

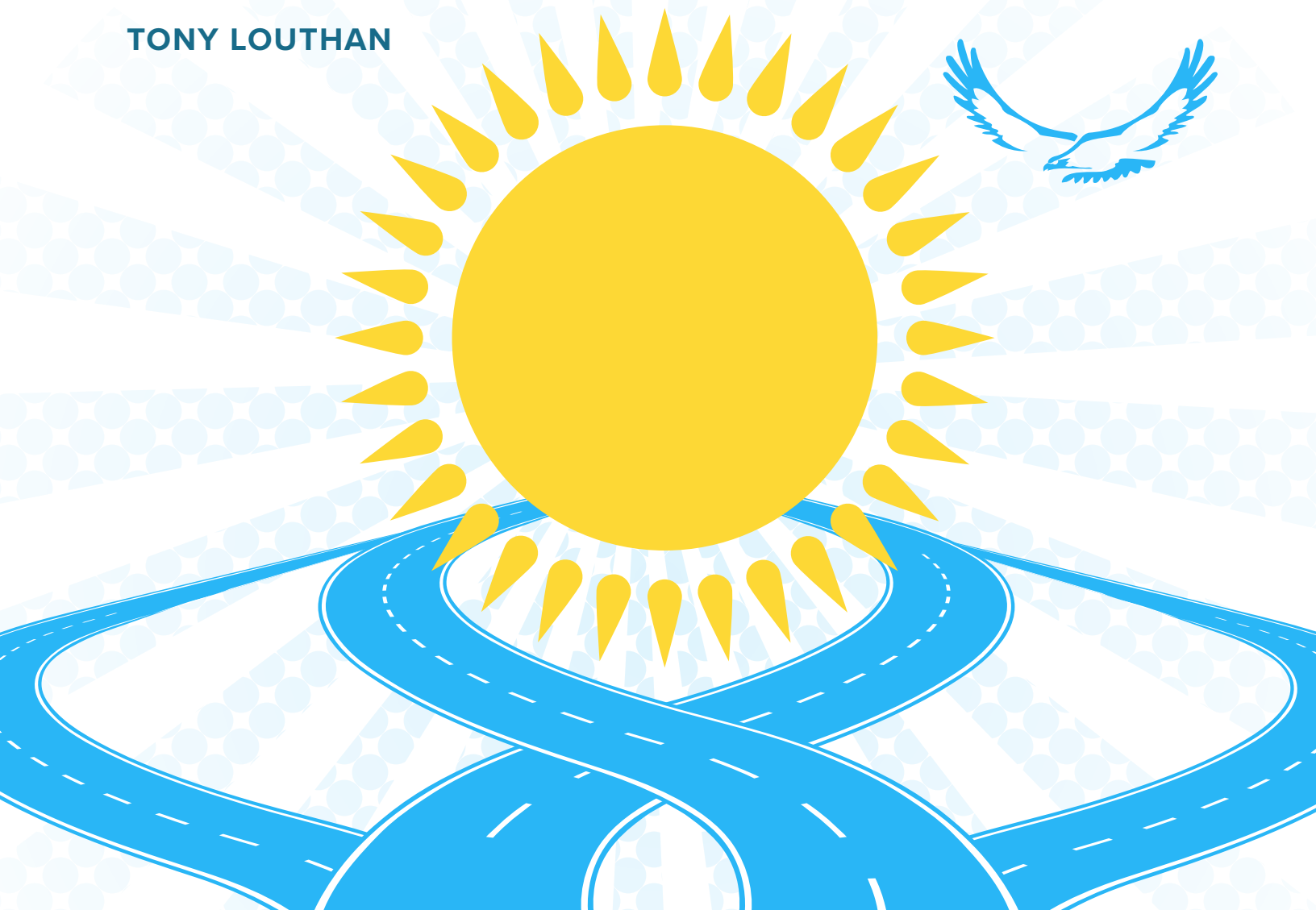


FOREIGN POLICY RESEARCH INSTITUTE | ASIA PROGRAM

A 'BRIGHT PATH' FORWARD OR A GRIM DEAD END?

The Political Impact of the
Belt and Road Initiative in Kazakhstan

TONY LOUTHAN



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EXECUTIVE SUMMARY

This report assesses the political impact of the Belt and Road Initiative (BRI) in Kazakhstan. Specifically, it examines whether and how the People's Republic of China can pursue a strategy of economic statecraft to further its foreign policy and political interests in Kazakhstan. Despite Kazakhstan's importance for the success of the BRI's overland trade corridors, the report argues that important financial, foreign policy, and political constraints limit Beijing's potential to influence Nur-Sultan. Beijing's concerns over upsetting its relationship with the Russian Federation and the fact that the value of bilateral trade, investment, and Kazakhstani indebtedness to China have decreased in recent years suggest that Beijing is less willing to, capable of, or interested in using the BRI to influence Kazakhstan. The perceived closeness in this bilateral relationship has less to do with the influence of the BRI and more to do with the alignment of both countries' geopolitical interests before the initiative's creation.

The report does not suggest that Chinese influence has decreased, but rather shows how Kazakhstan has been able to maintain a degree of political autonomy. Nur-Sultan has played a proactive role in forming its relationship with Beijing through its pursuit of former President Nursultan Nazarbayev's "multi-vector" foreign policy strategy. In diversifying Kazakhstan's diplomatic, economic, and political ties with Russia, China, the European Union, and the United States, Nur-Sultan has been able to avoid complete dependence on one country. Furthermore, Kazakhstan has been able to shape the size and scope of Chinese economic activity by guiding the initiative's investments and projects to further the government's domestic development agenda, *Nurly Zhol* (translated as "Bright Path"). However, issues related to corruption and deepening ties between Chinese and Kazakhstani elites through the BRI have likely strengthened Kazakhstan's authoritarian political structure.

INTRODUCTION

While much research on the People's Republic of China's Belt and Road Initiative (BRI) focuses on China's maritime activities, overland trade routes and corridors through Central Asia have often gone overlooked, despite constituting the geographic center of the initiative. As the name of the initiative would suggest, overland railroads and trade routes occupy an equally important role in the BRI.¹ The rhetoric, scale, and often opaque nature of Chinese economic interactions through BRI has led many foreign policy analysts, media reports, and government officials to characterize BRI as a form of "debt-trap diplomacy" by which Beijing offers loans and infrastructure projects for the purpose of gaining influence abroad.² Yet, in the case of Kazakhstan, China's most important partner in Central Asia, the BRI's ability to shape the country's political decisions remains limited. This report argues that Chinese-Kazakhstani economic cooperation has not been able to produce the political gains necessary for Beijing to wield large-scale influence over Nur-Sultan. In fact, Kazakhstan's former President Nursultan Nazarbayev was astute in managing the country's foreign relations and used BRI projects and loans to pursue

his own domestic development prerogatives. However, the initiative does not entirely lack potential to influence Kazakhstan, as it has likely provided further legitimization of Kazakhstan's preexisting authoritarian political structure.

