

Kazakhstan Keeps Its Options Open, but Not Too Open

by Ekaterina Zolotova - May 25, 2022

Russia's invasion of Ukraine showed the world just how far Moscow would go to protect its interests. And as the war rages on, many wonder whether other important points along Russia's periphery, including Georgia, Belarus or the South Caucasus, might be next. Perhaps nowhere is more concerning than Central Asia, which separates Russia from China and Iran and insulates it from the instability emanating from Afghanistan. These countries are awash in natural resources for Russia to exploit, lie along important trade routes to the Middle East and Europe, and are a reliable source of labor for Russian jobs.

Kazakhstan is Central Asia's most pivotal country. It boasts the region's most developed and largest economy, one that is already tightly integrated with Russia's through the Commonwealth of Independent States and the Eurasian Economic Union. It has a single customs space with Russia, is a member of the Collective Security Treaty Organization, and in general is more dependent on Russia as a trading and investment partner than other countries. Kazakhstan shares the longest land border with Russia and thus hosts a large minority of ethnic Russians, who constitute nearly 20 percent of the population.

For these reasons, Kazakhstan has historically been considered a reliable Russian partner. But lately that hasn't been the case. The government in Nur-Sultan has come out ambiguously at best on issues on which the Kremlin expected some kind of support if not outright unity. For example, Kazakhstan declared its neutrality on the Ukraine war and has permitted protests in support of Ukraine. It has begun to consider the trans-Caspian transport route, which bypasses Russia, for goods from China to Europe. Government officials are holding economic talks with Western representatives and engaging in dialogue with U.S. forces that promise protection from anti-Russia sanctions (even as Kazakhstan said it would not help Moscow bypass those same sanctions for fear of running afoul of them).

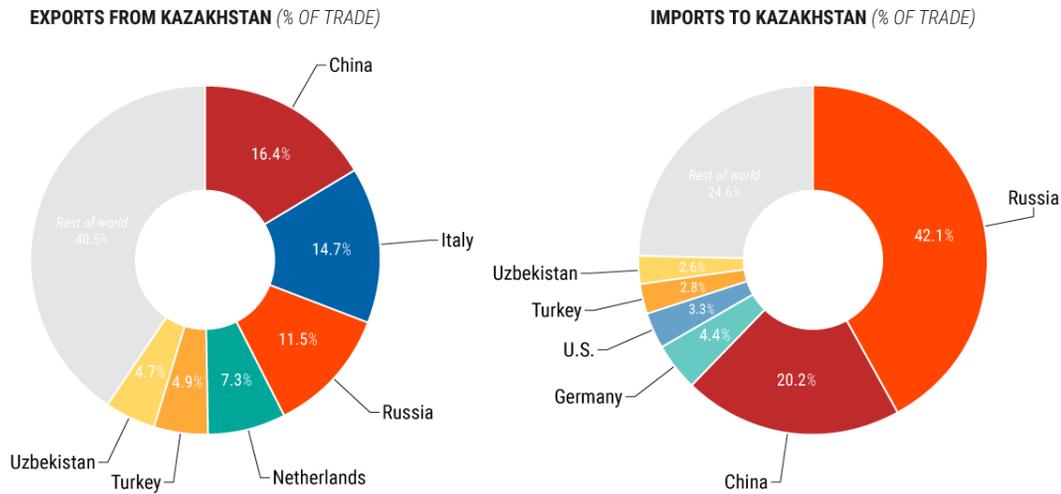
This raises an important question: Is this just short-term insurance, or is Kazakhstan shifting away from Russia?

Half-Pivot

Notably, the pivot from Russia started long before the invasion of Ukraine. Kazakhstan has prioritized neutrality and a multifaceted foreign policy ever since it gained its independence from the Soviet Union, even if it, like all former Soviet satellites, had existing economic, political and cultural ties it couldn't afford to cut. But for the past few decades, Kazakhstan has made significant progress in rebuilding its economy, accelerating its gross domestic product growth, and diversifying trade and economic ties with partners around the world, including by joining organizations such as the World Trade Organization. It is also straying from the political culture of its founding – Nursultan Nazarbayev, who was until recently the only president the country had ever had, was very much a product of the Soviet system and exercised top-down control of the state – in a way that fosters independence and emphasizes national identity.

Kazakhstan's economy is still closely integrated with Russia's, of course, so Moscow still sees it as an unstable, dependent entity. But few others share this view. Most countries see Kazakhstan as an independent player and participant in international trade, a dynamically developing country with substantial natural resources that nonetheless remains in Russia's sphere of influence. But with the Russian economy in disarray, countries now see Kazakhstan as something that could be pried away from Russia's clutches.

