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The Evolution of Kazakhstan's Position on Relations with Russia in 1991-2010

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1. Introduction

2009-2010 are marked by a major breakthrough, namely the establishment and operationalisation of the Russia-Kazakhstan-Belarus (RuKaBe) Customs Union as well as the stated goal to move forward the Single Economic Area (SEA) by 2012. Russian-Kazakhstani relations shape the regional integration in the post-Soviet space. As Kazakhstan played and continues to play the crucial role in the regional integration processes in the former Soviet Union (FSU), its position and foreign policy on these issues demand explanation and interpretation.

The paper is focused on the official Kazakhstani position towards Russia and its development over 1991-2000, i.e. the two post-Soviet decades. We draw upon speeches by the representatives of the state, most importantly by Kazakhstan president Nursultan Nazarbayev, and the intergovernmental acts. This approach implies the paper's limitation. Namely, the actual foreign policy is rather characterised by inferences based on policies (revealed preferences), not the rhetoric. Still, we think that our approach is suitable for the narrowly defined goal of the paper – understanding and interpreting the evolution of the official position.

In this paper, sovereignty is understood in a functional sense, i.e., as a complex, multi-tiered system of authority. The people (or a state) is able to transfer any part of its sovereignty to supranational bodies at its discretion, yet remain a sovereign state. For example, in the EU, in accordance with the principle of subsidiarity, supranational bodies are vested with certain sovereign powers, which they need to perform their functions, but no more than that. It is important in the context of this paper that, unlike many Russian politicians, Nazarbayev is a consistent proponent of this concept of sovereignty.

The paper is organised as follows. After brief review of the context in which Kazakhstan developed its stance on its relations with Russia in particular and regional integration in general (Section 2), we move to the substantive analysis and structuring of the evolution of the Kazakhstani official position towards relations with Russia in Section 3. The fourth section provides various aspects of interpretation of this process, as we set the rhetoric against the economic cycles and exogenous events. Finally, the fifth section concludes.

2. Kazakhstan and Nursultan Nazarbayev

In the 1990s and 2000s, the geopolitical and economic features of the region, bordering China, strongly affiliated to Russia, and being at the same time part of the Islamic world, put the urgent task for Kazakhstan's leadership of establishing the country as a new player on the international arena by establishing diplomatic relations, joining international organisations and finding the place within the hierarchy of international relations.

Shaping up of Kazakhstan's foreign policy evolved under the influence of many internal and external factors along with the strengthening of statehood and trends in the economic and social development of the country. The vision of the country's development path played an important role in this process.

Kazakhstan, as a transit country, possesses vast policy interests in implementing integration initiatives. However, at the beginning of the 1990s transit was not the central

issue. In the face of economic chaos and Kazakhstan's nascent statehood, confederation with Russia was seriously considered as a way out of the systemic crisis and maintaining social stability in the country. Kazakhstan and Russia shared political, economic and military potential and had very close geopolitical interests, especially given China's economic expansion towards Central Asia. The latter factor became increasingly relevant in the 2000s.

Nursultan Nazarbayev is rightly viewed as the originator and champion of the idea of 'Eurasian integration' in the FSU and the special role which Kazakhstan has to play in this process. He called Kazakhstan 'the Eurasian bridge', implying a country with geographic, cultural and historic affiliation to both Europe and Asia. Based on this concept, Nazarbayev has proposed a number of far-reaching integration projects that are widely known as 'Eurasian' projects. He has also expressed the idea and concept of a Eurasian state, i.e., one that intrinsically combines the scientific, technical, cultural and ethical achievements of the West with the cultural, moral and other values of the East (Medvedev, 2008).

One of Nazarbayev's conceptual statements reads: "... I have formulated, and will continue to promote the idea of Eurasian unity which, I believe, has a strategic future... Kazakhstan alone cannot realise its great transit potential, nor can any other neighbouring country do so. This should be done jointly, in close and mutually beneficial co-operation" (Nazarbayev, 1997).

3. Evolution of Official Kazakhstani Position on Regional Integration and Relations with Russia

From Kazakhstan's independence in 1991 to the present day, this idea has passed through several stages of evolution, and each stage has had a direct bearing on Russo-Kazakh relations.