Kazakhstan has become a focal point in China's strategy in Central Asia to develop overland trade routes with Europe. Though often understood as a bridge connecting China's industrial output to the wealthy markets of Western Europe, Kazakhstan's importance for Beijing's foreign policy not only stems from the country's geostrategic position, but also from its abundance of energy resources alongside its role as a regional political and security partner.³ Alluding to the historic importance of Central Asia for the Silk Road while recognizing Kazakhstan's current prominence in the region, Xi announced the creation of the "Silk Road Economic Belt" (the overland trade routes of the BRI) in a speech at Nazarbayev University in Nur-Sultan in 2013.⁴ However, given the political and economic asymmetries in this bilateral relationship (and many other BRI member nations), scholars may hastily conclude that the BRI functions as a tool by which Beijing can unilaterally

1 Min Ye uses the terminology "state-mobilized globalization campaign" to refer to BRI. She also uses the term to refer to previous Chinese initiatives for the Western Development Plan as well as China Goes Global. Min Ye, *The Belt and Road and Beyond State-Mobilized Globalization in China: 1998-2018*, Cambridge University Press, 2020, pp 3-26.

2 Former Secretary of State Michael Pompeo popularized the "debt-trap diplomacy" narrative in many of his speeches. For a clear example of his thinking on China's economic statecraft efforts, see his speech titled "The China Challenge" at the Herman Institute on October 30, 2019, <https://2017-2021.state.gov/the-china-challenge/index.html>. For an example of a popular news article about China's debt diplomacy, see Mark Green's "China's Debt Diplomacy," in *Foreign Policy*, <https://foreignpolicy.com/2019/04/25/chinas-debt-diplomacy>.

3 Zhenis Kembayev, "Development of China-Kazakhstan Cooperation: Building the Silk Road of the Twenty-First Century?," *Problems of Post Communism* 67, no. 3, May 2020, pp 204-216.

4 Xi Jinping, "Xi Jinping's speech at Nazarbayev University," September 8, 2013, http://www.gov.cn/ldhd/2013-09/08/content_2483565.htm



Astana (Source: Adobe Stock)

“reconstitute states’ development priorities, interests and relations” all for its own benefit.⁵

Media, scholarship, and political rhetoric abound criticizing China’s BRI as an aggressive expansion of its economic statecraft and a form of “debt-trap diplomacy.” While it is easy to criticize some of the most politically motivated assertions and research on the BRI, many good publications still prefer to analyze the BRI as a strategy through which Beijing competes with Washington, paying too little attention to the logic of countries joining the initiative. Though geopolitical analyses of the BRI are crucial, these accounts can often overlook two important points: the political agency and prerogatives of BRI member states, and the mechanisms and incentives that inform the decision making for Chinese investments and projects abroad. Critical

analyses of the BRI often suggest that recipient countries have no choice but to take on BRI projects and investments, and that the campaign itself is uniquely beholden to the strategic concerns and desires of Xi Jinping, conveniently overlooking the fragmentation that exists between political rhetoric and implementation of the plan. By evaluating the extent to which foreign policy concerns drive Chinese investments in Kazakhstan and how Chinese projects influence Kazakhstan’s domestic political economy, a fuller picture of Chinese-Kazakhstani relations can emerge.

As the case of the BRI in Kazakhstan demonstrates, member states can have considerable agency in determining the scale and scope of the projects undertaken. Rather than being a unilateral imposition of Chinese economic and political power over

⁵ Jeffrey Reeves, “China’s Silk Road Economic Belt Initiative: Network and Influence Formation in Central Asia,” *Journal of Contemporary China* 27, no. 112, 2018, p 502.



Former President Nursultan Nazarbayev announcing the Nurlı Zhol stimulus plan in January, 2014. (Source: akorda.kz)

Kazakhstan, the implementation of the BRI reflects Kazakhstan's pursuit of its "multi-vector" foreign policy, which seeks to develop a network of different political and economic relations with various countries.⁶ Additionally, Kazakhstan's former President Nursultan Nazarbayev co-opted and guided the BRI to benefit his own domestic development campaign, *Nurlı Zhol* (translated as "Bright Path"). Due to the declining values of bilateral trade, Chinese foreign direct investment (FDI), and Kazakhstani debt owed to China in recent years, the ability for Beijing to exploit economic cooperation for political gain has also weakened. At a popular level, Kazakhstan's ambivalence and, at times, hostile stance toward Chinese engagement in the country has forced the government to shelve economic policies seen as pro-China.

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6 Reuel R. Hanks, "Multi-Vector Politics and Kazakhstan's Emerging Role as a Geo-Strategic Player in Central Asia," *Journal of Balkans and Near Eastern Studies* 11, no. 3, September 2009, pp 257-267.

THE GEOPOLITICS OF CHINESE-KAZAKHSTANI RELATIONS

Well before the BRI was launched in 2013, China and Kazakhstan had already begun to cultivate close relations. With the breakup of the Soviet Union and the declaration of Kazakhstan's independence in 1991, Beijing saw a crucial opportunity to reset relations with its Central Asian neighbors, which, for decades, had been characterized by tension and mutual mistrust. Initially, China's interests in Kazakhstan involved settling lingering border disputes.⁷ Following the complete diplomatic resolution of border disputes in 1998, Kazakhstan's significance to China was defined in terms of its mineral and natural resource wealth, its ability to promote political and social stability in Central Asia and Xinjiang, and its position as a kind of third-party mediator between China and the Russian Federation. Of equal importance for China's current foreign policy is Kazakhstan's geography as a state spanning most of the Eurasian continent. Due to its location, the main economic corridors of the BRI's Silk Road Economic Belt (SREB) cross through Kazakhstan.

Home to the world's 12th largest oil reserves, Kazakhstan presents an important opportunity for China to diversify its energy needs and lessen its dependence on oil tankers traveling through the Straits of Malacca.⁸ Indeed, resources from Kazakhstan's extractive industries make up majority of its exports

to China, combining for over 90 percent of its total exports. Chief among these are Kazakhstan's exports of gas and crude petroleum to China which accounted for \$2.35 billion in 2019, over a third of the value of the country's total exports to China.⁹ Gas and oil pipelines physically connect China to Kazakhstan and Central Asia more broadly and supply China with a stable source of energy. The country's abundant mineral and oil wealth and its proximity to China make it an important source of natural resources to help fuel China's economic growth.

In the security sphere, the two countries' interests largely align. Kazakhstan is of critical importance to China due to its long border with Xinjiang and its cultural ties with Xinjiang's Turkic minorities. Both countries agree on combating Islamic fundamentalism, an issue which has caused problems in several Central Asian states and is the stated reason for China's extrajudicial internment of Uyghurs in Xinjiang. Though the Kazakhstani state is thoroughly secular, Islam still forms a fundamental aspect of ethnic Kazakhs' identity. In order to deepen security cooperation with Kazakhstan and other Central Asian states, Beijing launched the Shanghai Cooperation Organization (SCO), with Kazakhstan as a founding member, in 2001 as a platform to discuss regional security challenges.

Kazakhstan is also home to a population of

7 Sebastien Peyrouse, "Discussing China: Sinophilia and Sinophobia in Central Asia," *Journal of Eurasian Studies*, 7, 2016, pp 14-23.

