**KZ- CA Relations**

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**The state of bilateral relations**

**Relations with Uzbekistan**

Given Uzbekistan’s large consumer market and Kazakhstan’s own economic size, relations between the two countries are key to prospects for the region’s long-term growth and, indeed, determine the regional climate. By virtue of its position as Central Asia’s strategic heartland, its historic standing and its large population (accounting for more than 45 per cent of the five-country total), Uzbekistan was recognized during Soviet rule as Central Asia’s regional power. By many accounts it should have overtaken Kazakhstan in the post-Soviet era to become the region’s biggest economic success story. Under Karimov’s rule, however, Uzbekistan stuck to price supports long after Kazakhstan and Kyrgyzstan had abandoned them – with disastrous consequences for entrepreneurial activity. As things stand, Kazakhstan is the region’s undisputed economic leader: its nominal GDP is over three times greater than that of Uzbekistan, and accounts for almost two-thirds of the region’s total.[329](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-319)

Officials in Kazakhstan have stressed that Uzbekistan’s recent partial opening will foster healthy competition between the two states, particularly in developing the manufacturing sectors of the two countries.[330](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-318) Rivalry between Uzbekistan and Kazakhstan exists, even if reports of such rivalry are often exaggerated. It is conceivable that sustained liberalization of Uzbekistan’s economy and a concomitant improvement in its business and investment climate could result in the diversion of some investments and market activity from Kazakhstan to Uzbekistan (despite Kazakhstan’s long-standing status as the region’s economic powerhouse). Moreover, Uzbekistan has the advantage of already having undergone a change of executive, while Kazakhstan’s power transition is only in the incipient stages; it remains unclear which developments await Kazakhstan once Nazarbayev – who still wields power as ‘Leader of the Nation’ (*Elbasy*) and lifelong chair of the government’s Security Council – leaves the scene permanently.

Especially at the time of the collapse of the USSR, the economies of the Central Asian states were more competitive than complementary, given that the five countries exported a relatively limited range of commodities and that there was substantial overlap between each state’s principal export commodities (gold, cotton, energy, etc.). However, the economic patterns are somewhat more diversified today. Kazakhstan and Uzbekistan have certain market complementarities: Kazakhstan supplies its southern neighbour with oil, flour and wheat; Uzbekistan supplies Kazakhstan with fertilizers, fruits and vegetables. Although Kazakhstan’s manufacturing base has slowly shrunk since the early 2000s, Uzbekistan’s has grown relative to the size of its economy during the same period.[331](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-317) Kazakhstan could therefore be a key export market for Uzbekistan’s manufactured goods, which include agricultural and electronic equipment and automobiles.[332](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-316)

The two economies are also potentially complementary in terms of labour supply and demand: Kazakhstan has insufficient labour resources in particular regions and sectors, such as seasonal labour in agriculture; at the same time, workers from regions in Uzbekistan with labour surpluses are willing to travel abroad for temporary work.[333](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-315) Uzbekistan has a far greater labour force at its disposal than does Kazakhstan: 19.4 million persons of working age in the former compared to 10.8 million in the latter, as of 1 January 2017. However, as a percentage of the total, the working-age population is virtually identical in each country: 60.0 per cent in Kazakhstan and 60.5 per cent in Uzbekistan; that said, Kazakhstan has a larger pension-age cohort in percentage terms.[334](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-314) At present, migrants from Uzbekistan account for only 7.8 per cent of Kazakhstan’s officially registered labour force; however, as only 10–25 per cent of citizens from Uzbekistan coming to work in Kazakhstan are registered, the actual figure is much higher.[335](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-313) By and large, labour migrants in Kazakhstan from Uzbekistan work in agriculture, construction and trade, and as domestic labourers, e.g. as nannies, cooks and cleaners.