--- Chart 1 around here ---

Chart 1. Evolution of the official Kazakhstani position on relations with Russia.

Note: Saturated boxes represent actual events or state of affairs, while two transparent boxes represent initiatives that were not implemented.

Chart 1 depicts distinct phases of this process. In addition, the Y-axis sets policy developments against the basic Balassa's classification of economic integration. On the whole, we single out five periods, or phases, in the development of the official Kazakhstan position towards its relations with Russia.

1. Phase one (1991-1996) was associated with the break-up of the Soviet Union and inception of the CIS. Amidst political and economic turmoil, Kazakhstan's leadership suggested full economic union with Russia and moves on to specify the Eurasian Union initiative.

The geopolitical and economic features of the region, bordering China, strongly affiliated to Russia, and being at the same time part of the Islamic world, put the urgent task for Kazakhstan's leadership of establishing the country as a new player on the international arena by establishing diplomatic relations, joining international organisations and finding the place within the hierarchy of international relations.

This period saw concerted efforts to establish a new model for bilateral economic and political co-operation. Bilateral relations between Kazakhstan and Russia developed in parallel with the growing international recognition of the new states. It was time to find a solution to the pressing economic challenges caused by the disintegration of the Soviet economy, and to find ways to support the formation of national economies, market reform and social protection of the population. In October 1992, Russia and Kazakhstan officially established diplomatic relations. The Russian and Kazakh governments signed an agreement to allow mutual trade missions. On 15 May 1992, Armenia, Belarus, Kazakhstan, Kyrgyzstan,

Russia, Tajikistan and Uzbekistan signed a Collective Security Treaty (CST). This document came into force following its ratification on 20 April 1994, and is now viewed as a milestone in the development of joint initiatives by the newly independent states.

Nazarbayev believed that the consequences of the break-up of the Soviet Union must be contained and that the former Soviet republics must continue to co-exist within a “renewed” confederation based on the Novo-Ogarevo agreements. However, this scenario was precluded once Russia, Ukraine and Belarus had signed the Agreement Establishing the CIS on 8 December 1991, and the Protocol to that Agreement to which eleven independent states had already signed up.

“...[I] continue to call for the creation of an Economic Union within the rouble zone (which may be opened up to republics which have their own currencies). Such a union must be based on the principles of free circulation of goods, capital, labour and services. It is important to have well coordinated financial, monetary, credit, tax, pricing, social, and economic diversification policies. We need to establish supranational coordinating institutions based on mutual agreements, and to develop common principles governing the interaction of states and the functioning of administrative, regulatory and supervisory systems, which would prevent states taking unilateral measures to the detriment of the interests of the others” (Nazarbayev, 1992).

It was during this period that Nazarbayev championed a full Economic Union based on free circulation of goods, services, capital and labour within a common rouble zone. Because of the ongoing political turmoil and power struggle, the President considered extensive re-integration with Russia to be the best way to develop economically and guarantee security. This position of the country’s leadership was based heavily on the EU’s experience of integration.

In May 1993, during the Moscow summit of CIS heads of state, Nazarbayev declared that his country was prepared for extensive integration, a common market, free circulation of goods, services, capital and labour within the CIS’ common economic space, and gradual progress towards an Economic Union. Eleven CIS countries signed the Agreement Establishing the Economic Union in September 1993.

However, Nazarbayev realised that the declared goals of the Economic Union would not work in reality, and came up with a new initiative. This time he proposed the creation of a new organisation of CIS countries—the Eurasian Union (EAU). In pursuit of integration within the CIS, Kazakhstan came up with the Eurasian Union initiative in 1994. This is reflected in the statement by the Council of the CIS Heads of State. “The logic of our history suggests that integration into the world community will only be possible through the concerted efforts of all the Commonwealth countries and the exploitation of a strong potential for integration that we have developed over decades. Current circumstances prove that, although CIS structures are improving, they should not be viewed as the only vehicle for unification. ...The future development of every CIS country is impeded by a lack of internal potential. And the latter can only be improved through the economic integration of post-Soviet countries based on new, market foundations” (Council of the Heads of State of the CIS, 1994).

