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**GEOPOLITICS AND FOREIGN POLITICS:
KAZAKHSTAN AND ITS NEIGHBORS IN 2000-S**

The relations with China are a fundamental area for Kazakhstan's national interests and are an important topic of discussion in the academic circle. Given the tendencies of the decade marked by the Chinese rise in international relations as well as the extension of Beijing's influence on Central Asia; this article aims to clarify the practical vision of policies towards China. The discussions about the relationship between Astana and Beijing are causing various speculations among academic scholars and the Kazakhstani population because the Chinese presence and its interactions with Kazakhstan are not transparent. At the same time there is no clear strategy identified by foreign policy makers of Kazakhstan towards China. The needs to find and keep a proper balance between Kazakhstan's national interests and multisided presence of regional powers in its life are seeing in all recent moves of the republic leadership.

Introduction

The relations with China and Russia are a fundamental area for Kazakhstan's national interests and also it represents an arena of discussions among Kazakhstani and foreign academics. The obvious facts that Kazakhstan is a weaker state compared to China and Russia, and that it can't afford to antagonize its powerful neighbors, bring to the fore the necessity of understanding what kind of outcomes could be derived for Kazakhstan in its relations with regional powers. In this respect, the growing impact of China on different sectors of Kazakhstan's economy has not been explained enough in terms of its political background. In other words, notwithstanding a hostile perception of China the republic anyway is becoming a predominant partner of Kazakhstan.

It is necessary to point out that the analysis of the counterbalance to China is based on approach explaining the strategies that involve Russia. This move is motivated by next reasons. First, the long relationship that Kazakhstan had with Tsarist Russia first and Soviet Union later continues today because of geopolitical necessities – another long border – and cultural interconnections – the Russian language to name one. Second, although the US and the EU play a substantial role in Kazakhstan, and other players are part of the system, such as India and Japan, to leave them out of the picture allows for a partial neutralization of the global geostrategic component. Therefore, taking into account the given conditions of Kazakhstan foreign policy – mainly its location between two great powers which are projecting their influence on the country – the analysis will rely on the concept of balancing. In this work

two different approaches to balancing are tested as theoretical tools for studying the relations between Kazakhstan and China. First, there are the classic realist strategies of counter balancing power. These are employed by Kazakhstan through affiliation with Russian led institutions that are supposed to contain Chinese projections of power. Second, there are the tenets of non-ingenuous liberal institutionalism and constructivism that remember the realist lesson. These suggest Kazakhstan to engage in cooperation with China inside common institutions that can transform the relationship into a positive sum game. At the same time an institution allows to widen the relationship from a bilateral to a multilateral game: this passage can be read as a tool for keeping control on China.

Some theoretical issues

The geography and power distribution play a significant part for generating balance of power in international relations¹. The common border disposition and the relative power of nation states should be understood under the given geographical conditions and distribution of power, thus the idea of balancing is crucial in containing strong neighbor. It is important to look at different forms of balancing such as offshore-balancing and buck-passing. According to Mersheimer the ultimate goal of great powers is to achieve regional hegemony and block the rise of peer competitors in distant areas of the globe; states that gain regional power.

The other forms of balance can be considered through the prism of equilibrium and balance of power. This form of balancing was elaborated by Morgenthau² who identified the forms of balancing as Direct Opposition and Competition. In the pattern of Direct Opposition the balance of power results directly from the desire of either nation to see its policies prevail over the policies of the other nation. Competition implies the struggle of two powers to dominate a third party. Other forms of balancing include “divide and rule” (opposition to unification), “compensation” (reservation of certain territories for commercial exploitation), “forming alliances” (adding themselves the power of other nations), armaments race (improving and maintaining their relative power).

Among these forms of balancing this one fits better the scope of Kazakhstan. It should be recognized, anyway, that Kazakhstan has a difficult task: since it is not a major power that has to balance a regional and possibly global super power (China), Kazakhstan has to resort to

¹ Mersheimer, J. (2001). *The Tragedy of Great Power Politics*, New York: WW. Norton & Company.

² Morgenthau, H. (1978). *Politics Among Nations: The Struggle For Power and Peace*. New York: Alfred A. Knopf.

play the Russian card. But Russia is another regional and possibly global super power. Therefore a suspect remains: is really Kazakhstan using Russia for balancing China? Or the balance between China and Russia is going on regardless of Kazakhstan's interests?