8 Kembayev, 2020.

9 Data from Organization of Economic Complexity's profile on Kazakhstan, <https://oec.world/en/profile/country/kaz>



Gas flares in the Tengiz oil field located in western Kazakhstan. (Flickr/marusia)

over 200,000 ethnic Uyghurs, many of whom have family across the border in Xinjiang. Similarly, a large ethnic Kazakh community resides in Xinjiang. The recent internment of over a million Uyghurs and Kazakhs in China has exacerbated deep-rooted popular antagonism against China in Kazakhstan. According to interviews conducted by Sebastien Peyrouse, Beijing in the 1990s pressured the Kazakhstani government to clamp down on civil society organizations agitating against China.¹⁰ However, there is no direct evidence that China has done the same in recent years. Regardless, China sees Kazakhstan as a crucial partner for issues related to Xinjiang. On economic matters, too, Xinjiang and Kazakhstan have a close relationship. While the value of China's foreign

trade with Kazakhstan as a proportion of its total foreign trade is negligible, Kazakhstan accounted for nearly 40 percent of Xinjiang's foreign trade, making Kazakhstan Xinjiang's largest foreign trade partner.¹¹ Thus, from a Chinese perspective, Kazakhstan can help in supporting economic growth and social stability in Xinjiang. Furthering this point, China's current ambassador to Kazakhstan, Zhang Xiao, has stressed the importance of political and economic stability in Xinjiang in furthering both countries' relations. He has published op-eds in Kazakhstani media defending the "vocational education and training centers" in Xinjiang while also emphasizing in interviews that "the long-term achievement of peace and security in Xinjiang is also a major benefit for Kazakhstan's

¹⁰ Sebastien Peyrouse writes that in 1996 Beijing pressured the Kazakhstani government to close Uyghur organizations agitating for autonomy. See footnote 11 in Peyrouse, 2016.

¹¹ Daniel Seth Markey, *China's Western Horizon: Beijing and the New Geopolitics of Eurasia*, Oxford University Press, 2020.

sustainable development.”¹² Part of the logic of the BRI as it relates to Xinjiang and Kazakhstan is based on the belief that the growth of bilateral trade can provide development benefits to Xinjiang, which can foster greater stability in the region.¹³

Furthermore, China’s relations with Kazakhstan impact Kazakhstan’s relationship with Russia. Given its position as a post-Soviet state bordering Russia with a sizable ethnic Russian population, Russian influence remains deeply entrenched in Kazakhstani political and cultural life.¹⁴ Even in the economic sphere, Russia remains one of Kazakhstan’s principal economic partners. In 2019, Russia was Kazakhstan’s third largest export market, only slightly smaller than that of China, and was Kazakhstan’s largest source of imports.¹⁵ In dealing with Kazakhstan, Beijing recognizes Kazakhstan’s political sensitivity to Russia, and as a result has tried to keep a low political profile. In literature on the topic, scholars almost unanimously conclude that Russia and China have reached an unspoken agreement in which Moscow will maintain its status as the dominant diplomatic and military power in Kazakhstan, while Beijing will lead on economic issues.¹⁶ Though China has pursued a deferential approach to Russia in how it engages with Kazakhstan, tension could arise if Russia perceived a loss of political influence or if China were to seek a greater security role.¹⁷ If cases of instability and violence take hold in the region—such as the bombing

of the Chinese embassy in neighboring Kyrgyzstan in 2016—they could prompt China to increase its security presence and thereby upset relations with Moscow. Given that the Chinese military patrols in Tajikistan have not caused serious consternation in Russia, which has military bases there, it seems that Russia is largely content with China’s current security commitments.¹⁸

In dealing with Kazakhstan, Beijing recognizes Kazakhstan’s political sensitivity to Russia, and as a result has tried to keep a low political profile.

12 Kazakhstan Today, April 4, 2019, Interview with Zhang Xiao, https://www.kt.kz/rus/interview/posol_knr_v_rk_provel_intervyu_s_kazhastanskimi_smi_1377883028.html

13 Linda Yin-nor Tjia, “The Unintended Consequences of the Politicization of the Belt and Road’s China-Europe Freight Train Initiative,” *The China Journal*, 83, January 2020, pp 58-78.

14 Mariya Omelicheva & Ruoxi Du, “Kazakhstan’s Multi-Vectorism and Sino-Russian Relations,” *Insight Turkey*, 20, no. 4, Fall 2018, p 96.

15 Data is from OEC. <https://oec.world/en/profile/country/kaz>

16 Markey, 2020.

17 Markey, 2020.

18 Markey, 2020.

Finally, of greatest importance to China's relationship with Kazakhstan is the fact that the very success of the BRI relies on Kazakhstan's active participation. Two of the BRI's six main economic corridors—the New Eurasian Land Bridge and the China-Central Asia-West Asia Corridor—run through the country.¹⁹ Although China's trade with the region (including all of the Central Asian republics) accounted for less than one percent of its total foreign trade, Kazakhstan forms the geographic center of overland trade routes to Europe.²⁰ Through its infrastructure investments and the construction of the world's largest “dry port,” a railway depot and logistics center meant to process Chinese rail traffic in the border town of Khorgos, Beijing pins the success of the BRI's land routes on Kazakhstan's cooperation. Indeed, China's forays into its west demonstrate a position held by prominent Chinese political scientists, such as Zhao Huasheng, Yan Xuetong, and Wang Jisi, that China's rebalancing with countries to its west is a political necessity.²¹ Commenting on US-Chinese competition back in 2012, Wang argued, “The competition between China and the United States in East Asia has increasingly become a sort of ‘zero-sum’ pattern. But if [China] moves ‘westward’ [to Central Asia] the potential for U.S.-China cooperation in areas such as investment, energy, counterterrorism, nonproliferation,

and maintaining regional stability is greater.”²² Given the multitude of political anxieties, territorial disputes, and economic and military tensions in the Indo-Pacific, these scholars and others contend that maintaining political stability and cordial relations with China's western neighbors is of crucial importance for China's position in the world.

From the perspective of Nur-Sultan, close engagement with Beijing is the clearest example of Nursultan Nazarbayev's “multi-vector” diplomacy and a testament to the country's political agency. Sandwiched between two far larger countries with imperialist legacies desiring to expand their political influence throughout the world, Kazakhstan seeks to protect its political sovereignty through a diplomatic effort that balances its political, economic, and security interests between China, Russia, the European Union (EU), and, to a lesser extent, the United States.²³ Aside from generally deferring to Moscow on security and political matters and looking to Beijing for economic support, Kazakhstan implements its “multi-vector” approach by actively engaging in a whole host of overlapping international organizations, institutions, and frameworks. Other than the BRI and SCO, Nazarbayev has been credited with championing region-wide integration through the Russian-dominated Eurasian Economic Union (EAEU), a customs union meant to promote trade between

19 Assel Bitarbarova, “Unpacking Sino-Central Asian Engagement Along the New Silk Road: A Case Study of Kazakhstan,” *Journal of Contemporary East Asia Studies*, 7, no. 2, 2018, p 156.

20 Tjia, 2020.

21 Wang Jisi, “Xijin, Zhongguo diyuan zhanue de zaipingheng” [March West: Rebalancing China's Geopolitical Strategy] *Huanqiu Shibao*, October 17, <https://opinion.huanqiu.com/article/9CaKrnJxoLS> 2012. Yan Xuetong “Zhengti de ‘zhoubian’ bi meiguo geng zhongyao,” [The Overall ‘Periphery’ is more Important than the U.S.], *Huanqiu Shibao*, January 13, 2015, reprinted at Carnegie Endowment for Peace website: <https://carnegieendowment.org/2015/01/13/zh-pub-57696>. Zhao Huasheng, “Qianping Zhong-E-Mei da san zhanlue zai zhongya de gongchu” [Comments on three Big Powers – China, Russia, and the U.S. – Strategies of Coexistence in Central Asia] *Guoji GuanCha*, no. 1, 2014, pp 96-109.

