



*Panoramic view of the capital city, Almaty
Courtesy Lorraine Predham
The opera house in Almaty
Courtesy Stanley Bach*

tral Asian republics. In 1995 the total fertility rate—2.4 births per woman, a drop from the 1990 figure of 2.8—also was far below the rates for the other Central Asian republics. In the first six months of 1994, some 1.8 percent fewer babies were born than in the same period the previous year. In the same months, the number of deaths rose by 2.5 percent compared with those in the same period in 1993. In some provinces, death rates are much higher than the average, however. Shygyz Qazaqstan (East Kazakstan) Province has a death rate of 12.9 per thousand; Soltustik Qazaqstan (North Kazakstan) Province, eleven per 1,000; and Almaty Province, 11.3 deaths per 1,000. The cause of nearly half of these deaths is cardiovascular disease.

Because of declining life expectancy and decreases in the size of the Russian population, which is demographically older and has a low birth rate, the republic's residents are a relatively young group; in 1991 there were only 149 pensioners per 1,000 population, as opposed to 212 per 1,000 in the former Soviet Union as a whole (see table 3, Appendix). The republic is experiencing a pronounced outflow of citizens, primarily non-Kazaks moving to other former Soviet republics. Although figures conflict, it seems likely that as many as 750,000 non-Kazaks left the republic between independence and the end of 1995. Official figures indicate that in the first half of 1994 some 220,400 people left, compared with 149,800 in the same period of 1993. In 1992 and 1993, the number of Russian emigrants was estimated at 100,000 to 300,000. Such out-migration is not uniform. Some regions, such as Qaraghandy, have lost as much as 10 percent of their total population, resulting in shortages of technicians and skilled specialists in that heavily industrial area.

To some extent, the outflow has been offset by in-migration, which has been of two types. Kazakstan's government has actively encouraged the return of Kazaks from elsewhere in the former Soviet Union and from China and Mongolia. Unlike other ethnic groups, ethnic Kazaks are granted automatic citizenship. More than 60,000 Kazaks emigrated from Mongolia in 1991–94, their settlement—or resettlement—eased by government assistance. Most were moved to the northern provinces, where the majority of Kazakstan's Russian population lives. Because these "Mongol Kazaks" generally do not know Russian and continue to pursue traditional nomadic lifestyles, the

impact of their resettlement has been disproportionate to their actual numbers.

The other major source of in-migration has been non-Kazaks arriving from other parts of Central Asia to avoid inhospitable conditions; most of these people also have settled in northern Kazakstan. Although officially forbidden and actively discouraged, this in-migration has continued. In a further attempt to control in-migration, President Nazarbayev decreed that no more than 5,000 families would be permitted to take up residence in the republic in 1996.

Ethnic Groups

Kazakstan is the only former Soviet republic where the indigenous ethnic group is not a majority of the population. In 1994 eight of the country's eleven provinces had Slavic (Russian and Ukrainian) population majorities. Only the three southernmost provinces were populated principally by Kazaks and other Turkic groups; the capital city, Almaty, had a European (German and Russian) majority. Overall, in 1994 the population was about 44 percent Kazak, 36 percent Russian, 5 percent Ukrainian, and 4 percent German. Tatars and Uzbeks each represented about 2 percent of the population; Azerbaijanis, Uygurs, and Belarusians each represented 1 percent; and the remaining 4 percent included approximately ninety other nationalities (see table 4, Appendix).

Kazakstan's ethnic composition is the driving force behind much of the country's political and cultural life. In most ways, the republic's two major ethnic groups, the Kazaks and the "Russian-speakers" (Russians, Ukrainians, Germans, and Belarusians), may as well live in different countries. To the Russians, most of whom live in northern Kazakstan within a day's drive of Russia proper, Kazakstan is an extension of the Siberian frontier and a product of Russian and Soviet development. To most Kazaks, these Russians are usurpers. Of Kazakstan's current Russian residents, 38 percent were born outside the republic, while most of the rest are second-generation Kazakstani citizens.

The Nazarbayev government has announced plans to move the capital from Almaty in the far southeast to Aqmola in the north-central region by 1998. That change would cause a shift of the Kazak population northward and accelerate the absorption of the Russian-dominated northern provinces into the Kazakstani state. Over the longer term, the role of Russians in

the society of Kazakstan also is determined by a demographic factor—the average age of the Russian population is higher, and its birth rate much lower.

The Role of Women

Like its 1993 predecessor, the constitution of 1995 defends women's rights implicitly, if not entirely explicitly. The document guarantees citizens the right to work and forbids discrimination based on geographic origin, gender, race, nationality, religious or political belief, and language.