Balancing China through the CSTO

On September 15 1992 a group of CIS states formed the Collective Security Treaty (CST). This political-military alliance was signed in Tashkent by Russia, Armenia, Kazakhstan, Tajikistan, Kyrgyzstan and Uzbekistan, while Azerbaijan, Belarus and Georgia joined it in 1993. In 2003 the treaty reinforced its legal basis and the member states decided to transform it into an international organization (CSTO). The General Assembly of United Nations adopted a resolution that had granted a status of observer to CSTO¹.

The CSTO signatories would not be able to join other military alliances or other groups of states while aggression against one signatory would be perceived as an aggression against all. To this end, the CSTO holds yearly military command exercises for fostering its members' inter-organization cooperation.

In context of above said a role of Russia in controlling the multilateral and bilateral groupings in Central Asia is enormous. Kazakhstan is a very important actor in Central Asia for Russia because of its strategic geographic location. Russia's option in balancing China may be assessed by its instrument in hand – CSTO. As an alliance of states that comprises CIS members, the CSTO places great emphasis on responding to regional challenges such as drug trafficking, external aggression to member states, transnational crimes, cyber attacks and environmental accidents. Some security scholars, as George Friedman², claim that Kazakhstan is geographically dangerously positioned and can become a victim of Chinese invasion. Others, as Levine³ in turn counter argue that Kazakhstan when it comes to China is a balancer of interests, while aggressive military intervention is averted by the institution of the CSTO.

On the other hand the role and influence of CSTO can be judged by the attitude of Kazakhstani leaders. According to Mcdermott, Nazarbayev treats Kazakhstan's relations with other organizations cautiously, given

¹ Kazakhstan Today, 2004. *The Diplomat*, 2011. *Russia launches war games*. <<http://thediplomat.com/flashpoints-blog/2011/09/23/russia-launches-war-games/>>.

² Stratfor (2012). *Next stage of Russian resurgence: Central Asia*. <<http://www.eurasianet.org/node/65007>>.

³ Levine, S. (2012). *How the West is wholly missing China's geopolitical focus*. <http://oilandglory.foreignpolicy.com/category/wordpress_tag/south_china_sea>.

the rhetoric from Moscow surrounding the deployment of components to external players as well as improving CSTO's mechanisms. Kazakhstan's former Defense Minister Daniyal Akhmetov described the country's participation in CSTO and its military partnership with members of the organization as priorities¹. "Kazakhstan's new military doctrine clearly outlines issues of international military cooperation, in which a priority for the country is participation in the CSTO, Akhmetov would like to say that their statement in the doctrine, which says that Kazakhstan will participate in forming a coalition within the CSTO by setting up necessary military groupings"². His comments suggest that Astana will concentrate more readily on the creation and development of formations with a role in the CSTO. In particular, it will enhance the combat readiness and training of Kazakhstan's component of the Collective Rapid Deployment Forces. The new Military Doctrine of Kazakhstan is not different from the statements of 2007 and it defines the priority as follows: first CSTO, then Russia and China, then Central Asian states, and finally NATO³.

Currently Kazakhstan deploys for operations of the CSTO two battalions, the second largest number of troops after Russia in the organization. Together with its readiness to host military exercises on its territory, this is another evidence of a serious involvement. The statement of the Russian president Medvedev, that further military exercises will be organized with scenarios that deal with the repulsion of an external threat puts Kazakhstan in a position to balance China with the CSTO at least on the level of military security⁴.

Overall judgment: Kazakhstan's participation in the SCO proved to be useful for creating predictable relations with China. Kazakhstan and China are building trust and collectively responding to transnational crimes. This cooperation developed into a stage of interdependences between Kazakhstan and China. The borders have been demilitarized and the SCO successfully balanced any attempt of Western imposition of rules in the region. In the context of SCO China granted credits and investments to Kazakhstan's oil and gas sector, reducing Russian domination and diversifying the export market of Kazakhstan. The other

¹ McDermott, R. (2007). Kazakhstan Relying on the CSTO. *Eurasia Daily Monitor*. <http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Bttnews%5D=32714>.

² McDermott, R. (2007). Kazakhstan Relying on the CSTO. *Eurasia Daily Monitor*. <http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Bttnews%5D=32714>.

³ Старчак, М. (2008). Россия как приоритет многовекторной политики в развитии обороноспособности. *Журнал Казахстан в глобальных процессах*. <http://www.pircenter.org/kosdata/page_doc/p1622_1.pdf>.

