



Caspian Information Centre

Are Britain's politicians slow to grasp Kazakhstan's growing importance?

*Anglo-Kazakh Relations are good
and business is better – but it is in Britain's own
interest to ensure that they are closer still*

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“Kazakhstan is a key international partner for Britain. Both countries are committed to a strong, forward-looking relationship building on closer ties ... Britain is already playing a significant role in the development of Kazakhstan in many areas. We want to see that role continue and expand: the UK wants to be a major long-term partner for Kazakhstan.”

The Rt. Hon. Tony Blair, MP
British Prime Minister (2002).

Introduction

Among students of international affairs there is a growing consensus that Central Asia is a zone of increasing geo-strategic significance and that Kazakhstan is especially important because of its huge energy resources and its role as regional pace-setter. For this reason, the US has strengthened diplomatic ties with Astana over the last 12 months through a series of visits by high-level American politicians. These have included former President Bill Clinton, the former Secretary of State Henry Kissinger, the Defense Secretary Donald Rumsfeld, Secretary of State Condoleeza Rice and vice-President Richard Cheney. The inauguration of the Kazakh President Nursultan Nazarbayev in January following his landslide victory of the previous month was attended by a high-level delegation, including Agriculture Secretary Johanns, three US Under-Secretaries and the US Ambassador to Kazakhstan, John Ordway. In September, President Nazarbayev will travel to Washington where a wide-ranging “strategic partnership” accord is expected to be signed between the two countries.¹

There has, however, been no stream of senior British public figures to the Kazakh capital comparable to that from the US, despite the fact that Britain has been the biggest aggregate European investor in Kazakhstan since the country achieved independence in 1991 and the growing commercial, cultural and educational links between the two countries. The last major British politician to visit Kazakhstan was the then Foreign Secretary, Jack Straw MP, in 2004. Despite the Prime Minister’s warm words of 2002 (which are quoted above), he has so far failed to take up the invitation to visit Astana extended to him by President Nazarbayev in 2002 and renewed each year since then. Instead, an invitation has been extended to President Nazarbayev to visit the United Kingdom in the autumn of this year, although at the time of writing a date has not yet been agreed. And on the occasion of the Presidential inauguration in Astana, Britain was represented only by Paul Brummell, its new ambassador to Kazakhstan.

Britain has been slow to move its Embassy to the new capital, although Ambassador Brummell has moved rapidly to organize the transfer since

¹ ‘Strategic’ accord planned for Nazarbayev’s US visit, according to a report in *The Washington Times*, 8th July 2006

taking up his post in December. Around 20 countries have already moved their embassies from Almaty to Astana; Russia, China, the US, and Japan will all have settled in by the time the British Embassy is opened in the autumn.

On the sensitive issue of Kazakhstan's bid to lead the OSCE in 2009, Britain has stayed on the diplomatic fence while Germany, Spain, and Germany have all given their backing; for its part, the US has given encouragement whilst pushing for further reforms.

In a debate on human rights in Central Asia at Westminster on 8th March this year, the Conservative MP Greg Hands expressed understandable concern about Parliament's neglect of Central Asia, pointing out that in the previous year there have been only two oral questions on the region and "perhaps two dozen written ones." Debates on the region are still rarer, while diplomatic representatives from the Central Asian republics frequently complain that British politicians and officials, in common with EU politicians and officials, fail adequately to distinguish between the five "stans" – Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan - and not infrequently mix them up. This is obviously the greatest bone of contention for Kazakhstan, which believes that its impressive achievements in a range of areas is being overlooked or ignored because of this lack of discrimination. It may be appreciated that the tendency in some quarters to lump together countries with widely divergent patterns of political and economic development, simply because of their geographical proximity and a shared final syllable in their name, should give rise to irritation.

After a promising beginning, the British-Kazakh Parliamentary Group, founded in 2001, is largely inactive and it has failed to achieve a degree of interest in Kazakhstan commensurate with Britain's interests, the country's growing economic and political importance and its evident desire for close relations with the United Kingdom. Only two members of the group – Lord Kilclooney² and David Ruffley, MP - took up an invitation to assess and observe the Presidential Election on 4th December 2005 (and were evidently impressed by what they saw³). Meanwhile, the members of the European

² Lord Kilclooney, the former deputy leader of the Ulster Unionist Party, was a member of the British election observation team chaired by Lord Parkinson which concluded that the Presidential Election was the freest and fairest to have been held in Kazakhstan and despite some flaws represented a significant advance in the country's transition to democracy.

³ Please see the preliminary assessment of the Kazakhstan elections produced by CIC in November 2005 and the post-election report dated 5th December 2005 at www.caspianinfo.org.

Parliament - Kazakhstan Delegation merely parachuted in to Astana thirty-six hours before the close of polls to append their signatures to the report of the OSCE/ODIHR election observers.