22 Wang, 2012.

23 Omelicheva and Du, 2018, p 101.

Central Asia and Russia.²⁴ Nazarbayev has also made Kazakhstan a member of Western-led security organizations, such as the Organization for Security and Co-operation in Europe (OSCE), and the North Atlantic Treaty Organization's (NATO) Partnership for Peace Program. His shrewd politicking and the establishment of his "multi-vector" diplomatic approach as the basis for its foreign policy reveal Kazakhstan's ability to preserve its political autonomy by carefully negotiating relations between larger states with conflicting interests.²⁵

In this light, Kazakhstan's engagement with China must be seen as a hedge against Russia

In this light, Kazakhstan's engagement with China must be seen as a hedge against Russia. Long the dominant power in the region, Russia binds Kazakhstan militarily through the Collective Security Treaty Organization (CSTO), sometimes described as Central Asia's NATO, and through the leasing of the Baikonur Cosmodrome, the world's largest and Russia's most important space launch facility.²⁶ Given Russia's recent irridentist

foreign policy and its actions in Ukraine, Kazakhstan, with its large Russian population in the north, faces considerable pressure to maintain good relations with Moscow, but Nur-Sultan also seeks alternative economic and political arrangements with neighboring countries. In this vein, the completion of the first China-Kazakhstan oil pipeline in 2003 not only represents Chinese interests in Kazakhstan's energy resources but also Kazakhstan's desire to free itself from the former Russian monopoly on the transport of Kazakhstan's oil.²⁷ For these reasons, from a Kazakhstani foreign policy outlook, engagement with China is a political and economic necessity. It is within this frame of reducing its dependence on Russia that Kazakhstan's active cooperation in the BRI must be understood.

Moreover, Kazakhstan and China both stand to benefit economically from mutual trade links. Promoting trade and investment with China can bring Kazakhstan important economic support. Nur-Sultan provides Beijing with abundant energy resources, while China offers inexpensive consumer goods and technologies necessary to upgrade Kazakhstan's industries. Considering Kazakhstan's overwhelming dependence on oil and gas for its economy, BRI-related investment and infrastructure projects could potentially wean Kazakhstan's economy off its natural resources.²⁸ Furthermore, in the wake of the 2014 drop in oil prices, Nazarbayev announced *Nurly Zhol*, Kazakhstan's new

24 Moritz Pieper, "The Linchpin of Eurasia: Kazakhstan and the Eurasian Economic Union Between Russia's Defensive Regionalism and China's New Silk Roads," *International Politics*, 2020.

25 Omelicheva and Du, 2018, p 104.

26 Markey, 2020.

27 Kembayev, 2020, p 206.

28 In 2019, the government of Kazakhstan released a list of all the BRI projects in the country. While oil and gas projects amount to over half the value of all those BRI projects, there are multiple projects focusing on green energy, logistics, and manufacturing. For the English press release, see <https://invest.gov.kz/media-center/press-releases/stroitelstvo-kazakhstansko-kitayskikh-invest-proektov-bud-et-vestis-v-sootvetstvii-s-zakonodatelstvom/>



Construction of the Karsakpai railway station in Kazakhstan. (Source: Flickr / Asian Development Bank)

economic development strategy, which sets aside billions of dollars for the purpose of upgrading Kazakhstani infrastructure to take advantage of its location between China and Europe.²⁹ Due to the general similarities of the goals of the BRI and *Nurly Zhol* in promoting connectivity, Nur-Sultan and Beijing decided to link *Nurly Zhol* with the BRI in late 2015.³⁰ Though the effects and the results of the linkage between projects is unclear, it demonstrated Nazarbayev's push to pursue closer economic cooperation with Beijing.

In sum, from a geopolitical standpoint, the security, economic, and political interests of China and Kazakhstan aligned well before the BRI's launch. Though the BRI may have deepened relations between the two countries, current evidence does not support

the argument that the promise of BRI funding and projects on a macro-level convinced Kazakhstan to follow a political and economic trajectory that it was not already pursuing or that it otherwise would not follow. On the flip side, the size and scale of China's heightened economic profile in Kazakhstan has undoubtedly influenced Kazakhstan, whether by active or passive means.

²⁹ Bitabarova, 2018, 158.

³⁰ Bitabarova, 2018, 160.

CHINESE-KAZAKHSTANI ECONOMIC LINKAGES: ‘WIN-WIN COOPERATION’ OR ‘DEBT-TRAP DIPLOMACY’?

Perhaps, the most pervasive critique of the BRI is that it amounts to a strategy of debt entrapment by which China seeks to burden other countries with unsustainable levels of debt and thereby shape its trading partner's political agenda. Examples such as China's 99-year lease on Sri Lanka's port of Hambantota or the installation of a Chinese military facility in Djibouti provide critics of the BRI clear examples of what they view as Chinese intent to leverage its economic clout for military and political gain.³¹ While there are multiple cases of developing countries taking on risky levels of Chinese debt, the BRI by no means amounts to a consistent strategy replicated in every country with which Beijing interacts.³² It is therefore difficult to jump to conclusions about what the BRI is and how it is shaped by Chinese foreign policy. As far as the case of Kazakhstan is concerned, though some scholars speak of Kazakhstan assuming a “debtor relationship” with China, this is hardly the case when examining Kazakhstan's macro-economic linkages with China.³³

First and foremost, the “debt-trap diplomacy” narrative presupposes that a country has saddled itself with disproportionately high debt levels and that a country must rely

on Beijing for its financing needs. Though Chinese loans have been important for Kazakhstan's development projects, it is far from being Kazakhstan's largest source of credit. Additionally, credit rating agencies agree that Kazakhstan has very manageable levels of debt. According to Moody's June 2020 report on Kazakhstan's sovereign rating, the country's credit profile is stable, characterized by a “strong government balance sheet ... low debt burden, very high debt affordability and sizable fiscal reserves held in foreign assets.”³⁴ Its debt stood at a very stable and reasonably low 21.8 percent of gross domestic product (GDP) at the end of 2019. Though the report suggests that its fiscal strength could weaken with a fall in oil prices, the country's current debt profile is far from reaching unsustainable levels that would necessitate a bailout or political intervention from the International Monetary Fund (IMF) or another creditor. Given Kazakhstan's healthy fiscal outlook, debt is hardly a tool that Beijing could use to directly interfere in Nur-Sultan's political decisions.

Despite concerns of the BRI loading developing countries with unsustainable debts, Kazakhstan's debt to China in fact has been declining over the past five years, undermining China's potential to use its

31 Jonathan Hillman, *The Emperor's New Road: China and the Project of the Century*, Yale University Press 2020.

32 Jonathan Hillman, *The Emperor's New Road: China and the Project of the Century*, Yale University Press 2020, p 16.

33 Markey, 2020, p 91.

34 Moody's Issuer-In Depth Government of Kazakhstan – Baa3 positive, June 10, 2020.



Top: Hambantota Harbour Sri Lanka. (Source / Wiki: Dinesh De Alwis)

Bottom: Chinese Navy soldiers at Djibouti Support Center in Spring, 2019.(Source / eng.mod.gov.cn)



(Source: Adobe Stock)

loans as a form of economic influence. According to figures released by the National Bank of Kazakhstan at the start of 2021, Kazakhstan owed China slightly over \$10 billion, which accounted for only 6.2 percent of Kazakhstan's total external debt. To put those figures in perspective, Kazakhstan owed more money to France, the Netherlands, the United Kingdom, the United States, and multilateral lenders, with the Netherlands alone accounting for over a quarter of Kazakhstan's external debt. Since the announcement of the BRI in 2013, debt to China has, in fact, fallen by a third since 2014, when Kazakhstan's debt to China topped \$15.8 billion.³⁵ Though Chinese loans may have the ability to influence Kazakhstan, on a macro-level, its stable fiscal position and its decreasing Chinese debt burden challenge the argument that China has been using or can use its bank loans to curry political

influence. Although Kazakhstan's economic interactions with China could further Beijing's interests, it is difficult to argue that Chinese loans are a primary economic means of increasing its influence.