Kazakhstan proposed to admit to the new interstate structure only those countries which share its agreed principles. These are: establishment of the Council of Heads of State and Heads of Government as the supreme political leadership body, election of a common parliament; the creation of a council of foreign ministers and appointment by the heads of state of an EAU inter-governmental secretariat. In the economic institutional sphere the concept envisaged the establishment of the Economic Commission under the Council of Heads of State, Commission on resources of the countries-exporters to set export prices and quotas on raw materials. The structure also envisaged setting up the Commission on common currency unit. All these bodies were to ensure that the member states pursue a common economic policy. It was also proposed to establish common borders and introduce a

supranational currency in addition to national ones. The EAU initiative incorporated the concept of qualified majority in decision-making, while in the CIS the decisions were taken by consensus.

This idea was unacceptable to Russia, because its position would be undermined amidst many voices of the member-states. Another reason why Nazarbayev's initiative received little if any support from the Kremlin was the foreseen resurrection of massive subsidies from Russia to other republics under the scheme. In addition, most CIS countries, unable to countenance any attempt to limit their sovereignty, rejected this project outright. The EAU idea, therefore, was never implemented. Later on, it was incorporated into the Customs Union and EurAsEC initiatives.

Since 1995, various integration models have been implemented at the CIS and regional levels. This process has had a direct bearing on the nature and content of bilateral relations, which have been elevated to a higher level of economic, political, military, scientific, cultural and humanitarian integration.

On 20 January 1995, Kazakhstan, Russia and Belarus signed the Agreement on Customs Union and approved a phased Programme of Action for implementing cooperation agreements. On 29 March 1996, these countries plus Kyrgyzstan signed the Agreement on Enhancing Economic and Humanitarian Integration. Its declared aims were to create the necessary conditions for the free circulation of goods, services, capital and labour; to strengthen direct links between market players; and to create a common information, educational and humanitarian space.

During this period, the economic integration of Kazakhstan and Russia was accompanied by a comprehensive package of treaties governing bilateral interaction in various spheres. In March 1994, President Nazarbayev paid his first official visit to Russia and signed 22 documents which elevated bilateral relations to a new level. Among the documents he signed were the Agreement on the Enhancement of Economic Co-operation and Integration of Kazakhstan and Russia; the Memorandum on the Basic Principles resolving issues of citizenship and the legal status of individuals from either country who reside in the other country, and the Agreement on the Basic Principles and Conditions of Use of the Baikonur Launching Site.

Economic reforms, denationalisation and large-scale privatisation led to economic stabilisation in the country. By 1997 "...multilateral diplomacy and foreign policy successfully reinforced our sovereignty and territorial integrity, and enabled us to establish close relations with the international community" (Nazarbaev, 1998).

2. *The multi-directional foreign policy of the second half of 1990s: balancing interests of major powers to preserve sovereignty. The understanding of oil as a mainstay of the Kazakh economy underpins foreign economic policy.*

From the second half of the 1990s onwards, the Kazakh ideology of the Eurasian bridge firmly evolved into the doctrine of multi-directional diplomacy. The official objective of this doctrine was to ensure that Kazakhstan pursued its interests in all significant regions, including Russia, the CIS, Central Asia, Europe, the Pacific, the Islamic world and developed industrial countries. Essentially, this pragmatic and careful policy aimed at boosting participation of major actors (Russia, US, EU, China through their corporations) in the development and consumption of Kazakhstan's hydrocarbons and other natural resources, while carefully balancing their interests to ensure Kazakhstan's sovereignty.