In practice, social opinion tends to associate women in the workplace with the abuses of the Soviet past. The early 1990s saw the loss of more than 100,000 day-care spaces, and public opinion strongly favors returning primary responsibility for the rearing and educating of children to mothers. In April 1995, President Nazarbayev said that one of the republic's goals must be to create an economy in which a mother can work at home, raising her children. This general opinion has been reflected in governmental appointments and private enterprise; almost no women occupy senior positions in the country, either in government or in business.

The declining birth rate is another issue with the potential to become politicized because it affects the demographic "race" between Kazaks and Russians. With demographic statistics in mind, Kazak nationalist parties have attempted to ban abortions and birth control for Kazak women; they have also made efforts to reduce the number of Kazak women who have children outside marriage. In 1988, the last year for which there are figures, 11.24 percent of the births in the republic were to unmarried women. Such births were slightly more common in cities (12.72 percent) than in rural areas (9.67 percent), suggesting that such births may be more common among Russians than among Kazaks.

Women's health issues have not been addressed effectively in Kazakstan. Maternal mortality rates average 80 per 10,000 births for the entire country, but they are believed to be much higher in rural areas. Of the 4.2 million women of childbearing age, an estimated 15 percent have borne seven or more children. Nevertheless, in 1992 the number of abortions exceeded the number of births, although the high percentage of early-stage abortions performed in private clinics complicates data gathering. According to one expert estimate, the average per woman is five abortions. Rising abortion rates are attributable,

at least in part, to the high price or unavailability of contraceptive devices, which became much less accessible after 1991. In 1992 an estimated 15 percent of women were using some form of contraception.

Clans

One aspect of Kazak traditional culture, clan membership, is acquiring importance in the postindependence environment. Historically the Kazaks identified themselves as belonging to one of three groups of clans and tribes, called *zhuz*, or hordes, each of which had traditional territories. Because the Lesser Horde controlled western Kazakstan and the Middle Horde migrated across what today is northern and eastern Kazakstan, those groups came under Russian control first, when colonial policies were relatively benign. The traditional nobles of these hordes managed to retain many of their privileges and to educate their sons in Russian schools. These sons became the first Kazak nationalists, and in turn their sons were destroyed by Stalin, who tried to eradicate the Kazak intelligentsia during his purges of the 1930s.

The Large, or Great, Horde was dominant in the south, and hence did not fall under Russian control until colonialism was much harsher. Substantially fewer Great Horde Kazaks became involved in politics before the revolution, but those who did became socialists rather than nationalists. For that reason, the Great Horde members came to dominate once the Bolsheviks took power, especially after Kazakstan's capital was moved from the Lesser Horde town of Orenburg (now in Russia) to a Great Horde wintering spot, Almaty. Kunayev and Nazarbayev are said to have roots in clans of the Great Horde.

With the collapse of the CPK and its patronage networks, and in the absence of any other functional equivalent, clan and *zhuz* membership has come to play an increasingly important role in the economic and political life of the republic at both the national and the province level. The power of clan politics has been visible in the dispute over moving the national capital to Aqmola, which would bolster the prestige of the Middle Horde, on whose lands Aqmola is located. In general, members of the Lesser and Middle hordes are more Russified and, hence, more inclined to cooperate with Russian industrial and commercial interests than are the members of the Great Horde. Akezhan Kazhegeldin, prime minister in 1996, was a Middle Horder, as was the opposition leader Olzhas Suley-

menov. Although mindful of Russia's strength, the Great Horders have less to lose to Russian separatism than do the Lesser and Middle horders, whose lands would be lost should the Russian-dominated provinces of northern Kazakstan become separated from the republic.

Religion

By tradition the Kazaks are Sunni Muslims of the Hanafi school, and the Russians are Russian Orthodox. In 1994, some 47 percent of the population was Muslim, 44 percent was Russian Orthodox, and 2 percent was Protestant, mainly Baptist. Some Jews, Catholics, and Pentacostalists also live in Kazakstan; a Roman Catholic diocese was established in 1991. As elsewhere in the newly independent Central Asian states, the subject of Islam's role in everyday life, and especially in politics, is a delicate one in Kazakstan.

Islam in the Past

As part of the Central Asian population and the Turkic world, Kazaks are conscious of the role Islam plays in their identity, and there is strong public pressure to increase the role that faith plays in society. At the same time, the roots of Islam in many segments of Kazak society are not as deep as they are in neighboring countries. Many of the Kazak nomads, for instance, did not become Muslims until the eighteenth or even the nineteenth century, and urban Russified Kazaks, who by some counts constitute as much as 40 percent of the indigenous population, profess discomfort with some aspects of the religion even as they recognize it as part of their national heritage.