With regard to Chinese foreign direct investment (FDI) in Kazakhstan, the picture is more mixed. In terms of dollar amounts, Chinese FDI has ebbed and flowed, reaching a high point of \$2.4 billion in 2012 (before the announcement of the BRI) and falling to \$959 million by the end of 2020. While China is proportionally a larger player in Kazakhstan's FDI, investments from the Netherlands (Kazakhstan's largest investor), the United States, and Switzerland dwarf Chinese investments. In 2020, China was only Kazakhstan's fourth largest investor as Chinese investment fell to its lowest point since 2015. Thus, decreasing debt levels and

35 Statistics come from the National Bank of Kazakhstan's website: <https://www.nationalbank.kz/en/news/vneshniy-dolg>

declining FDI numbers suggest that China's financial stake in Kazakhstan has decreased.³⁶ From a macroeconomic perspective, the BRI has had a limited effect in furthering closer economic and financial relations between Beijing and Nur-Sultan.

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The third arena in which Beijing theoretically could implement a strategy of economic statecraft would be in its bilateral trading relationship with Nur-Sultan. China was Kazakhstan's largest trading partner in 2019, accounting for over 13 percent in value of Kazakhstan's exports. However, if the EU were taken as a single trading bloc, then it would be by far Kazakhstan's largest trading partner, accounting for over 40 percent of the total value of Kazakhstan's exports.³⁷ Meanwhile, exports to Russia accounted for another 10 percent of Kazakhstan's trade value. However, the drop in oil prices in 2014 greatly reduced the total value of Kazakhstan's exports with all its main trading partners, and, in the case of

China, the total value of Kazakhstan's exports in 2019 (latest date for accurate data) was still down by 20 percent in comparison to 2014 numbers. Even in terms of Chinese imports to Kazakhstan in 2019, the value of those imports has yet to fully recover, and their value was down by nearly 2.75 percent over the same five-year span.³⁸ These declining trends were exacerbated by the effects of the COVID-19 pandemic in 2020. Despite the drop in value of the bilateral trading relationship, an interruption to Kazakhstan's trade with China, albeit highly unlikely for reasons explained above, would still severely impact the Kazakhstani economy. Though there are currently no signs of tension in the relationship, the recognition of China's importance for the Kazakhstani economy now and in the future would likely dissuade Nur-Sultan from doing anything that would cause a serious diplomatic rift. However, given that trade values have yet to recover, a trend that hurts Kazakhstan more than China, Beijing likely does not see the need to use trade as a tool of economic influence.

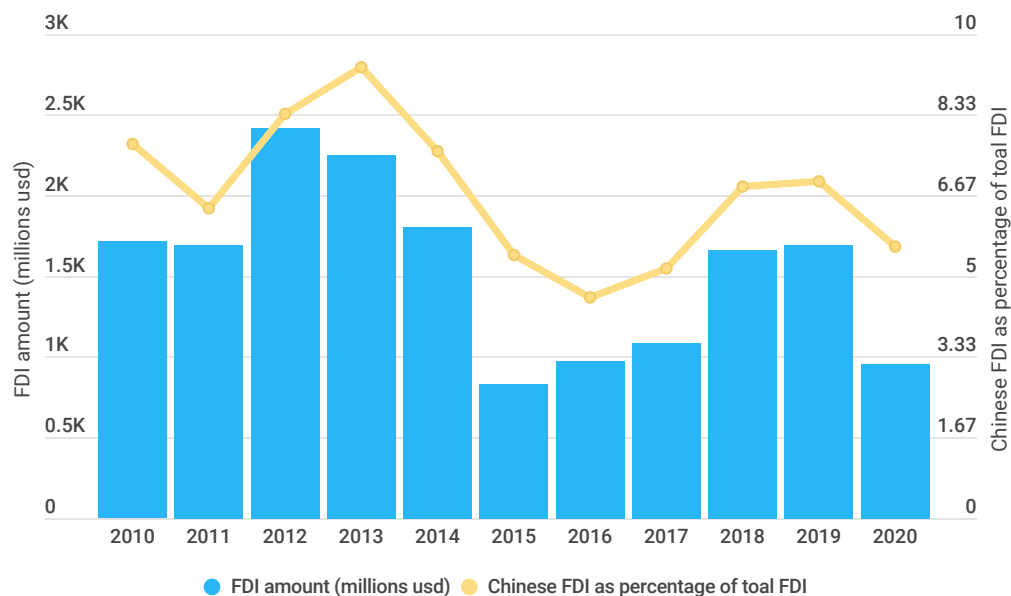
Still, it is important to recognize the fine details of Kazakhstan's trading relationship. Though the value of overall trade was down due largely to a drop in oil prices, other Kazakhstani exports, such as agricultural products, have grown considerably. While low in value in proportion to the total value of its exports, the agricultural sector is nonetheless politically and socially important as it employs 13.5 percent of the Kazakhstani workforce. As noted in previous research on Chinese economic statecraft in Southeast Asia, China has, at times, promoted agricultural exports from its southern neighbors to improve

36 Statistics come from the National Bank of Kazakhstan's website: <https://www.nationalbank.kz/en/news/mezhdunarodnaya-investicionnaya-poziciya>

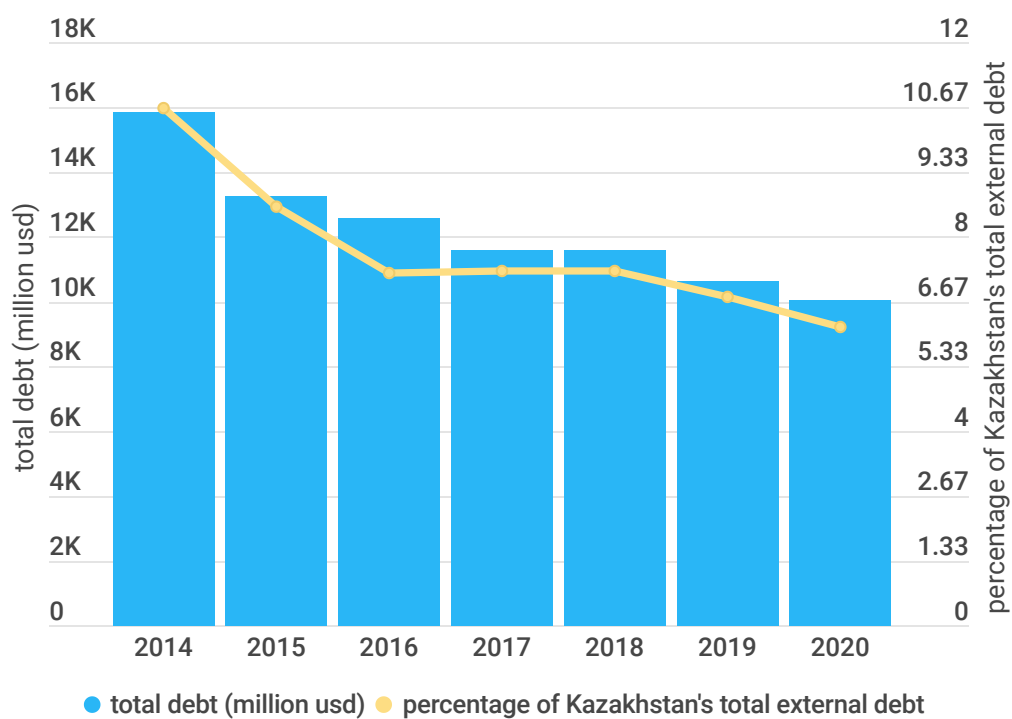
37 Trade data come from the Organization of Economic Complexity's (OEC) profile on Kazakhstan. <https://oec.world/en/profile/country/kaz>