The official visits of President Mirziyoyev to Kazakhstan in March and April 2017 and of President Nazarbayev to Uzbekistan in September of the same year opened new possibilities for cooperation. In May 2017, South Kazakhstan Province,[336](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-312) which contains a large Uzbek diaspora[337](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-311) and accounts for 30 per cent of bilateral trade, established 11 industrial zones for joint projects.[338](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-310) Uzbekistan’s leadership, in particular, hopes to increase cooperation in the oil and gas sector. To this end, the two countries have agreed to build and commission by 2021 an oil pipeline between the cities of Shymkent in southern Kazakhstan and Jizzakh in central Uzbekistan; the pipeline is due to have an annual capacity of 5 million tonnes.[339](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-309) In 2018, bilateral trade rose by more than 25 per cent to $2.5 billion; the Joint Inter-governmental Commission on bilateral cooperation has been tasked with increasing this to $5 billion by 2020.

**Relations with Kyrgyzstan**

Kazakhstan is Kyrgyzstan’s second-largest export market after Switzerland (where Kyrgyzstan sends its gold), and money from Kazakhstan has traditionally played a major role in Kyrgyzstan’s economy. In 2007, Kazakhstan-based bankers controlled up to 50 per cent of Kyrgyzstan’s banking sector, and Kazakhstan was Kyrgyzstan’s largest foreign direct investor.[340](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-308) Despite these economic realities, Kyrgyzstan is sceptical about the prospects for Central Asian cooperation. It views neither Kazakhstan nor Uzbekistan as suitable candidates for regional leader, given that both economies are insufficiently diversified and remain reliant on natural resources.[341](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-307) Moreover, a political clash in 2017 between Kazakhstan and Kyrgyzstan damaged the former’s image among citizens of Kyrgyzstan. Popular opinion in Kyrgyzstan has since turned towards favouring increased economic and cultural cooperation with Uzbekistan.[342](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-306)

The political clash was a result of events in September 2017, during the run-up to Kyrgyzstan’s presidential election, when Nazarbayev met in Astana with Omurbek Babanov, one of the leading candidates in the presidential race. Nazarbayev remarked: ‘I am not going to meddle in these matters … but I think that Kyrgyzstan needs a competent, young and experienced man like you.’[343](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-305) Kyrgyzstan’s President Almazbek Atambayev, who openly supported his own candidate, Sooronbay Zheenbekov, reacted with a personal lambasting of Nazarbayev and his policies, noting the latter’s advanced age and criticizing Kazakhstan’s meagre state pensions and high tariffs (despite relatively high GDP).[344](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-304) Officials in Astana called Atambayev’s inflammatory remarks ‘irresponsible and provocative in their essence’, while their counterparts in Bishkek accused Kazakhstan of attempting to influence the ‘choice of the people of Kyrgyzstan and interfering in the internal affairs of the Kyrgyz Republic’.[345](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-303) Not long afterwards, Kazakhstan’s border authorities strengthened controls over flows of people and goods from Kyrgyzstan, creating bottlenecks of large numbers of cargo trucks, cars and travellers.

Two months later, in November 2017, Kyrgyzstan’s prime minister accused Kazakhstan of failing to implement the Commonwealth of Independent States (CIS) free-trade agreement. This prompted Kazakhstan’s prime minister to confirm his country’s obligations within the EAEU, noting that the increased inspection of vehicles at the border was intended to foil the smuggling of contraband from China and to avert the import of goods that did not meet regulations.[346](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-302) Kyrgyzstan registered complaints with the World Trade Organization and the EAEU, but withdrew these in December 2017 after the signature by both sides of a 50-point roadmap regulating bilateral cooperation in transport, veterinary control, and customs and tax administration. This marked the formal end of the two-month mini-trade war.[347](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-301)

The closure of a border that was supposed to have been open by virtue of both states’ EAEU commitments merely underscored the ambiguous benefits of membership of that organization. Having joined the EAEU to avoid economic isolation, Kazakhstan then proceeded to demonstrate to its neighbour, via the temporary border controls, that membership provided no guarantees against an economic blockade. A rise in mutual trade had been anticipated following Kyrgyzstan’s accession to the EAEU; in the event, bilateral trade levels decreased, in part owing to the disruption of Kyrgyzstan’s trade with China and the concomitant loss of revenues from the re-export of Chinese goods. Prior to 2015, thousands of Central Asian households had received income from shuttle trade centred on the huge Kara Suu market in southern Kyrgyzstan and the Bishkek-based Dordoy market in the north (which served Kazakhstan), but both markets were wiped out by Kyrgyzstan’s entry into the EAEU.