⁴ RIA Novosti, 2009.

success of Kazakhstan is the ability of balancing China's strength within the SCO. Kazakhstan in this respect sided with Russia on several issues. One of the results of balancing within the SCO is a possible degradation of the institution. The SCO lacks a clear vision of its regional goal: many proposals have been left unanswered because of disagreements between Russia and Kazakhstan on one side and China on the other.

One of the problems which may threaten the success of SCO is Russian and Kazakhstan's block of Chinese activities in the organization. This may threaten to disrupt SCO's future plans and projects which may be beneficial for Kazakhstan. The policy is successful in limiting Chinese predominance of the SCO, but it brings the disadvantage of precluding the SCO to become a full-fledged organization. The problem is a broader context of regional development of the SCO which is neither exclusively political nor economic nor military.

Despite the majority of its initiatives failed or remained heedless by China, this policy is useful because siding with Russia is the only way to counter-balance China. Anyway, Kazakhstan's relations with China in the context of SCO for the moment remain solid and friendly, and the organization is still a very important source of communications and a possible space for the resolution of regional issues.

The Customs Union as a Balancing Institution

The Customs Union (CU) is the union of three post-Soviet states: Russia, Belarus and Kazakhstan. The CU was formed following the model of the EU (European Union) integration of states¹. Its aims are the development of trade between the three states and the economic development of states within the union. The obvious assumption is that these opportunities emerge once trade barriers, tariffs and customs duties are removed. The CU provides a single space for the flow of goods, capital and labor across the union and it is supposed to strengthen the economic ties between the countries that it includes. The necessity of the CU derives from the fact that economic relations between Russia and the countries of the former USSR have loosened over the last twenty years².

The CU has the very specific target of liberalizing the movement of goods across the national borders of these three countries: while it

¹ Wizniewska, I. (2011). *The customs union of Russia, Kazakhstan and Belarus*. <<http://www.osw.waw.pl/en/publikacje/eastweek/2010-07-07/customs-union-russia-s-political-project>>.

² Wizniewska, I. (2011). *The customs union of Russia, Kazakhstan and Belarus*. <<http://www.osw.waw.pl/en/publikacje/eastweek/2010-07-07/customs-union-russia-s-political-project>>.

virtually eliminates internal customs borders at the same time it lines up and fortifies external customs borders. In this sense, the introduction of the Common Customs Tariff is accompanied by a single customs policy towards non-Union states, as well as single tariff and non-tariff regulations¹. When the Customs Union between Russia, Kazakhstan and Belarus entered into effect, it created common external customs borders for its member countries, a common external economic policy, and common duty rates. The administrative bodies of the Customs Union include the Inter-State Council (composed of heads of state and government), which has the authority to make strategic decisions and determine further development trends, and whose decisions and resolutions must be reached by consensus. The executive body is the Customs Union Commission, which adopts its decisions by 2/3 qualified Majority. Considering that Russia has 57 % of the votes and Belarus and Kazakhstan each have 21.5 % of the votes, Russia effectively holds a veto on any measure. The customs rules on the territory of the Customs Union are now regulated by the Union's customs laws which make up the Union's Customs Code, international treaties concluded between the Union's member countries, resolutions of the Inter-State Council, and resolutions of the Customs Union Commission².

The leaders of the three states are declaring to have great expectations from the CU in the long term period, and Russian Prime minister Putin insists on the CU as the main possibility of economic prosperity for members, while in the short term they consider integration as an important step in securing their economies from the crises³. In turn, in his New Year address to the nation, Kazakh President Nursultan Nazarbayev supported Putin's remarks saying that the planned common economic area would strengthen the participating countries' economy, open up new prospects, and improve the standard of living of Kazakhstan's citizens. On July 5, 2010 in Astana, the presidents of the states participating to the CU, Russia's Dmitri Medvedev, Kazakhstan's Nursultan Nazabayev and Belarus's Alyaksandr Lukashenko, signed a declaration on the entry into

¹ Balco, T. (2011). Customs Union: How does it benefit to Kazakhstan? *Investors Voice*. 43, 20-23. <http://www.amcham.kz/getfile/publications/170/IV_43_for_web.pdf>.

² Balco, T. (2011). Customs Union: How does it benefit to Kazakhstan? *Investors Voice*. 43, 20-23. <http://www.amcham.kz/getfile/publications/170/IV_43_for_web.pdf>.