38 OEC <https://oec.world/en/profile/country/kaz>

Chinese FDI in Kazakhstan



Kazakhstan's Total Debt Owed to China



political relations.³⁹ Certainly, increases in purchases of Kazakhstan's agricultural products cannot be ruled out as a way to curry favor, but more evidence would be needed to demonstrate that the changes were made for political rather than business reasons. Most importantly, other than Chinese media reports that hype up the increases of Kazakhstani agricultural exports, there has been no direct evidence of Beijing intentionally tying its trade, investments, or loans to specific policies that the country would adopt.

Surprisingly, these findings not only weaken popular assumptions that the BRI has made Kazakhstan more reliant on China, but also question the efficacy of the BRI in promoting the economic development of Kazakhstan. While this report does not intend to examine the economic impact of the BRI in Kazakhstan, it should be noted that the economic results of Kazakhstani-Chinese cooperation within the BRI framework are too early to measure.⁴⁰ Additionally, current declines in trade and investment could prove temporary and the fact that economic linkages are not as deep as might have been anticipated should not dispel the point that Beijing lacks the economic means to influence Nur-Sultan. Indeed, large economic asymmetries remain and could be easily exploited if China desired. Yet, this seems unlikely when considering that the economic agendas and foreign policy outlooks of the two countries have largely aligned for an extended period of time. However, the recognition of China's importance for the Kazakhstani economy could partially explain why Nur-Sultan has remained relatively quiet on issues like China's internment of Uyghurs in Xinjiang. Still, the fact that trade asymmetries exist

does not mean that they serve as evidence of an intentional strategy to buy silence.

Despite economic imbalances and the declining value of Chinese loans, Kazakhstan has been quick to promote cooperation with the BRI to guide investments and projects to fulfill its own development agenda.

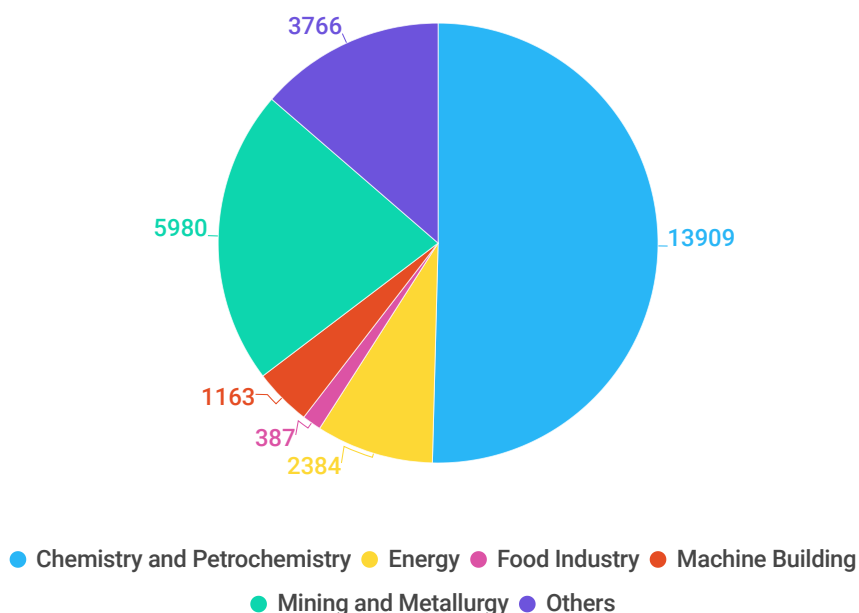
Despite economic imbalances and the declining value of Chinese loans, Kazakhstan has been quick to promote cooperation with the BRI to guide investments and projects to fulfill its own development agenda. Announced during the dramatic drop in oil prices in 2014, *Nurly Zhol* has served as Nazarbayev's industrial plan to upgrade and diversify Kazakhstan's economy. As Nargis Kassenova explains, *Nurly Zhol* represents a "large-scale, five-year program . . . to build domestic infrastructure, focusing on transportation, industry, and energy, as well as the development of the social sphere and institutions."⁴¹ To fund the plan, Kazakhstan's

39 Xue Gong, "China's Economic Inducement Towards Vietnam: What Lies Ahead?" in Mingjiang Li China's Economic: Co-optation, Cooperation and Coercion, World Scientific Publishing Co, Singapore, 2017, 65.

40 Bitabarova, 2018, 165, and Kembayev, 2020, 212-213.

41 Nargis Kassenova, "China's Silk Road and Kazakhstan's Bright Path," *Asia Policy*, 24, July 2017, p 112.

Value of BRI Projects by Sector (millions USD)



sovereign wealth fund invested \$10 billion, while Kazakhstan borrowed another \$10 billion from creditors abroad.⁴² Due to the complementarity of the goals of the BRI and *Nurly Zhol*, Nur-Sultan and Beijing agreed to link the two plans in 2015. While no details have been shared about what the linkage between the two plans means in practice, it can be safely assumed that Kazakhstan wants to demonstrate that it, too, is an active participant in its own economic development.

Although Jeffrey Reeves has argued that the linkage between the two plans exemplifies growing Chinese political and economic clout over Kazakhstan, the composition of BRI projects themselves suggest that they reflect the goals of Kazakhstan's

development prerogatives.⁴³ Writing before the government released details on all BRI-funded projects in 2019, Reeves and others were likely correct in assuming that lack of transparency played to Chinese interests. Now, with the benefit of having an itemized list of government projects, it is possible to understand how the linkage between *Nurly Zhol* and the BRI works. As Assel Bitabarova argues, Nazarbayev has been able to guide BRI investments toward infrastructure projects that promote connectivity of Kazakhstan's underdeveloped east-west transit system.⁴⁴ While transportation upgrades will further Kazakhstan's, and by extension China's, access to international markets, the focus has been on improving Kazakhstan's domestic connectivity.

⁴² Kembayev, 2020, 211.

⁴³ Reeves, 2018, 502.

⁴⁴ Bitabarova, 2018, 164-165.



(Source: Adobe Stock)

Unsurprisingly, of the \$27.6 billion in Chinese funding for BRI projects, \$13.9 billion has been allotted to chemistry and petrochemistry projects.⁴⁵ Those numbers, however, are slightly deceiving as many of those projects are not for the direct processing and export of oil and gas. For instance, the project that received the most funding, \$2.63 billion, was for polypropylene production, a thermoplastic polymer used in many commodity plastics. Additionally, over \$1.2 billion in Chinese financing has gone to green energy production, while another \$3 billion has been allotted for various infrastructure projects. Though the monetary value of the projects is concentrated in the extraction and refining of oil, gas, and mineral resources, the diversity of the projects suggest that steps are being made to achieve the goals of *Nurly Zhol* by diversifying Kazakhstan's economy through the construction of factories, improvements to

green energy production, and infrastructure upgrades. Taken together with the fact that Kazakhstan has stable debt levels and declining debt owed to China, these projects are financially feasible and demonstrate Nur-Sultan's emphasis on using foreign funding to improve its industrial capacity.