The feud between the two states caught Kazakhstan’s leadership by surprise. It also served as a lesson, prompting Kazakhstan to review its ‘little brother’ policy towards Kyrgyzstan. Given the loss of Kyrgyzstan’s re-export market, in particular, officials in Kazakhstan have expressed regret at not having taken measures earlier to address Bishkek’s concerns, particularly to ensure goods access to the common market.[348](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-300) Nonetheless, reports of problems at the Kazakhstan–Kyrgyzstan border, including bans and counter-bans, continued throughout 2019.[349](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-299)

**Relations with Turkmenistan**

In recent years Turkmenistan has stepped up its efforts to develop transport and energy projects with its Central Asian neighbours, appearing to understand that greater connectivity has the potential to ease its economic crisis without necessarily undermining its sovereignty.[350](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-298) This in turn has benefited Kazakhstan. For example, the Kazakhstan–Turkmenistan–Iran railway, inaugurated in 2014, increases Kazakhstan’s attractiveness as a transit link along the New Eurasian Land Bridge Economic Corridor, which connects China and Europe via Kazakhstan and Russia. Kazakhstan’s border with Turkmenistan now provides a direct route to the Gulf region, and thus presents the authorities in Nur-Sultan with several new opportunities for economic diversification. The Turkmenistan–China gas pipeline has also enabled Kazakhstan to foster its ties with Turkmenistan, as the pipeline traverses both countries’ territory. Plans are also under way to route electricity from Turkmenistan via Uzbekistan’s power system to Kazakhstan and Kyrgyzstan.

During the state visit of Turkmenistan’s president, Gurbanguly Berdimuhamedow, to Kazakhstan in April 2017, the two countries signed a strategic partnership treaty and an agreement on border demarcation.[351](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-297) However, since commodities dominate both countries’ exports, trade levels are low: Turkmenistan’s share of Kazakhstan’s foreign trade was a mere 0.1 per cent in 2018 (see Table 3).

**Relations with Tajikistan**

As with the other Central Asian states, Kazakhstan has declared its intention to increase its trade with Tajikistan.[352](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-296) Economics aside, both countries have increasingly turned to repressive measures in recent years for the stated aim of fighting religious radicalism. In the case of Tajikistan, in 2015 authorities outlawed the Islamic Renaissance Party of Tajikistan (IRPT), which for years had acted as the principle force of political opposition to the regime of Emomali Rahmon, president of Tajikistan since 1992. The IRPT was declared a terrorist group in 2015, and its leaders were tried and imprisoned. In January 2018, Kazakhstan’s leadership proposed a bill that would give law enforcement and security bodies powers to monitor ‘suspicious’ citizens, proposing visual guidelines for the identification of radicals, such as beard styles or clothing that conceals the face. The draft law also sets out strict regulations for attaining a religious education abroad, tightens control over religious organizations’ finances and puts forward a definition of ‘destructive religious teaching’.[353](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-295) Consequently, it came as no great surprise when Kazakhstan’s minister of religious affairs met with the chairman of Tajikistan’s religious affairs committee on the sidelines of the Astana summit in March 2018 to sign a memorandum on cooperation in countering religious extremism, citing the threat of Islamic State of Iraq and Syria (ISIS) militants returning to the region.[354](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-294)

**Conclusion**

**Although still modest in relative terms, trade turnover between the Central Asian states in 2018 grew by 35 per cent on the previous year to $12.2 billion**