³ Kanagatuly (2011). Kazakhs' weigh gains from Customs pact. *Asia Times online*. <http://www.atimes.com/atimes/Central_Asia/LA20Ag01.html>.

effect of the joint Customs Code. This formally ratifies the creation of a Customs Union (CU) between these states¹.

In accordance to the most recently accepted documents, as of July 2010, Russia, Belarus and Kazakhstan have formally created a joint customs area (the principles of its operation are very close to those currently practiced on Russian territory), within which the majority of goods' exchanges should be subject to the principles of free trade. The partner countries have introduced a uniform customs tariff (with some exceptions) for the import of goods, as well as a joint Customs Code, which regulates the procedures applied to the import and export of goods on the CU's territory. In addition, the parties are preparing a harmonization of technical, sanitary and phytosanitary standards; these will most probably be in accordance with those in force in the European Union, as in June 2011 Russia harmonized its standards with those of the EU².

A single economic space started to work in 2012. Until that moment the leaders of the three countries were trying to solve questions, such as tariffs within the union for energy materials and others³. Some experts in Central Asian affairs consider the CU as a Russian instrument for competing with China over the region⁴. Because of this competition between the two major powers over the region, it seems that the choices of small and weak states will determine the balance, or at least substantially influence it, in favor of one power over the other. The interests of Kazakhstan are considered in terms of the balance of power that Kazakhstan tries to play in the clash of interests of its two neighboring powers. Kazakhstan tries to use the CU for balancing and limiting the Chinese economic expansion.

The geopolitical move of Kazakhstan towards Russia has two main reasons. One of them is the apparent coincidence of interests between Russia and Kazakhstan, because Russia is also distrustful and irritated by Chinese presence in Eastern Siberia⁵. The second is that Russia is also interested in economic development and is struggling to reduce its gap

¹ Wizniewska, I. (2011). *The customs union of Russia, Kazakhstan and Belarus*. <<http://www.osw.waw.pl/en/publikacje/eastweek/2010-07-07/customs-union-russia-s-political-project>>.

² Wizniewska, I. (2011). *The customs union of Russia, Kazakhstan and Belarus*. <<http://www.osw.waw.pl/en/publikacje/eastweek/2010-07-07/customs-union-russia-s-political-project>>.

³ Muzalevsky, R. (2011). Customs Union: Doubts remain. *Asia Times Online*. <http://www.atimes.com/atimes/Central_Asia/MH03Ag01.html>.

⁴ Muzalevsky, R. (2011). Customs Union: Doubts remain. *Asia Times Online*. <http://www.atimes.com/atimes/Central_Asia/MH03Ag01.html>.

⁵ Sharip, F. (2011). Kazakhstan's CSTO Membership Looks Gloomy. *Eurasia Daily Monitor*. Vol. 8, Issue 178.

with China in terms of economy and financial investments in Central Asia. Thus such intertwined state of affairs eases Kazakhstani position to balance Russia against China, as Russia is itself interested in limiting China, while Kazakhstan can also strengthen its position in negotiation inside the CU as Russia is interested and will not be completely deaf to Kazakhstani claims. If this is true, the nature of the CU and the manner of its introduction show that for Russia the move is above all of political significance and serves to strength Moscow's influence in the region¹. Kazakhstan is trying to take all the advantages out of this situation, although the game is certainly risky and delicate because it is played on different levels (political, military, and economic).

There are two main questions that are still open. First, is the CU really a Russian political project? Some authors state that the idea of integration is a long lived proposition of Kazakhstani leader, Nursultan Nazarbayev, who has fostered the CIS, EuraZes and CU, considering that in some case even the Russian leaders declare that the main proponent of CU is Nursultan Nazarbayev². If this is true, or if it is just a favor that Russian leaders are doing to the Kazakhstani president, who in this way is seen as proactive by its internal constituency, is something that needs to better understood. Second, are Russia and China becoming strategic partners and their interests in the region are converging toward a limitation of NATO in Central Asia? China and Russia have indeed agreed to some cooperation for limiting NATO's influence in the region, but they are still mainly competitors in Central Asia³.