Though some scholars may be quick to argue that Beijing can and is effectively shaping the political and economic environment of Kazakhstan, the argument overlooks not only macro-economic evidence that suggests otherwise, but also Kazakhstan's agency in molding its cooperation with China.⁴⁶

45 For the list of projects and values, see the Kazakhstan government's English release: <https://invest.gov.kz/media-center/press-releases/stroitelstvo-kazakhstansko-kitayskikh-invest-proektov-budet-vestis-v-sootvetstvii-s-zakonodatelstvom/>

46 Reeves argues that BRI has been able to "reconstitute [Central Asian] states' development priorities, interests and relations in ways that benefit China's overall strategic interests," Reeves 2018, 502.

KAZAKHSTANI AGENCY AND LIMITS OF CHINESE INFLUENCE

The BRI has neither created ideal conditions to pursue a concerted strategy of economic statecraft, nor has it resulted in Kazakhstan changing its political trajectory. In addition to these limits, mistrust and concern about China at a popular level in Kazakhstan has not diminished, suggesting the limited ability of the BRI and other Chinese-led institutions to translate economic and political cooperation into widespread soft power gains.⁴⁷ It must be noted that Beijing improving its reputation to Kazakhstani citizens may not be important for influencing political decisions, given Nur-Sultan's authoritarian political culture and low levels of civic engagement, which insulates politics from popular sentiment.⁴⁸ Yet, in recent years, there have been notable incidents of grassroots agitation against China. This gap between Chinese capabilities of wielding influence and continued Kazakhstani mistrust at a popular level indicates that deep-rooted and historic anti-Chinese sentiments have continued at least indirectly to impact Kazakhstan's foreign policy decision making.⁴⁹

One of the central concerns of Kazakhstani citizens vis-à-vis China relates to Xinjiang and the treatment of Uyghurs. As mentioned previously, according to interviews conducted in Kazakhstan by Sebastien Peyrouse, Beijing pressured both Kyrgyzstan and Kazakhstan in the 1990s to put a halt to the activities of Uyghur organizations in their countries.⁵⁰ Though the ways in which China was able to exert influence remain unclear, the issue of minority treatment in China has continued to impact Kazakhstani perceptions. With the beginning of forcible internment of Uyghurs and other minorities in Xinjiang starting in 2016, reports about mistreatment and violation of human rights began to trickle into Kazakhstan. The most prominent grassroots organization, *Atajurt Eriktileri*, had been instrumental in informing the Kazakh public about the situation in Xinjiang, having reported the detention of over 10,000 cases of ethnic Kazakhs.⁵¹ Despite the emotional nerve that these cases strike, Nur-Sultan has tried to limit *Atajurt's* influence and that of its founder Serikzhan Bilash as much as possible. The organization had trouble gaining official recognition from the government and was fined in February 2021 for the lack of official

47 Peyrouse argues in his article that Sinophobia has actually increased in Kazakhstan, Peyrouse, 2016. For a more in-depth analysis of the limits of Chinese soft power in Kazakhstan, see Bhavna Dave, "Silk Road Economic Belt: Effects of China's Soft Power Diplomacy in Kazakhstan," in *China's Belt and Road Initiative and its Impact in Central Asia*, The George Washington University Central Asia Program 2018, pp 97-108.

48 Chen Yu-wen, "A Research Note on Central Asian Perspectives on the Rise of China: The Example of Kazakhstan," *Issues and Studies* 51, no. 3, September 2015, pp 63-87.

49 Peyrouse, 2016, p 18.

50 Peyrouse, 2016, 16.

51 Standish and Toleukhanova, 2019.



The "Wall of Sorrow" in the Atajurt Eriktileri office, shared on social media in January of 2020.
(Source: FB / Atajurt Eriktileri Human Rights)

registration.⁵² Later, the government arrested the outspoken leader of *Atajurt* on charges for “inciting inter-ethnic hatred,” but was freed six months later after accepting a plea deal in which he promised to halt his activism.⁵³

While Kazakhstan’s attempts to quell dissent could well serve as an example of increasing Chinese influence, Nur-Sultan’s response has not always fallen in line with Chinese interests. Though rarely in the public eye, Kazakhstan has relied on diplomatic backchannels through its consulate in Urumqi to repatriate Kazakh interned citizens. In November 2018, Kazakhstan’s foreign ministry announced that

it had worked with Chinese counterparts to release 15 Kazakh citizens from the internment camps and, the next month, negotiated the release of 2,000 ethnic Kazakhs.⁵⁴ In another prominent example, Kazakhstan’s courts denied the extradition request made by Beijing for Sayragul Sauytbay, an ethnic Kazakh Chinese citizen, who fled the camps for Kazakhstan.⁵⁵ Though she was not granted permanent asylum and has since moved to Sweden, the case nevertheless represents a significant rebuke of Chinese demands and demonstrates a limited degree of autonomy.

⁵² Standish and Toleukhanova, 2019

⁵³ *The Guardian*, “Xinjiang Activist Freed in Kazakh Court after Agreeing to Stop Campaigning.” *The Guardian*, August 16, 2019. <https://www.theguardian.com/world/2019/aug/17/xinjiang-activist-freed-in-kazakh-court-after-agreeing-to-stop-campaigning>.

⁵⁴ Reid Standish and Aigerim Toleukhanova provide a link to the official Russian-language release from Kazakhstan’s foreign ministry, “Kazakhs Won’t Be Silenced on China’s Internment Camps” in *Foreign Policy*, March 4, 2019, <https://foreignpolicy.com/2019/03/04/961387-concentrationcamps-china-xinjiang-internment-kazakh-muslim/>.

⁵⁵ Catherine Putz, “Sauytbay Trial Ends in Kazakhstan with Surprising Release.” *The Diplomat*, August 1, 2018. <https://thediplomat.com/2018/08/sauytbay-trial-ends-in-kazakhstan-with-surprising-release/2018>.

Although Nur-Sultan has not been overly receptive to popular frustration regarding Xinjiang, civic concerns about Chinese immigration have caused the government to backtrack on decisions.⁵⁶ Perceptions of China having imperial ambitions are widespread in Kazakhstan, and concerns about millions of Chinese citizens flowing over the border, whether based in fact or fear, remain a steadfast and common element of anti-Chinese sentiment.⁵⁷ Two deals in which Kazakhstan attempted to provide Chinese agricultural companies with greater access to land in Kazakhstan have been shelved due to protests. In 2009, Nazarbayev's proposal to allocate one-million hectares of land to Chinese agricultural firms sparked protests forcing the government to stop the plan.⁵⁸ More recently, in 2016, Nur-Sultan attempted to extend foreign leases of land from 10 to 25 years. These plans prompted some of the largest demonstrations Kazakhstan has ever witnessed. In the face of public pressure, Nazarbayev agreed to suspend the planned legislation for an unspecified date.⁵⁹ It is likely that within this context of periodic protests over the lack of transparency and anti-China sentiment that Nur-Sultan released its itemized list of projects receiving Chinese funding. These cases are important because on the one hand they show that the government, at least on a perfunctory level, must consider the views of its citizens, while, on the other hand, they represent decisions that go against the interests of Chinese companies. Though

it is unclear whether or how Chinese firms lobbied for these changes, the fact remains that Kazakhstan has been able to maintain a degree of political autonomy on decisions concerning China.

