long term, there is no doubt that Kazakhstan can successfully pivot to the East. It already has good ties with its neighbour China, and enjoys friendly relations with both India and Pakistan, who are 'priority partners' (*EAEU and India Discussed Prospects for Developing Relations*, 2021) with the EAEU.

Within Central Asia, Kazakhstan is heavily involved in counter-terrorism operations via the Collective Security Treaty Organization (CTSO) and Commonwealth of Independent States(CIS). During the 2019 CIS Summit, Kazakhstan signed a cooperative agreement between the CIS members to jointly combat terrorism, including preventive measures for "countering extremism, radicalization of the population," financing terrorism, as well as involving civil society and mass media, holding special trainings, and the use of modern technologies for timely response to potential threats (*Kazakhstan - United States Department of State*, n.d.).

In April of this year, Kazakhstan and fellow CIS member China agreed to 'strengthen military cooperation' in light of regional and international conflicts (*Kazakhstan, China Agree to Strengthen Military Cooperation*, 2022). China values stability in Central Asia and could emerge as Kazakhstan's biggest ally (and potentially biggest trade partner) by the end of this decade. Both parties hold similar views on the conflict in Ukraine, international security, and the situation in Afghanistan, and as such they agreed to cooperate on and 'continue to strengthen strategic communication, conduct joint drills and training, and carry out practical cooperation.'

4. ECONOMIC IMPLICATIONS

Sanctions imposed on Russia by the West have prompted a two-fold effect on Kazakhstan. Firstly, they have prevented European goods reaching the nation, and secondly they have lost access to their export markets in the West, halting their progress towards post-

pandemic recovery.

Since the start of the war in February 2022, the Russian ruble has plunged around 50 percent against the dollar, triggering a knock-on effect on Kazakhstan, whose economy remains intimately tied with Russia's. The Kazakh currency, the tenge, has lost 20 percent against the dollar since the war began in February 2022. This value forced the Central Bank of Kazakhstan to increase the benchmark interest rate and inject money from their currency reserves into the domestic market to support the currency and maintain price stability.

Since 10 March 2022, Russia banned the export of grain and white sugar to the EAEU, and hence Kazakhstan (and the wider Central Asian region) is on the brink of food insecurity. In 2021, Kazakhstan imported 2.3 million tons of grain out of which 77 percent was purchased from Russia (*The Ukraine War Weighs Down on the Central Asian Republics*, 2022).

Post-Russia's ban, Kazakh authorities have also decided to suspend wheat exports, leading to a similar crisis in Kyrgyzstan and other countries which are highly dependent on its regional neighbours for food exports.

Furthermore, with an occupied Russia, and a Kazakh government seeking change, it is very likely that Russian-Kazakh cooperation projects in the field of digitalization, the development of nuclear energy and in other areas will be cancelled.

Moreover, other regional powers, namely China, Turkey and India are in pole position to make strategic economic roads in Kazakhstan and Central Asia. China is already emerging as a major arms provider and strategic partner accounting for one third of the overall trade in the entire Central Asian region (Jardine, 2022). In a similar vein, India and Turkey have also stepped up their engagement with Kazakhstan. Turkey invested a record 680 million dollars (USD) in FDI into the nation in 2021 (Satubaldina, 2022), with 2.5 billion dollars worth of infrastructure projects on the way. Trade turnover with India, likewise, surpassed 2 billion dollars in 2020 (CHAUDHURY, 2021).

5. ENERGY RELATIONS

The conflict between Russia and Ukraine threatens to have far-reaching economic implications for the Kazakh energy industry. This is compounded by the impact of Western sanctions on the Russian energy supply, which is itself intertwined with the Kazakh system (Burna & Kuo, 2022). This has exposed the need for alternative energy export routes in Kazakhstan demonstrated by President Tokayev 'New Kazakhstan' economic policy. A key part of this policy is the 'diversification of economic corridors' of which energy is undoubtedly the key priority.

Oil and gas revenue accounts for 35 percent of Kazakh GDP and 75 percent of exports, as well as most of its foreign direct investment. Kazakhstan is criss-crossed by oil and gas pipelines that deliver not only its own energy exports to China and Russia but those of other producers including Turkmenistan and Uzbekistan. The Kazakh oil and gas distribution network for export purposes is primarily spread in three different directions: to the north (via the Soviet-era Russian pipeline system and rail network), to the west (via the Russian-based Caspian Pipeline Consortium [CPC] and the Baku-Tbilisi-Ceyhan [BTC] oil pipeline), and to the east along two pipelines (via the Kazakhstan-China oil pipeline and the Central Asia-China natural gas pipeline, which transit even larger volumes of gas from Turkmenistan and Uzbekistan through Kazakhstan territory).

The bulk of Kazakh energy is exported to and through Russia, with the country also imposing export quotas limiting quantities Kazakhstan can export. The conflict between Russia and Ukraine has exacerbated problems for Kazakhstan's energy sector. In particular, Western sanctions have hampered Kazakhstan's ability to export to European markets, given that most of the infrastructure runs through Russia via the CPC. The pipeline's ownership is problematic (O'Byrne & Lillis, 2022) as well. The pipeline is owned by a consortium in which Russia firms play a major role: Transneft holds 24 percent, Lukoil and Rosneft together through their subsidiaries hold another 20 percent, and both Lukoil and Rosneft have already been sanctioned.

As a consequence, Kazakhstan has increasingly prioritised its other major energy export supply route that runs through China. This eastern export route is capable of carrying 20 million metric tonnes per year. The Kazakhstan-China pipeline brings oil from Kazakhstan's deposits in the Caspian Sea directly to China. Kazakhstan is also central to China's export trade within the Belt and Road initiative in Central Asia and is gaining increased importance as an energy supplier.

However, even with increased Chinese engagement, it remains to be seen whether Kazakhstan can overcome the logistical challenges involved with replacing Russia's dominance over its energy supplies and sector. Therefore, President Tokayev will need to act shrewdly and engage in a complex balancing act to ensure that Kazakhstan's foreign policy — and energy relations — pivot is successful.

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