There are a number of reasons for suggesting that in its own interests Britain should take Kazakhstan more seriously:

- On present projections, Kazakhstan is set to be one of the top ten oil producers within the next 15 years; current exploration programmes could reveal substantial additional reserves such as those recently found at Aktobe.
- Kazakhstan has substantial gas reserves and is set to become the world biggest uranium producer.
- Since Independence in 1991, Britain has been the biggest European aggregate investor in Kazakhstan, which has one of the fastest growing economies in the world (9.5% per annum over the last six years).
- The recent announcement that Almaty will be developed into a Regional Financial Centre means that are significant opportunities for the City of London.
- Kazakhstan has clearly indicated its desire for closer Kazakhstan-United Kingdom ties in a number of ways⁴; in seeking to increase its influence in Astana, Britain would be pushing at an open door.
- Kazakhstan's readiness to commit forces to Iraq, where they are engaged in extensive mine-clearing activities and its support for the reconstruction operation in Afghanistan, demonstrate its reliability as an ally in the fight against terrorism.
- Kazakhstan's continued success in making the transition from totalitarian to democratic rule, and from a command economy to a market economy, is crucial to the stability of a region on which the

⁴ In their different ways, the appointment of the former Foreign Minister, Erlan Idrissov, as Kazakhstan's Ambassador to London, the choice of the London stock exchange on which to float Kazakhstan companies, and the development of educational ties between the two countries are all reflection of the high priority which Kazakhstan places on close relations with the UK.

West is increasingly dependent for its energy supplies; Britain is undoubtedly in an advantageous position to play the role of critical but understanding uncle – to the advantage of both parties.

Some Positive Developments

While Britain has been slower than the US to realise that wider political and strategic change make closer relations with Astana an important priority, there have nevertheless been some welcome developments. Trade and investment between the two continue to flourish. From the period 1993 to April 2005, British investments totaled US\$4.3 billion, representing 10.6% of FDI in Kazakhstan during that period. Over the period since Independence, Britain has been the second-biggest foreign investor and the biggest European investor. Last year, Britain dropped to third in the league table of international investors, falling behind the Netherlands as well as the US as Dutch companies invested heavily in the energy sector. On the Kazakh side, the current emphasis is to attract investment in the non-oil sector (especially high-tech production processes, scientific and technology parks and agricultural processing).

Great Britain is Kazakhstan's leading European trading partner, with total trade between the two countries amounting to \$541 in 2004 and steadily increasing (the total volume of trade during the first nine months of 2005 rising to US\$688.4). Meanwhile, for British companies doing business in Kazakhstan has been helped by the increasing popularity of the English language: English is the third most widely taught language; it is also recognised as the 'language of business' in the country's legal code, while 60% of the country's students who study abroad under the Bolshak ("Future") programme choose to do so at British or American Universities.

In all, more than 200 British companies now do business in Kazakhstan. A recent addition to the list has been Pilkington, one of the world's biggest producers of structural glass, which in January this year signed a joint venture with the Kazakhstan Investment Fund to build a \$200 million glass factory near Kzyl-Orda. According to the Fund, the factory will be the biggest industrial project in the country.

Although Kazakhstan's population of just 14.8 million is small in relation to its huge size, Kazakhstan provides access to a wider Central Asian market of 100 million. Its strategic goal – spelled out in President Nazarbayev's 2006

State-of-the-Nation Address – is to join the world 50 most competitive countries within.

Among those who have glimpsed Kazakhstan's considerable potential as a commercial and business partner have been some distinguished royal visitors, including Princess Anne (1993), Prince Charles (1996), The Duke of Kent (2000), and The Duke of York (2003 and 2006), who acts as the Special Representative of UK Trade & Investment. At the launch of the British-Kazakh Society in London in December 2004, the Duke, who is also joint patron of the Society, told an audience mainly comprised of businessmen; *“It's an amazing place and I cannot stress strongly enough that there are tremendous business opportunities for British companies.”*

An increasing number of businessmen appear to have been following the Prince's advice: visas to businessmen have recently been rising at around 20% a year while those issued to tourists wishing to explore Kazakhstan's largely unknown attractions as a holiday destination have been growing at almost double that number. Partly as a consequence, Air Astana, which is jointly owned by the Kazakh government and Europe's largest defence contractor, BAE Systems, has recently expanded its service from London (Heathrow) to Almaty to three flights weekly. The company, which first launched the service in December 2003, still provides the only non-stop scheduled service from Western Europe to Western Kazakhstan.

Commercial links between the two countries have been further strengthened by the first ever flotation of Central Asian companies - KazakhMys (which has since entered the FTSE-100) and KazakhGold - on the London Stock Exchange. There are rumours that other major Kazakh companies will follow their example, notable the exploration and production division of the state oil company KazMunaiGaz.