Relations with Russia continued to develop in many areas. "After independence, Russia became more than just a neighbouring state. It is time to accept the simple fact that partnership with Russia will be one of the critical prerequisites for the strategic security of our country in the next century" (Nazarbaev, 1999). In July 1998, the presidents of Kazakhstan and Russia signed two important documents: the Declaration *On Eternal Friendship and Alliance Oriented towards the 21st Century* (neither Russia nor Kazakhstan signed a similar agreement with any other country) and the Agreement *On Delimitation of the Sea Bottom in*

the North Caspian for Exercising Sovereign Rights to the Utilisation of Subsoil. The parties also entered an agreement on the the Baikonur launching site. In October 1998, during Yeltsin's official visit to Kazakhstan, the parties signed the Agreement and Programme to Enhance Economic Co-operation between the Russian Federation and the Republic of Kazakhstan in 1998-2007, and a package of documents on bilateral co-operation. On 22-23 December 1998, Russian Prime Minister Primakov paid an official visit to Kazakhstan and signed a number of inter-governmental documents, including an agreement on co-operation in IT, an agreement on Kazakh-Russian border crossing points, a protocol on co-operation in the fuel and energy sector, a protocol on co-operation in the power sector and a protocol on free trade and removal of restrictions on trade between Russia and Kazakhstan. During the official visit of Russian Prime Minister Putin on 23-24 September 1999, the parties signed an inter-governmental agreement on co-operation between the border regions of Kazakhstan and Russia in 1999-2007.

The Asian financial crisis and, more importantly in the regional context, the Russian financial crisis in 1998 became a stress-test for the economic model of the country. The effects of the crises were aggravated by the falling world prices for oil – Kazakhstan's major export item.

In the mid-1990s, Kazakhstan developed its Long-term Development Strategy to 2030, wherein the issue of Eurasian unity was further developed: "Our geographic location at the crossroads of Eurasia is a prime opportunity. The process of political and economic globalisation further emphasises this key advantage. On those grounds, not to mention numerous other advantages which favour political stability, I have formulated and will continue to promote the idea of Eurasian unity which, I believe, has a strategic future... Kazakhstan alone cannot realise its great transit potential, nor can any other neighbouring country do so. This should be done jointly, in close and mutually beneficial co-operation" (Nazarbaev, 1997).

At the same time, the Strategy put national security as a priority and prescribed the multi-directional foreign policy: "To secure our independence and territorial integrity, we must be a strong state, and have trust in and maintain amicable relations with our neighbours. Therefore we shall develop and strengthen an open and egalitarian relationship with our closest and historically amicable neighbour, Russia. We shall develop similar relations with China, on a mutually beneficial basis. ...Our ties and integration with Central Asian states will be reinforced" (Nazarbayev, 1997).

Reading through the Strategy and subsequent foreign policy, we see a strong intention to avoid possible Russian dominance over Kazakhstan by means of carefully balancing involvement and investments of various major players in Kazakhstan's resource base.

The strategy highlighted energy resources as a long-term priority: Kazakhstan wished to engage in "long-term partnerships with major international oil companies with a view to procuring the best international technology, know-how and large-scale capital funding, which will enable us to exploit our natural resources efficiently". "The second component of our strategy is the construction of pipelines for exporting oil and gas. Only by creating a large network of independent export routes can we eliminate our dependence on a single neighbouring country, or exposure to monopolistic pricing by a single customer". Kazakhstan's objectives, therefore, are oriented towards "attracting the attention of other large countries to Kazakhstan and its role as a world supplier of fuel. In this context, investments in our oil and gas industry will come from the United States, Russia, China, Japan and Western European countries, among others" (Nazarbaev, 1997). Thus, for Kazakhstan, Russia becomes a strategic but not the sole partner.

Over this period, there were certain disagreements that led to an extended period of friction between the two countries. Kazakhstan and Russia clashed over the legal status of the Caspian and, essentially, over the exploration and development of oil and gas fields and transportation of fossil fuels to international markets.

Hopes for Kazakhstan's future prosperity were all founded upon oil, and this commodity became the focal point of the country's foreign policy. In 1995, at the Davos Economic Forum, Nazarbayev presented joint oil and gas development projects in Kazakhstan. He stressed that, with immense deposits and a qualified workforce at its disposal, the country was considering supplying fossil fuel to both the West and the East. At numerous meetings with heads of state in Davos, Nazarbayev outlined his plan for long-term co-operation between Kazakhstan and the developed countries of Europe, the Americas, Asia and major international financial organisations.