Implementing the CU as a Russian Balance against China

This part is aimed at showing how Kazakhstan plays the balancing game by using Russia against China. This balancing is introduced in the form of regional economical integration. The "National Interest" under consideration is characterized as progressive and deals with development of economic aspects, economic independence and importance of international agreements to serve national interests. With the problems of overly dependence of budget from resource share, that has a spending effect and created deficits deriving from the financial crisis, Kazakhstan became

¹ Wizniewska, I. (2011). *The customs union of Russia, Kazakhstan and Belarus*. <<http://www.osw.waw.pl/en/publikacje/eastweek/2010-07-07/customs-union-russia-s-political-project>>.

² Сатпаев, Д. (2011). За Центральную Азию Россия конкурирует с Китаем. *Zakon.kz*. <<http://www.zakon.kz/4452704-dosym-satpaev-za-centralnuju-aziju.html>>.

³ Sharip, F. (2011). Kazakhstan's CSTO Membership Looks Gloomy. *Eurasia Daily Monitor*. Vol. 8, Issue 178.

too vulnerable to Chinese expansion¹. It is vulnerable because the budget mainly depends on oil revenues (up to 60 %) ² while China is one of the main energy importers of Kazakhstan. First, there is a spending effect that has the potential of making Kazakhstan overly dependent from cheap and geographically available Chinese goods. The consumer goods that flow from China hinder the development of industry and weaken the economy of Kazakhstan. In this respect the move towards the CU is understandable as it serves to limit the flow of Chinese goods to Kazakhstan. With the single customs duties the CU had struck the retailers in the border. For example, there is evidence that many retailers lost jobs and are starting to complain about the policies deriving from the CU³.

Kazakhstani officials attach greater value to CU as a tool to prevent dependency from China. Murat Abenov, a deputy of the Majilis, argued that the CU will help to limit the huge volume of goods that enter the territory of Kazakhstan⁴ Abenov states that trade with China is unbalanced because Kazakhstan exports to China only 160 types of goods while imports more than 5000 types of goods. The balance according to Abenov can be restored only with the adoption of CU. The same strategy, according to Abenov, was implemented by China during the 1990s when China raised tariffs to 30-40 % to protect its markets⁵. The period between October 2011 and January 2012 showed that the Kazakhstan's foreign trade grew to \$ 39 billions. Kazakhstani exports predominantly energy materials and metals up to 17.1 % to China and 8.6 % to Russia. On the other hand Kazakhstani imports come mainly from Russia 44 % and China 12.5 %⁶. The data given shows that China dominates the energy exports of Kazakhstan. In terms of Kazakhstani imports the CU

¹ Асламова, Д. (2010). *Китай начнет поглощать бывший СССР с Казахстана*. <<http://kp.ru/daily/24395/572647/>>.

² Brauer, B. (2011). *Central Asia, Afghanistan and the New Silk Road: Political, Economic and Security Challenges*. *Jamestown Foundation Conference*. <<http://www.jamestown.org/index.php?id=575>>.

³ *Китайская экспансия в Среднюю Азию: игра на опережение или наступление*. <<http://army.lv/ru/Kitayskaya-ekspansiya-v-Srednyuyu-Aziyu-igra-na-operezhenie-ili-nastuplenie-/1583/3712>>.

⁴ Таможенный союз поможет защитить Казахстан от китайской экспансии (2011). *Zakon.kz*. <<http://www.zakon.kz/168693-tamozhennyjj-sojuz-pomozhet-zashhitit.html>>.

⁵ Таможенный союз поможет защитить Казахстан от китайской экспансии (2011). *Zakon.kz*. <<http://www.zakon.kz/168693-tamozhennyjj-sojuz-pomozhet-zashhitit.html>>.

⁶ Kazakh's Trade surplus grows (2011). *Reuters*. <<http://af.reuters.com/article/energyOilNews/idAFL5E7ME0AN20111114>>.

favorably benefited Russia as a main trading partner. Thus CU had limited China's export to Kazakhstan while strengthened Russian position.

Many suspect that the Customs Union is most beneficial for Russia and is allegedly a Russian project because Russia has access to the well paying market of Kazakhstan, but Dosym Satpayev thinks that the establishment of the Customs Union has another task – to limit the expansion of China that has taken the form of huge investments in the countries of Central Asia¹.