Owing to the confluence of factors set out in this chapter, Kazakhstan has begun to identify itself more clearly as an integral part of Central Asia rather than as a mere intermediary between the other Central Asian states and Russia. The result has been a palpable and growing trend towards cooperation within the Central Asian region itself. Although still modest in relative terms, trade turnover between the Central Asian states in 2018 grew by 35 per cent on the previous year to $12.2 billion.[355](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-293) At the outset of the historic five-state consultative meeting in Astana in March 2018 – the first to bring together the leaderships of all five Central Asian states in nearly a decade – President Nazarbayev declared: ‘In order to solve the problems of Central Asia, we do not need any third persons. We ourselves can resolve all questions, and that is why we are meeting.’[356](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-292) With regard to the question of regional leadership, while Nazarbayev was seen as the undisputed elder statesman until his resignation in March 2019, Kazakhstan’s new president, Kassym-Jomart Tokayev, will certainly not have the same gravitas as that enjoyed by the country’s First President and official ‘Leader of the Nation’. In addition, it remains unclear to what extent Uzbekistan’s own relatively new president, Shavkat Mirziyoyev, will manage to raise his regional stature in the coming years.

As the need for more efficient mechanisms to improve intra-regional trade becomes increasingly evident, the Central Asian leaderships would benefit from adopting measures to boost border efficiency, in particular by tackling informal payments and other non-tariff barriers. Such policies could reinforce the potential gains to be achieved from projects such as the planned international centre for trade and economic cooperation on the Kazakhstan–Uzbekistan border. At the same time, if interactions between independent business and social networks in Kazakhstan and Uzbekistan were to develop significantly over a sustained period, informal regional cooperation could deepen from the ground up. It is precisely this form of informal or ‘soft’ regionalism – akin to the model adopted by the Association of Southeast Asian Nations – that is being advocated by a group of Kazakhstan’s leading political analysts. In particular, they argue that a focus on consensus-seeking and continuous consultation, rather than on formal integration and the creation of the structures associated with it, would allow Kazakhstan to develop Central Asian intra-regional cooperation, while at the same time continuing its participation in the process of Eurasian integration.[357](https://www.chathamhouse.org/2019/11/kazakhstan-tested-transition/CHHJ7476-Kazakhstan-Report-EPUB-6.xhtml#footnote-291)

Yet while Kazakhstan’s leadership welcomes increased trade prospects with the other Central Asian states, it is fully cognizant that its trade with those countries cannot begin to equal that with Russia, China and Europe. This automatically makes any development of trading links with Central Asia a far lesser priority. In addition, Kazakhstan continues to give greater importance to positioning itself as a global player than as a regional leader. Not least, the leadership transition following Nazarbayev’s resignation means that the country’s governing establishment will invariably remain preoccupied for the immediate future with domestic politics, social stability and the domestic economy.

Russia does not view the potential establishment of a regional cooperation entity with an exclusively Central Asian membership as in its own interests. Rather, it regards Central Asian unity as subordinate to greater Eurasian cooperation, as embodied in the Russian-led EAEU. Consequently, at present, both Kazakhstan and Uzbekistan aim to keep cooperation within Central Asia low-key and informal, lest any efforts be hijacked or thwarted by Russia. Moreover, if the Central Asian states were to enter into an exclusive, formal cooperation structure, Russia would be likely to ramp up the pressure on Uzbekistan and Tajikistan to join the EAEU (and, in the case of Uzbekistan, possibly the CSTO). This reflects Moscow’s long-running quest to cement the creation of its military, political and economic bloc with a ‘full set’ of Central Asian actors – isolationist Turkmenistan excepted. China, on the other hand, would likely only gain from closer cooperation among the Central Asian states, as this would facilitate the realization of its own infrastructure and investment projects under the BRI.

In three decades of waxing and waning relationships with the world’s largest powers, Kazakhstan’s leadership has witnessed efforts by China on an unprecedented scale to connect its own regions with Central Asia, Europe, the Middle East and South Asia; by Russia to spearhead new regional organizations in order to counter Western structures; and by the US to link Central Asia and South Asia along a ‘New Silk Road’. To varying degrees, each of these three external hegemons has promoted its own integration plan for Central Asia. As Kazakhstan begins its transition to a post-Nazarbayev era, the country is at last set to cooperate on a stronger footing with its Central Asian neighbours, even as its relations with major powers will remain its chief priority.