Events that took place during the period from 1993 to 1998, when Russia and Kazakhstan signed the *Agreement On Delimitation of the Sea Bottom in the North Caspian for Exercising Sovereign Rights to the Utilisation of Subsoil*, demonstrated that the two countries tended naturally to prioritise their economic interests over the cause of integration. However, Russia and Kazakhstan managed to avoid open confrontation, and their protracted dispute over the division of North Caspian resources ended in a compromise (Babak, 1999). Kazakhstan's energy resources meant that the country became a focus of attention for Western and Asian powers whose interests in Central Asia conflicted with those of Russia.

3. The early 2000s: revival of economic fortunes and new round of integration initiatives

Liberal market reforms and active policy to secure the influx of foreign capital into the Kazakh economy did ultimately lead to economic stability and growth. It was possible owing to Kazakhstan's energy resources, and economic development supported by energy exports. Kazakhstan demonstrated that it was on the road to mature statehood and sovereignty. As the country's economic and institutional frameworks became more established, Kazakhstan aspired to secure a more prominent position for the country in the arena of international relations.

Nazarbayev did not abandon his hopes for Eurasian Union after 2000. "We must strengthen and expand our co-operation by creating efficient regional mechanisms and concluding regional agreements". "The experience of the European Community, unlike that of the CIS, shows us that the legacy of disintegration in our past does not necessarily bar the way to a shared future" (Nazarbaev, 2000). Nazarbayev's integration rhetoric had gradually shifted its emphasis to the creation of a Eurasian economic union, including the proposal for a common currency.

During 2000-2005, Nazarbayev announced a number of new integration initiatives. He revived proposals for Eurasian union and a common currency. The rhetoric of the Kazakh President was becoming increasingly oriented towards Kazakhstan's northern neighbour. One possible reason for this was the emergence of a new Russian leadership—one that was more pragmatic, capable of achieving tangible results, and determined to restore Russia's influence in the post-Soviet space. It should be remembered that 2000-2003 were the very first 'plentiful years' for Kazakhstan, and yet substantial doubt remained over whether or not the country could maintain its economic growth on its own. Of equal significance was the fact that Kazakhstan's drift towards Washington was halted at an early stage. Kazakhstan had always had frictions with Western powers, mainly in the human rights domain; issue of centralisation of power, and intermittent corruption scandals (e.g. 'Kazakhgate'). When the era of 'colour revolutions' began, Kazakhstan's leaders condemned US support for the wave of democratisation in certain countries, including Kazakhstan, as 'destabilising'. Partially under these circumstances, estrangement from the West and rapprochement instead with Russia and China became logical steps for Kazakhstan.

In 2003, during a meeting with President Putin, Nazarbayev suggested that the process of unifying the Russian and Kazakh economic area should begin. In February 2003, he elaborated upon the proposal on Russian television in Vitaly Tretyakov's programme *What to Do*: "We will sort everything out domestically, open internal borders, equalise all tariffs, and set to work. In a year we'll show the others—see what freedom, openness and honesty can do.

I'll pursue this without prejudice to the idea of the Eurasian union, simply in order to demonstrate all the advantages involved. I hold fast to this ideal and believe that all of us will benefit from such co-operation" (Nazarbaev, 2003).

On the same occasion, Nazarbayev said, "I have proposed the creation of the Eurasian union, but they say it's too early. They are afraid of the very word: 'oh, a union, here we go again...' Why be afraid of a union of our own, when the EU is thriving? Of course, when the EU was established, some countries — for example, Germany — had to incur certain losses. But later they made up these losses thanks to the expanded common market. Russia, likewise, may incur losses at the start. But Russia is the key player in this process. It is a huge country whose economy is unmatched by any other. I believe that Russia needs such development — it is a geopolitical, strategic necessity. It must bear costs today for the sake of a great future, integration, and all of us... and we all shall flourish, and our security shall be strengthened. There is no alternative to the Eurasian union." (Nazarbayev, 2003).