There are already signs of the first results of the CU in balancing China. The adoption of the CU on July 1st, 2010 has led to the closure of some market stalls and an increase in prices especially for fresh fruit and vegetables. Kyrgyzstan's usually active textiles industry also suffered, as did the tens of thousands of traders who make a living from re-exporting Chinese goods via Kyrgyzstan to Kazakhstan and the rest of Central Asia². According to the World Bank, only about one-quarter of the goods sold in Central Asian bazaars are locally produced, and the vast majority of imports comes from China, which exported some \$5bn worth of bazaar goods in 2009³. In this regard the role of Kyrgyzstan is important as a window leaf that is also considered as a main door of Chinese goods that flow to Kazakhstan. This may partially explain the position of the members of the CU of stalling the admission of Kyrgyzstan in the CU. Limiting the Chinese goods flowing to Kazakhstan and consequently into Russia will be more complicated if Kyrgyzstan joins the CU. Kyrgyzstan seems not to be able (or willing) to control its borders and the spread of corruption and black market alongside. According to prime minister of Kyrgyzstan Almazbek Atambayev corruption has penetrated all spheres of economy. The opposition leader Felix Kulov⁴ agreed with him and stated that budget losses stand up to \$427 millions. Officially member states advance arguments that the admission of Kyrgyzstan is complicated by its WTO membership and procedural questions. On the other hand, Kyrgyzstan is also trying to understand whether its adhesion to the CU would be advantageous or it would affect negatively the relations with China and it would destroy its comparative

¹ Muzalevsky, R. (2011). Customs Union: Doubts remain. *Asia Times Online*. <http://www.atimes.com/atimes/Central_Asia/MH03Ag01.html>.

² Silk Road Intelligencer (2010).

³ Silk Road Intelligencer (2010).

⁴ Феликс Кулов взбудоражил Киргизию. *Radio Svoboda*. <<http://www.svobodanews.ru/content/article/2279683.html>>.

advantage of being the cheapest route of transportation¹. Some Russian sources argue that China is actively destroying the cooperative relations among the enterprises of the three countries, replacing not only Russian products to customers in Kazakhstan and Astana, but also making Belarusian enterprises non-competitive on the Russian market².

Kazakhstan's view: Russia as a Balance against China

Considering the intensification of foreign economic activities of Russia and China in the region, Moscow and Beijing could get to an exacerbation of their competition, and as a result may limit the space for maneuver of Kazakhstan³. Kazakhstan understands that Beijing's deep involvement will enforce Chinese stance in more demands for the provided loans and bilateral aids. In this regard China was also considering the project of single economic space in context of SCO: the Customs Union seems so far to automatically negate the prospect of a free trade zone within the SCO framework⁴. This seems to be a further evidence that explains Kazakhstani rush to form CU.

Kazakhstan's balance against China with Russia is also considered in terms of expediency. According to Stremlin, the decision to activate the Customs Union a year earlier than planned, was largely due to disillusion with globalization because of the crisis⁵. The collapse in oil prices and the consequent devaluation of the ruble as well as tenge in 2008-2009 clearly indicated the danger of depending on foreign markets. Joining the WTO is fraught with danger of bankruptcy of the local industry at the expense of cheaper and more competitive foreign goods. Anyway, similar results can derive from Kazakhstan's participation in the CU. Cheap Russian and Belarusian food can make Kazakhstan's companies unprofitable⁶. Such explanation, in turn means that it is

¹ Вопросы Таможенного Союза. *Soviet TS* <http://soviet-ts.ru/novosti/kogda_zhe_kirgiziya_voydet_v_tamozhenni_soyuz_>.

² Challenges to Customs Union and Common Economic Space. *Politoboz.com*. <<http://www.politoboz.com/en/content/challenges-customs-union-and-common-economic-space-within-eurasian-economics-community-repor>>.

³ Мадуев, М. (2011). *Актуальные вопросы экономической политики России и Китая в отношении Казахстана*. <http://iwep.kz/stariysite/index.php?option=com_content&task=view&id=3780&Itemid=63>.

⁴ Мадуев, М. (2011). *Актуальные вопросы экономической политики России и Китая в отношении Казахстана*. <http://iwep.kz/stariysite/index.php?option=com_content&task=view&id=3780&Itemid=63>.

⁵ Стремлин, В. (2010). *Таможенные пошлины планируют поднять постепенно*. <<http://thenews.kz/2009/11/27/183463.html>>.

⁶ Стремлин, В. (2010). *Таможенные пошлины планируют поднять постепенно*. <<http://thenews.kz/2009/11/27/183463.html>>.

easier for Kazakhstan to compete with Russian and Belarusian goods than competing with Chinese producers. In addition, due to the increase of tariffs on goods from countries outside the Union, prices would rise on imports on Chinese consumer goods and European or Japanese cars without introducing any benefit for Kazakhstan. The effect of CU is that prices of imported goods for foods had risen since the inception of CU to 5.7 percents and for textiles to 7.1 percent¹.