Kazakhstan's Top Trading Partners | 2021



Source: Analytical Portal of Foreign Trade of the Republic of Kazakhstan

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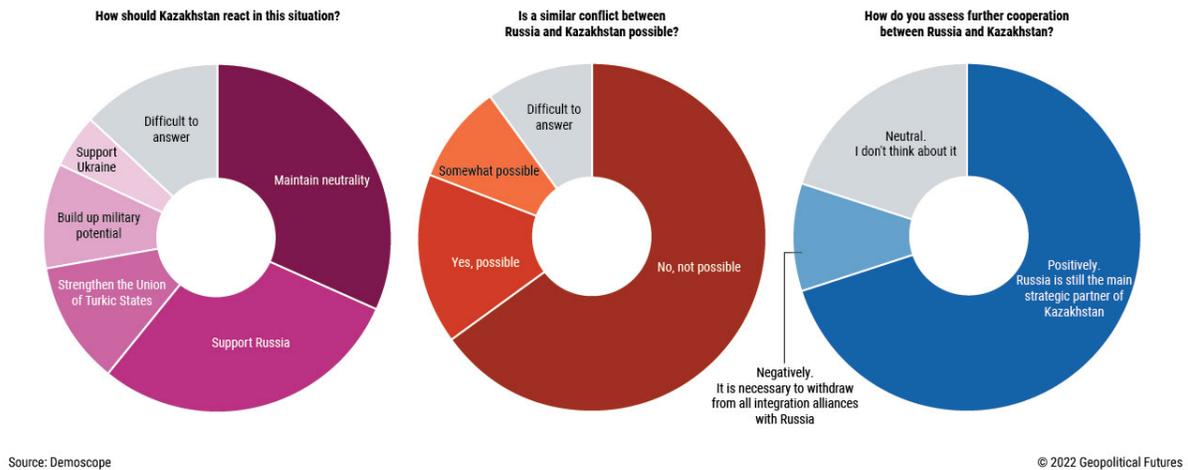
Russian sanctions also help Kazakhstan in this regard. The COVID-19 pandemic contracted the Kazakh economy, which is looking for ways to maintain stability, goose economic growth and limit its exposure to Russia. To that end, Kazakh companies that previously shipped goods to Europe via Russia are seeking alternative corridors such as the aforementioned trans-Caspian trade route. And **the attention to Kazakhstan paid by other countries**, especially those in the West that are rich enough to help Kazakhstan diversify, is also putting pressure on Russia.

Weighing Options

While it's true that Russia's invasion of Ukraine has made Kazakhstan especially nervous – given its sizeable Russian population and the punitive risks of trading with Russia – there are plenty of reasons for Nur-Sultan to want to keep Moscow close, at least in the short term.

On security matters, it still needs good ties with its much stronger neighbor. Despite its relative economic success, Kazakhstan has long been a politically unstable country. The **unrest in January**, for example, was kept at bay largely thanks to the pro-Russia CSTO. More, it shares a border with much more unstable countries whose volatility could spread into Kazakhstan, and it shares a massive border with Russia. Unlike in Ukraine, NATO has no real presence nearby and would have a harder time supporting Kazakhstan and reacting to trouble there.

Kazakh Opinions on the Ukrainian Conflict



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Economically, Kazakhstan is much more dependent on Russian trade and investment than Ukraine is, and relies on it for goods such as cheap grain. This is thanks to its geographic proximity and to its membership in the Eurasian Economic Union, which it is in no hurry to leave. And although Kazakhstan is trying to reduce its dependence on Russian trade, it's not especially interested in going all-in with a country like China that could be its main buyer of raw materials and could thus dictate prices. Countries farther afield are simply a safer bet.

However, geography and distance are in some cases obstacles to overcome, ones that are exacerbated by Kazakhstan's inability to manage transportation processes. Here is where Russia has the advantage. Not only does Russia border Kazakhstan, but the EAEU is the main route for the export of Kazakh goods, especially oil, through railways and oil pipelines in Russian territory that connect Kazakhstan with the Black Sea and the European Union. Diversification isn't just a matter of money; the conflict between Armenia and Azerbaijan, and the fact that Tajikistan, Uzbekistan and Turkmenistan all use their own standards, make it difficult to conduct trade in Central Asia.

Demographically, ethnic Russians in Kazakhstan usually don't consider themselves Kazakh. And with more Russians fleeing Russia, the enclaves of Russian expatriates are only likely to grow. Indeed, former Soviet satellites are considered good places for many Russians to live because of their linguistic and cultural similarities, with Kazakhstan becoming one of the most popular destinations for those who work with foreign companies. Russians bring with them skills and services and, as important, demand for local Kazakh goods and services.

From Moscow's perspective, Kazakhstan's recent behavior isn't the threat Ukraine's was simply because economic diversification doesn't necessarily mean it is moving closer to the West. All the meetings in the world don't change the fact that funding and investment opportunities from the U.S. and EU are limited; there are other profitable candidates, and neither is too keen to restore transportation infrastructure in a place where Russia is still active and influential. Instead, Kazakhstan is eager to establish closer ties with China, Turkey and Iran and to expand further into the Asian market, which could actually benefit Moscow if Kazakhstan is a neutral transit hub with good relations with most world powers. Even so, Russia understands it needs to keep the Kazakh economy humming so that it doesn't have an unstable government on its border. But it also knows that it simply cannot provide for Kazakhstan right now, so Russia is open to short-term diversification.

Officials in Kazakhstan are weighing their options, but ultimately they realize they can't rebuke Russia entirely. Its recent behavior is merely a short-term tactic meant to keep the economy on point. Kazakhstan will continue to try to be a friend to whomever it can, however cautiously.

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