In other words, the integration model proposed assigned to Russia the role of financial and economic donor to an integration process it is pursuing for geopolitical reasons. Essentially, Kazakhstan's official position has not changed since the early 1990s when N. Nazarbayev first raised the prospect of the Eurasian union.

In 2003 Kazakhstan proposed the introduction of 'altyn', a supranational currency in EurAsEC. Kazakhstan's position on the currency issue was articulated by Grigory Marchenko, Chairman of the National Bank of Kazakhstan, in March 2003: "...in our opinion, the Russian rouble cannot be made a common currency, and the Bank of Russia cannot be made the Central Bank... the rouble is issued by the Bank of Russia, and the Bank of Russia is directed by Russia's political leadership. Should the interests of Russia's political leaders differ from those of EurAsEC, decisions will be made in favour of the former. It's no good" (Marchenko, 2003). When Ukraine unilaterally withdrew from the Common Economic Space initiative (CES), which was meant to comprise Russia, Ukraine, Belarus and Kazakhstan, Nazarbayev proposed a regional currency— 'yevraz' (or 'yevraziy') — for EurAsEC, which comprises Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan.

4. 2005-2007: the goal of Eurasian Union is set aside once again. Diversification of commodities' exports and transit routes is on the forefront.

The integration rhetoric continued into the second half of the 2000s, while the actual goal of Kazakhstan's low-key foreign policy was rather to maintain, and benefit from, a balance of interests between the major powers in the region. Oil prices were high and rising, and Kazakhstan was increasingly confident in a chosen development path to a prosperous independent nation. Kazakhstan sought to strengthen bilateral relations with Western and Eastern powers. It considered Russia, the United States, China, the EU, Turkey and Central Asian countries all as its strategic partners (Nazarbaev, 2004).

The dynamics of Kazakhstan's relations with Russia were generally positive. Mutual trade and investments were on the upturn, but no institutional development occurred. Kazakhstan took systematic measures to reduce its dependence on Russian transportation systems, especially pipelines, and sought to diversify its export routes. Prime-Minister Tokayev explained his position in November 2005: "Kazakhstan, from the very beginning, has relied on multi-directional supply of raw materials to international markets. The conceptual basis for this is the following: the more pipelines we have, the better we do" (Tokayev, 2006). Russia's interests were completely in opposition to this. Russia and Kazakhstan effectively failed to launch wide-ranging co-operation in the energy sector. In 2005, Kazakhstan embarked on its own programme of diversifying oil and gas export, and declined to join the energy dialogue between Russia and the EU.

The above circumstance casts some light on the Kazakhstan's systematic, though not always transparent attempts to counteract allegations of its pro-Russian stance. Despite its declared preference for Russia, Kazakhstan was seriously concerned about its dependence on Russian transportation systems, especially pipelines.

In his Address in March 2006, Nazarbayev, without mentioning any particular country, made it clear that attempts by Russia, the United States and China to establish control over the region's economy would endanger Kazakhstan's political and economic independence.

The notion of the union state was set aside. Foreign policy, whilst continuing to encourage bilateral relations, shifted its focus to economic integration within a Customs Union. The issue of a regional currency was now firmly on the agenda, along with the global financial crisis.

Nazarbayev summarised the prospects for Russo-Kazakh relations within the framework of a union state in an interview for *Rossiyskaya gazeta* (May 6, 2006). Answering a question on the feasibility of a union state, he said: "This question is no longer relevant. Today we should talk only of pursuing the fullest integration possible in order to secure the dynamic economic and social development of our countries" (Nazarbaev, 2006).

5. 2007-2010: Raw material transit diversification, economic integration under the Customs Union.

Presidential address to the people of Kazakhstan of 2007 set the main strategic emphasis of Kazakhstan's domestic and foreign policy for the coming period. Foreign policy is built on recognition of international responsibility that the country bears in fighting the global challenges, in securing regional stability and in the development of regional integration. Kazakhstan is committed to a policy of diversified partnerships. Amicable relations with Russia and China is a priority for Kazakhstan. Kazakhstan is interested in the development of strategic partnership with the USA and European Community countries. Moreover, Nazarbaev emphasised that Kazakhstan "could facilitate as an international mediator in search for mutually acceptable political solutions in potentially conflict situations" (Nazarbaev, 2007).