The advantage of entering the CU for Kazakhstan is related to the export of raw materials, since Kazakhstani companies will not have now to pay a fee for transit through Russian territory². Logically, the lifted barriers of CU on imports and exports of raw materials generate problems for China that will have to pay more on tariffs. Consequently such policy brings revenues to Kazakhstani budget in the form of tariffs³.

It is important to notice how in recent years Kazakhstan strongly increased its economic dependence on China, and how this has generated difficulties for Kazakhstan's multi-vector foreign policy⁴. Experts warn that it is necessary to avoid a situation in which China has leverage over Kazakhstan⁵. At the moment, China is one of the main financiers of Kazakhstan. However, any loan involves a return of the consideration given, and in this respect it is important that Kazakhstan pays with resources⁶. This is another reason of Kazakhstani is moving towards Russia and the CU.

Thus, Kazakhstan's interest in bringing Russia as a counterweight to China can be explained by the following two reasons. First, there is a risk that the share of Chinese companies in several sectors of Kazakh economy may exceed the level that is safe for the country. Second, the enormous economic growth in China creates a constant demand for raw materials, that may transform Kazakhstan into an appendage of China. Since China is a resource hungry state, it will try to secure its control

¹ Golos Republiki, 2011, 15.

² Стремлин, В. (2010). *Таможенные пошлины планируют поднять постепенно*. <<http://thenews.kz/2009/11/27/183463.html>>.

³ Мадуев, М. (2011). *Актуальные вопросы экономической политики России и Китая в отношении Казахстана*. <http://iwep.kz/stariysite/index.php?option=com_content&task=view&id=3780&Itemid=63>.

⁴ Стремлин, В. (2010). *Таможенные пошлины планируют поднять постепенно*. <<http://thenews.kz/2009/11/27/183463.html>>.

⁵ Мадуев, М. (2011). *Актуальные вопросы экономической политики России и Китая в отношении Казахстана*. <http://iwep.kz/stariysite/index.php?option=com_content&task=view&id=3780&Itemid=63>.

⁶ Мадуев, М. (2011). *Актуальные вопросы экономической политики России и Китая в отношении Казахстана*. <http://iwep.kz/stariysite/index.php?option=com_content&task=view&id=3780&Itemid=63>.

of the oil and gas sectors in Kazakhstan. Therefore Chinese growth is a potential threat for Kazakhstan's national interest. The \$10 billions Chinese loan to Kazakhstan in 2009 had as a side result the acquisition of the national company MangistauMunaiGas by China¹ According to Cutler² in the past 12 years Nazarbayev behaved as if he believed that he had no alternative but to yield to various solicitations of China. These include the repression against the social institutions of the Kazakh Uighurs, as well as in violation of domestic laws of Kazakhstan, like the requirement of forced return of refugees in the Xinjiang Uyghur Province of China³.

According to some analysts the danger for Kazakhstani security can be dated back to 2007 and the financial crisis. According to Aslamova⁴, in 2007 all major energy projects in Kazakhstan required immediate investments that only China was able to provide. It seems reasonable to say that the complex state of affairs generated by the financial burden in terms of credits, the Chinese growth and China's strong position in Kazakhstani oil and gas sector and market pushed Kazakhstan toward the CU.

There is a further reason behind Kazakhstan's move toward Russia: a disappointment caused by the failure to receive any feedback for cooperating on the modernization of the economy of Kazakhstan by China. Clearly Kazakhstani officials are aware of the fact that the country may become a raw material supplier to China. Therefore, the leaders of Kazakhstan visited several times China for discussing the diversification of economic cooperation from raw materials to manufactured goods⁵. Kazakhstani leader Nursultan Nazarbayev visited Hu Jintao and signed agreements to facilitate the country's stagnated non-resource economy⁶. They agreed on the construction of Balkhash Power station and other projects, although up to this moment these remain only on paper⁷.

¹ Лиллис, Дж. (2011). Казахстан: Китай хочет арендовать землю под сельскохозяйственные нужды. <<http://russian.eurasianet.org/node/30962>>.