Soviet authorities attempted to encourage a controlled form of Islam as a unifying force in the Central Asian societies while at the same time stifling the expression of religious beliefs. Since independence, religious activity has increased significantly. Construction of mosques and religious schools has accelerated in the 1990s, with financial help from Saudi Arabia, Turkey, and Egypt. Already in 1991, some 170 mosques were operating, more than half of them newly built; at that time, an estimated 230 Muslim communities were active in Kazakstan

Islam and the State

In 1990 Nazarbayev, then party first secretary, created a state

basis for Islam by removing Kazakstan from the authority of the Muslim Board of Central Asia, the Soviet-approved and politically oriented religious administration for all of Central Asia. Instead, Nazarbayev created a separate muftiate, or religious authority, for Kazak Muslims. However, Nazarbayev's choice of Ratbek hadji Nysanbayev to be the first Kazak mufti proved an unpopular one. Accusing him of financial irregularities, religious mispractice, and collaboration with the Soviet and Kazakstani state security apparatus, a group of believers from the nationalist Alash political party attempted unsuccessfully to replace the mufti in December 1991.

With an eye toward the Islamic governments of nearby Iran and Afghanistan, the writers of the 1993 constitution specifically forbade religious political parties. The 1995 constitution forbids organizations that seek to stimulate racial, political, or religious discord, and imposes strict governmental control on foreign religious organizations. As did its predecessor, the 1995 constitution stipulates that Kazakstan is a secular state; thus, Kazakstan is the only Central Asian state whose constitution does not assign a special status to Islam. This position was based on the Nazarbayev government's foreign policy as much as on domestic considerations. Aware of the potential for investment from the Muslim countries of the Middle East, Nazarbayev visited Iran, Turkey, and Saudi Arabia; at the same time, however, he preferred to cast Kazakstan as a bridge between the Muslim East and the Christian West. For example, he initially accepted only observer status in the Economic Cooperation Organization (ECO), all of whose member nations are predominantly Muslim. The president's first trip to the Muslim holy city of Mecca, which did not occur until 1994, was part of an itinerary that also included a visit to Pope John Paul II in the Vatican.

By the mid-1990s, Nazarbayev had begun occasionally to refer to Allah in his speeches, but he had not permitted any of the Islamic festivals to become public holidays, as they had elsewhere in Central Asia. However, certain pre-Islamic holidays such as the spring festival Navruz and the summer festival Kymyzurandyk were reintroduced in 1995.

National Identity

As in the other Central Asian republics, the preservation of indigenous cultural traditions and the local language was a difficult problem during the Soviet era. The years since 1991 have

provided opportunities for greater cultural expression, but striking a balance between the Kazak and Russian languages has posed a political dilemma for Kazakstan's policy makers.

Language

The two official languages in Kazakstan are Russian and Kazak. Kazak is part of the Nogai-Kipchak subgroup of north-eastern Turkic languages, heavily influenced by both Tatar and Mongol. Kazak was first written only in the 1860s, using Arabic script. In 1929 Latin script was introduced. In 1940 Stalin decided to unify the written materials of the Central Asian republics with those of the Slavic rulers by introducing a modified form of Cyrillic. In 1992 the return of a Latin-based alphabet came under discussion, but the enormous costs involved appear to have stopped further consideration of the idea.

Kazak first became a state language in the late Soviet period, when few of the republic's Russians gave serious thought to the possibility that they might need Kazak to retain their employment, to serve in the armed forces, or to have their children enter a Kazakstani university. At that point, fewer than 5 percent of Russians could speak Kazak, although the majority of Kazaks could speak Russian. However, with the separation between Russia and Kazakstan that followed independence, Russian nationalist sentiment and objections to alleged discrimination in official language policies have increased, especially in the north, as Russians have felt the threat of Kazak becoming the sole legal state language. Meanwhile, Kazaks have strongly defended the preeminence of their tongue, although mastery of the language is far from universal even among Kazaks. According to some estimates, as much as 40 percent of the Kazak population is not fluent in Kazak. The standard language of business, for example, is Russian.

Even those who are fluent find Kazak a difficult language to work with in science, business, and some administrative settings because it remained largely a "kitchen" language in Soviet times, never developing a modern technical vocabulary. Nor has there been extensive translation of technical or popular literature into Kazak. Thus, for most Kazaks Russian remains the primary "world language." In fact, President Nazarbayev defended making Kazak the sole official language on the grounds that decades of Russification had endangered the survival of Kazak as a language. The practical primacy of Russian is reflected in the schools. Despite efforts to increase the number

of schools where Kazak is the primary language of instruction, Russian appeared to continue its domination in the mid-1990s. In 1990 about twice as many schools taught in Russian as in Kazak. Although institutions of higher learning now show a strong selection bias in favor of Kazak students, Russian remains the language of instruction in most subjects.