This strategy as a whole demonstrates that Kazakhstan reached new vision and understanding of its position in the system of international relations. "We must set ourselves minimum and maximum targets for the task of entering and developing Kazakhstan's niches in the world economy, participation in the advanced projects with the foreign partners. Markets of Russia, China, Central Asian countries and Caspian and Black Sea regions should be seen as priority" (Nazarbayev, 2007).

In his address to the 2nd Astana Forum in March 2009, in the midst of the global crisis, Nazarbayev stressed:

"We should take practical steps towards currency and financial integration. An integration structure may have its own supranational non-monetary currency, its exchange rate being dependent on world currency rates. The new currency system will not interfere with the existing one but will enable long-term infrastructure investment. It will secure sustained and regular non-monetary (cashless) transactions between state bodies, companies and individuals from EurAsEC countries. Such a currency will be issued solely in the best interests of EurAsEC countries and the world in general" (Nazarbayev, 2009).

Thus, Nazarbayev concludes that integration processes should continue under the aegis of integration organisations which set the course for a Customs Union, a common currency, common energy and transport markets, and collective security. Kazakhstan will make full use of the advantages it has due to its energy resources, while maintaining a balance between the interests of major players.

2009-2010 are noted by a major breakthrough, namely the establishment and operationalisation of the Russia-Kazakhstan-Belarus (RuKaBe) Customs Union as well as the stated goal to move forward the Single Economic Area (SEA) by 2012. Let us reiterate that these three countries form the integration core of the post-Soviet space according to the comprehensive System of Indicators of Eurasian Integration, managed by the Eurasian Development Bank (Vinokurov, 2010). It is instructive to note another crucial result of the EDB System of Indicators of Eurasian Integration. According to the ensuing study, the

quantitative data confirms that Russia remains an undisputed 'integration leader' for the whole of Central Asia, including Kazakhstan (Libman, Vinokurov 2010).

Russia and Kazakhstan drew together in the context of the EurAsEC, SCO, and CSTO major projects and initiatives, most importantly the Russia-Kazakhstan-Belarus Customs Union. The creation of the Customs Union became the first major systemic integration initiative, which lived up to be implemented. The package of documents was signed at the EurAsEC Inter-State Council in Minsk on November 27, 2009. The common external tariff became operational on January 1, 2010, and the common customs territory is to become functional on July 1, 2010. Both deepening and widening of the union is conceived. On the one hand, the heads of state envisage the development of the single economic space by 2012. On the other hand, Tajikistan and Kyrgyzstan expressed their interest in acceding the RuKaBe Customs Union.

N. Nazarbayev proposed an economic rationale for the emerging customs union: "We need to open up our market for each other to promote the innovational industrialisation of our countries. Such cooperation is mutually beneficial" (Nazarbayev, 2009). This continuous articulation and support of the idea is of utmost importance for its success, in particular while the short-term balance of profit-and-loss is probably on the loss side, at least in the widely shared public opinion in Kazakhstan. For example, in Russia 82% of customs tariffs remain unchanged, 14% will be lowered, and only 4% will rise. In comparison, in Kazakhstan these figures are 45%, 10% and 45%, respectively.

Major efforts in the economic sphere are accompanied by advances in the regional security arrangements within the CSTO. In February 2009, its member states took a decision to establish collective forces of first response. The final treaty was signed in Minsk on June 14, 2009. Russian and Kazakhstani troops constitute the main core of the collective forces. The first maneuvers took place in October of the same year in Kazakhstan, which stress Central Asia as the primary vectors of their potential employment.

In addition, the close views and positions of both countries were demonstrated once again by the support that Russia rendered to Kazakhstan in its successful quest to become the OSCE Chairman in 2010. "Kazakhstan has become the collective candidate from all CIS member states... We express immense gratitude to Russia, which decidedly supported us in the election of the OSCE Chairman" (Nazarbayev 2010). Further along the road, both states cooperated on the common agenda for the organization.