At the political level, the official invitation to the Kazakh Foreign Secretary, Kassymzhomart Tokaev, from the then Foreign Secretary, Jack Straw, to visit Britain on 6th March, when Mr Tokaev attended a Wilton Park conference on the political future of the Caspian Region, clearly was a step in the right direction. So, too, was the appointment of Ambassador Brummel, who has extensive knowledge of the region and has impressed his hosts with his enthusiasm to learn Kazakh and, following earlier procrastination by the British Government, organize the Embassy's timely departure for Astana.

Another very encouraging development in British-Kazakh relations was the decision of the Kazakh government to join Tony Blair's Extracting Industries Transparency Initiative (EITI) in 2005. As its title implies, this has the aim of promoting transparency and eliminating opportunities for corruption through the imposition of extremely stringent conditions on the signatories. A positive first year's audit of the country's performance would create confidence in Kazakhstan's anti-corruption drive and do much to enhance the country's reputation in the UK.

At the cultural level, the British-Kazakh Society, founded in 2004, has sponsored a range of impressive activities in both countries.

Some Practical Considerations

As the result of Kazakhstan's relative remoteness in geographic terms, major newspaper and media groups are unlikely to base permanent representatives in Astana, relying largely on stringers for political and economic news, coverage and comment. As a consequence, the country does not enjoy the attention which its economic growth and development would otherwise merit. After decades in which the country was virtually closed to journalists, Kazakhstan is now eager to welcome them. But media interest in the region is limited and has focused on two topics: oil and human rights issues, the latter usually as the result of critical reports from Western human rights NGOs.

Inevitably, Central Asia scores less highly in such reports than some other ex-communist states, especially when measured against the high standards of Freedom House or Amnesty. Such reports have sometimes played an important part in raising standards, but in the case of Kazakhstan many have been too narrowly focused to include the advances in a range of areas that touch in important ways the lives of ordinary citizens – the most important of which are strong economic growth, a higher than expected trickle-down effect of oil revenues to the rest of the economy, modest and stable rates of inflation, the creation of reliable banking system, the development of a fully-funded pension scheme, the extension of educational opportunities on the basis of merit, and, crucially, wider access to private finance to purchase housing.

The Government of Kazakhstan has sought to draw attention to such advances by inviting journalists and public figures from North America and Europe to high-level conferences and seminars, the most prominent of which is probably the Eurasian Media Forum, which is chaired by the President's daughter, Dariga Nazarbayeva. Visits by Prime Ministers or Heads of State are consequently welcomed not only in their own right, but also because of the media attention which accompanies them. This is merely one reason why a visit from the British Prime Minister would be enthusiastically welcomed in Astana.

It is also possible that Britain's understanding of Kazakhstan's potential the challenges that face it could be served by a reorganization of ministerial and departmental responsibilities. At present, Britain's relations with Kazakhstan are the responsibility of the Minister for Europe, a non-cabinet position currently held by Geoffrey Hoon, MP. As a result of his previous experience as Secretary of State for Defence, during which time Kazakhstan established closer relations with NATO and the British MoD, Mr Hoon has more knowledge of the country than many of his predecessors. But his rapidly expanding brief, which requires an exhaustive knowledge of all aspects of EU affairs, is an exceptionally wide one.

This must inevitably mean that there is little time for keeping abreast of affairs in a country where political, economic and social conditions are vastly different from those of Western Europe. In such circumstances, a minister is unlikely to make judgments or recommend a course of action which departs significantly from those of Britain's EU and OSCE partners, even where there is a strong argument for doing so in Britain's own interests.

Conclusion

Relations between Britain and Kazakhstan remain good: there are no major areas of disagreement and there are many points of common interest. But it is evident that Britain has lagged behind America, and also a number of European countries including France, Germany and Italy, in recognizing Kazakhstan's growing importance. This importance stems both from the country's role as a major supplier of energy and its dominant role in shaping the political future of the region. Britain has too few friends in the Muslim world to overlook the advantages to be achieved through more extensive

relations with a country that possesses a predominantly Muslim population but which shows no trace of religious fanaticism and which evinces a strong desire for closer relations with Britain and British companies.

As the record shows, Kazakhstan is keen to extend cooperation with the British government, British firms, British universities and British NGOs. The present level of British investment and trade in Kazakhstan and the potential of the City of London to cooperate actively in the development of Almaty as the commercial hub of Central Asia, themselves constitute sufficient reason for the British Government to seek closer relations with Kazakhstan *in its own interests*.

There is consequently a case for a series of high level ministerial visits to Kazakhstan in the near future, and for a reorganization of departmental responsibilities to reflect Kazakhstan's growing importance. While the US, Russia and China all vie for active influence in Astana in what some have described as a revival of the Great Game, Britain's current attitude appears relatively passive and detached. This needs to change.