² Cutler, R. (2011). Kazakhstan deepens China link. *Asia Times online*. <http://www.atimes.com/atimes/Central_Asia/MC04Ag01.html>.

³ Cutler, R.M. (2004). *Novi Treugolnik Rossia-Kazakhstan-Kitai*. <http://ymyt.com/ru/2/65_1.shtml>.

⁴ Асламова, Д. (2010). *Китай начнет поглощать бывший СССР с Казахстана*. <<http://kp.ru/daily/24395/572647/>>.

⁵ Сыроешкин, К.С. (2010). *Казахстан – Китай: от приграничной торговли к стратегическому сотрудничеству*. Алматы, 140.

⁶ Сыроешкин, К.С. (2010). *Казахстан – Китай: от приграничной торговли к стратегическому сотрудничеству*. Алматы, 162.

⁷ Сатпаев, Д. (2011). За Центральную Азию Россия конкурирует с Китаем. *Zakon.kz* <<http://www.zakon.kz/4452704-dosym-satpaev-za-centralnuju-aziju.html>>.

Another disappointment is that China emphasizes the role of equality and cooperation of mutual development, but it seems reluctant to follow deeds to words, as for example testified by the memorandum signed by Kazakhstan and China on the development of scientific-technological sectors and the diversification of spheres of cooperation¹. According to Sabden², it is unlikely that Kazakhstan will go through a modernization and diversification of its economy if it depends on China. Sabden argues that failure to cooperate on the diversification of economy can be seen considering joint ventures that were not materialized³.

From this perspective the move to CU, involves a regionalization that is a golden mean between globalization and exclusion⁴. If Kazakhstan's move towards the CU cannot be considered with certainty as an instrument for the modernization of Kazakhstan, it is anyway a step that brings some sort of hope for development.

Conclusion

The position of the president of Kazakhstan Nazarbaev is defined by some scholars as that of a promoter of more integration between Russia and Kazakhstan⁵. It appears that “integrationist policies” such as the CSTO and the Customs Union are increasingly getting priority on the agenda of reforms proposed by the President. Initiating such “joint ventures” Kazakhstan tries to drag Russia into Central Asian affairs – a strategy that is of course welcome by Moscow because of its special interests in the region. Consequently, it appears that in this interplay of mutually advantageous cooperation with Russia Kazakhstan so far has been able to use Russia for limiting the influence of China.

However, it is difficult to say in a certain point how successful Kazakhstan's modernization of economy will be in CU with Russia. Even though China delays its help for Kazakhstani modernization, Russia also stumbles with its own failure to modernize its own economy, which means that Russia will prioritize its own economic modernization. Despite cooperation with Germany, even the Russian budget is still highly

¹ Сыроешкин, К.С. (2010). *Казахстан – Китай: от приграничной торговли к стратегическому сотрудничеству*. Алматы, 137.

² Сабден, О. (2011). Казахстан-Китай: плюсы и минусы взаимодействия. *Gazeta.kz*. <<http://articles.gazeta.kz/art.asp?aid=144368>>.

³ KZ. Today, 2011.

⁴ Стремлин, В. (2010). *Таможенные пошлины планируют поднять постепенно*. <<http://thenews.kz/2009/11/27/183463.html>>.

⁵ Ламумулин, М. (2010). Союзники или партнеры? Интересы Казахстана и России в Центральной Азии. *Kontur.kz*. <<http://www.contur.kz/node/1508>>.

depending on oil revenues, and this makes Kazakhstani modernization unlikely within the CU.

There is one more point for discussion on how Kazakhstan balances between China and Russia, using the latter to limit the former. Analysts argue that Kazakhstan would have more advantages without participating to the CU because it has more trade links with Iran, China, EU and South Asian states. Not so long ago the trade relations with CU members are minimal as 0.7 percents with Belarus and 2.3 with Russia. Moreover, Kazakhstan will lose in terms of internal advantages by cutting ties with China because consumer goods proved to become more expensive. This not only deprives many retailers in Kazakhstan of their jobs, but also reduces Kazakhstan independence on foreign policy being now chained to Russian moves. A possible answer for explaining why Kazakhstan chooses to go ahead with the CU notwithstanding such disadvantages is related to the fact that Kazakhstan is trying to limit Chinese influence as fast as possible by relying on Russia, and therefore it agrees on many deprivations. As evidence it is simply possible to see how Kazakhstan rushes toward the CU without resolving many open questions such as the harmonization of administrative and criminal regulations

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