4. Integration Rhetoric and Economic Crises

The evolution of the official Kazakhstani position on its relations with Russia is characterised by intermittent phases on strong integration rhetoric and more subdued periods of stressing the multi-directionality ('mnogovektornost') of the national foreign policy. Also, even in 'high' phases (see Chart 1) Kazakhstan has never aspired establishment a common state with Russia. Only in the very beginning of the 1990s, a confederation with Russia was perceived as a serious strategic option aiming to exit the systemic crisis.

It is also striking that the integration rhetoric intensifies in the times of crisis. Over the 1990s and 2000s, this has happened three times. To begin with, the break-up of the Soviet Union and the ensuing systemic crisis was accompanied by the Kazakhstani proposals to establish the Eurasian Union where Russia would acquire a leading role, including the role of the regional paymaster). Again, the official rhetoric became much more integration-oriented in 1998-2000, after the Russian financial crisis of 1998 and the period of low oil prices deepened Kazakhstan's economic troubles. (The change of Russian leadership in 2000s played its role, too, reviving Kazakhstan's hopes for substantial integration achievements.) Finally, the global economic crisis of 2008-2009 was perhaps instrumental in pressing Kazakhstan and its partners to establish the RuKaBe Customs Union and move forward to the Single Economic Area (see Chart 2).

--- Chart 2 around here ---

Chart 2. Kazakhstan's official position on relations with Russia in times of crises.

Note: Saturated boxes represent actual events or state of affairs. Transparent boxes represent initiatives that were not implemented.

On the whole, however, Kazakhstan's position was more consistent than it might seem to be on the first glance. Even in times of heightened integration expectations, balancing the interests of various power centers (Russia, China, US, EU) remain the top priority. E.g. Kazakhstan stayed opened towards foreign investors, which acquired quite important assets in the country - in fact, partly preventing Russian business from entering (Libman, Ushkalova 2009).

5. Conclusions

From Kazakhstan's independence in 1991 to the present day, Kazakhstan's official position on its relations with Russia in particular and regional integration in the post-Soviet space in general passed through several stages of evolution:

1. Phase one (1991-1995) was associated with the inception of the CIS: amidst political and economic turmoil, Kazakhstan suggested full economic union with Russia as a way out of the systemic crisis. In 1994, Kazakhstan proposed the political and economic concept of Eurasian unity to be institutionalised as the Eurasian Union. The desired level of integration was somewhat limited, but nevertheless remained ambitious, while proposals became more specific.
2. The multi-directional foreign policy of the second half of 1990s: exploiting differences between the world's superpowers in order to preserve national sovereignty. The importance of oil as a mainstay of the Kazakhstan economy was now understood, and securing the best possible export opportunities became the top foreign policy goal.
3. The early 2000s: a revival associated with an economic upturn and change of leadership in Russia. The tension that developed in relations between the U.S. and the EU in connection with the 'colour revolutions' also played a role.
4. 2003-2006: the idea of Eurasian unity was set aside once again. Foreign policy focused on maintaining the balance between the interests of the region's most powerful countries. Oil prices were on the rise, and Kazakhstan's foreign policy was oriented to make Kazakhstan a prosperous, independent nation. Kazakhstan's relations with Russia were generally positive. Mutual trade and investment were on the increase, but no substantive institutional development took place. Kazakhstan was systematic in its approach to reduce its dependence on Russian transportation systems, especially pipelines.
5. 2007-2010: strengthening of relations with Russia in the framework of regional organisations and initiatives, most importantly the establishment of the RuKaBE Customs Union but also the EurAsEC Anticrisis Fund (regional macroeconomic stability and major trans-border projects) and OCST (collective forces). The global economic crisis underpinned the determination to advance the regional economic integration.

The current phase, marked by the establishment of the Customs Union and intensive work on the Single Economic Space with Russia and Belarus, is different and similar at the same time. It is different in regard to the fact that, for the first time in 20 years, the integration breakthrough is real. At once, it is similar to the previous phases since Kazakhstan continues – willfully and consistently – to aim at balancing interests of major players in the region and avoiding Russia's economic and political dominance.

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