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Of concern for all countries involved in the BRI are problems associated with corruption. The states of Central Asia have been beset with numerous allegations and accounts of corrupt practices and rent-seeking behavior from the political elite.⁶⁰ Though there have been no clear cases of Chinese-fueled corruption in Kazakhstan, media reports have exposed Kazakhstani leaders exploiting their positions and connections for personal and

56 Azad Garibov, "Contemporary Chinese Labor Migration and Its Public Perception in Kazakhstan and Kyrgyzstan," In *China's Belt and Road Initiative and Its Impact in Central Asia*, edited by Marlene Laurelle pp 143-152. 2018.

57 Garibov, 2018.

58 Kembayev, 2020.

59 Bitabarova. 2018.

60 Kemel Toktomushev, "One Belt, One Road: A New Source of Rent for Ruling Elites in Central Asia?" In *China's Belt and Road Initiative and Its Impact in Central Asia*, edited by Marlene Laurelle pp 77-85, 2018.



Top: Protests in 2016 following attempts to change foreign lease regulations. (Source: Twitter / @AlexKokcharov)
Bottom: The Enterprise Forum of the Business Council of Kazakhstan and China, October, 2021. (Source: invest.gov.kz)

financial gain.⁶¹ In the neighboring country of Kyrgyzstan, reports exposed that Chinese contractors and Kyrgyzstani officials were inflating the cost of cement by over 15 times its market rate and charged ludicrous prices for common industrial equipment.⁶² Due to the opaque nature of many BRI deals and its focus on notoriously corrupt sectors like construction and mineral extraction, projects have been rife with controversy.⁶³ Given Kazakhstan's rampant problems with corruption and the general lack of transparency over BRI-funded projects, circumstantial evidence would suggest that corrupt practices have continued. Though difficult to measure, corruption, coupled with the BRI's focus on fostering close relations with the political elite, have further entrenched the political and financial positions of the country's leaders. As Zhenis Kembayev argues, the prospect of economic growth supported by close Chinese-Kazakhstani cooperation has provided increased legitimacy to Kazakhstan's existing political regime and delayed democratization and good governance.⁶⁴ More research must substantiate this hypothesis, but given the economic importance of the BRI and the grandeur of Nazarbayev's rhetoric regarding the creation of a "new Silk Road," Kazakhstani leadership undoubtedly sees promise in collaborating with Beijing to enhance Kazakhstan's position on the world stage. As Kazakhstani diplomat Bolat Nurgaliyev stated directly in a 2020 op-ed, Nur-Sultan "believe[s] that close cooperation within the framework of the BRI . . . ultimately, will increase the

geopolitical significance of Central Asia as a whole."⁶⁵ The potential for increased international prestige and economic growth through its cooperation on the BRI, combined with China's support for the current autocratic regime in Kazakhstan, would suggest that the state's forms of political and economic control over the country would deepen.

Due to the opaque nature of many BRI deals and its focus on notoriously corrupt sectors like construction and mineral extraction, projects have been rife with controversy.

61 Nursultan Nazarbayev's daughter, Dariga Nazarbayeva, allegedly stepped down from her position as speaker of the Senate in April of 2020 due to corrupt dealings. See *The Economist* report, "Bye-Bye Nazarbayeva," May 7, 2020, <https://www.economist.com/asia/2020/05/07/a-kazakh-politician-with-a-pedigree-unexpectedly-loses-her-job>.

62 Hillman, 2020.

63 Hillman, 2020.

64 Kembayev, 2020, p 213.

65 Bolat Nurgaliyev, "China's Belt and Road Initiative: Kazakhstan and Geopolitics," in *Astana Times*, June 3, 2020, <https://astana-times.com/2020/06/chinas-belt-and-road-initiative-kazakhstan-and-geopolitics/>.

CONCLUSION

This paper has attempted to demonstrate a few of the impacts and constraints of the BRI plans in Kazakhstan. First, it shows that the apparent closeness in Chinese-Kazakhstani relations has not been a result of the BRI, but rather is due to the fact that Nur-Sultan's interests aligned with Beijing's long before the initiative's creation. Indeed, Kazakhstan's decision to actively engage with the BRI also reflects its desire to hedge against its reliance on Russia as a political and economic partner. Second, as far as economic statecraft is concerned, the BRI has surprisingly correlated with a drop in the value of bilateral trade, a decrease in Chinese foreign direct investment, and a decline in Kazakhstan's indebtedness to China. The downward trends in these developments indicate that China's potential for pursuing a strategy of economic statecraft has weakened, but by no means has disappeared. Finally, judging from Kazakhstan's own economic and foreign policy decision making, the country has not only been able to maintain autonomy in its political decisions but also has shaped the contours of the BRI through its own domestic development initiative, *Nurly Zhol*.

The report does not seek to suggest that Chinese influence has decreased, but rather seeks to demonstrate that Kazakhstan has been able to maintain political autonomy. Current Chinese influence likely has less to do with intentional strategies of economic statecraft through the BRI and more to do with it being a passive byproduct of Kazakhstan's economic integration with a much larger partner. While glowing reports from Kazakhstani officials on BRI cooperation do indicate a certain level of Chinese

influence, it is also important to keep in mind that collaboration on BRI projects, at least in theory, is in Kazakhstan's economic interest. Similarly, issues of corruption related to the BRI and the political grandeur of the initiative itself have likely strengthened the legitimacy of Kazakhstan's authoritarian political structure. Though the political effects of the BRI are difficult to measure, it is nonetheless true that significant foreign policy, economic, and political constraints on Chinese influence exist. As witnessed by country-wide protests forcing the government to backtrack on certain "pro-China" plans, the Kazakhstani public plays a role in shaping bilateral relations.

Regarding Chinese influence in Kazakhstan, further research should aim to determine whether the prospect of growth associated with BRI cooperation, rather than the current status of relations, drives Chinese influence.



The Enterprise Forum of the Business Council of Kazakhstan and China, October, 2021. (Source: invest.gov.kz)

Regarding Chinese influence in Kazakhstan, further research should aim to determine whether the prospect of growth associated with BRI cooperation, rather than the current status of relations, drives Chinese influence. Perceptions likely play an important role in foreign policy decision making. Understanding how Kazakhstani elites view China helps elucidate the ways in which perceptions of a foreign country relate to its influence. Moreover, this report has generally analyzed and relied on macro-level data, public-facing information, and secondary sources. In order to better understand the specific mechanisms spurring Chinese influence in Kazakhstan, interviews with the political and economic elite of Kazakhstan and Chinese businesspeople would further illustrate how leaders from the two countries agree upon certain projects and could identify possible avenues for Chinese influence.

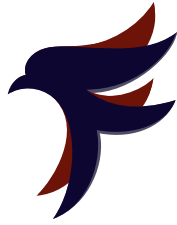
Finally, it must be remembered that Kazakhstan is but one country participating in the BRI and that the type of cooperation and its effects should not be readily extrapolated to other countries. Even within Central Asia, China's economic cooperation with the other republics vary greatly.⁶⁶ So while the "debt-trap" diplomacy narrative does not accurately capture the BRI's impact in Kazakhstan, this does not mean that China refrains from pursuing strategies of economic statecraft in other countries.

66 Safovudin Jaborov, "Chinese Loans in Central Asia: Development Assistance or 'Predatory Lending'." In *China's Belt and Road Initiative and Its Impact in Central Asia*, edited by Marlene Laurelle pp 34-40. Washington, D.C., The George Washington University Central Asia Program, 2018.

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