The issue of languages is one of the most politicized and contentious in Kazakhstan. The volatility of the language issue has been augmented by Russia's controversial proposals, beginning in 1993, that Kazakhstan's Russians be granted dual citizenship. Although Nazarbayev rejected such a policy, the language controversy prompted him to postpone deadlines for implementation of laws making Kazak the sole official language. Thus, it is unlikely that most adult non-Kazaks will have to learn Kazak. Nevertheless, demographic trends make it probable that the next generation will have to learn Kazak, a prospect that generates considerable discomfort in the non-Kazak population. The 1995 constitution does not provide for dual citizenship, but it does alleviate Russian concerns by declaring Russian an official language. That status means that Russian would continue as the primary language of communication for many ethnic Kazaks, and it will remain acceptable for use in schools (a major concern of Russian citizens) and official documents.

Culture

Before the Russian conquest, the Kazaks had a well-articulated culture based on their nomadic pastoral economy. Although Islam was introduced to most of the Kazaks in the seventeenth and eighteenth centuries, the religion was not fully assimilated until much later. As a result, it coexisted with earlier elements of shamanistic and animistic beliefs. Traditional Kazak belief held that separate spirits inhabited and animated the earth, sky, water, and fire, as well as domestic animals. To this day, particularly honored guests in rural settings are treated to a feast of freshly killed lamb. Such guests are sometimes asked to bless the lamb and to ask its spirit for permission to partake of its flesh. Besides lamb, many other traditional foods retain symbolic value in Kazak culture.

Because animal husbandry was central to the Kazaks' traditional lifestyle, most of their nomadic practices and customs relate in some way to livestock. Traditional curses and blessings invoked disease or fecundity among animals, and good man-

ners required that a person ask first about the health of a man's livestock when greeting him and only afterward inquire about the human aspects of his life.

The traditional Kazak dwelling is the yurt, a tent consisting of a flexible framework of willow wood covered with varying thicknesses of felt. The open top permits smoke from the central hearth to escape; temperature and draft can be controlled by a flap that increases or decreases the size of the opening. A properly constructed yurt can be cooled in summer and warmed in winter, and it can be disassembled or set up in less than an hour. The interior of the yurt has ritual significance; the right side generally is reserved for men and the left for women.

Although yurts are less used for their original purpose than they once were, they remain a potent symbol of "Kazakness." During demonstrations against Nazarbayev in the spring of 1992, demonstrators and hunger strikers erected yurts in front of the government building in Almaty. Yurts are also frequently used as a decorative motif in restaurants and other public buildings.

Because of the Kazaks' nomadic lifestyle and their lack of a written language until the mid-nineteenth century, their literary tradition relies upon oral histories. These histories were memorized and recited by the *akyn*, the elder responsible for remembering the legends and histories, and by *jyrau*, lyric poets who traveled with the high-placed khans. Most of the legends concern the activities of a *batir*, or hero-warrior. Among the tales that have survived are *Koblandy-batir* (fifteenth or sixteenth century), *Er Sain* (sixteenth century), and *Er Targyn* (sixteenth century), all of which concern the struggle against the Kalmyks; *Kozy Korpesh* and *Bain sulu*, both epics; and the love lyric *Kiz-Jibek*. Usually these tales were recited in a song-like chant, frequently to the accompaniment of such traditional instruments as drums and the *dombra*, a mandolin-like string instrument. President Nazarbayev has appeared on television broadcasts in the republic, playing the *dombra* and singing.

The Russian conquest wreaked havoc on Kazak traditional culture by making impossible the nomadic pastoralism upon which the culture was based. However, many individual elements survived the loss of the lifestyle as a whole. Many practices that lost their original meanings are assuming value as symbols of post-Soviet national identity.

*Bust of Zhambyl Zhabayev,
poet of the nineteenth and
twentieth centuries, after whom
a city was named
Courtesy Stanley Bach*



For the most part, preindependence cultural life in Kazakhstan was indistinguishable from that elsewhere in the Soviet Union. It featured the same plays, films, music, books, paintings, museums, and other cultural appurtenances common in every other corner of the Soviet empire. That Russified cultural establishment nevertheless produced many of the most important figures of the early stages of Kazak nationalist self-assertion, including novelist Anuar Alimzhanov, who became president of the last Soviet Congress of People's Deputies, and poets Mukhtar Shakhanov and Olzhas Suleymenov, who were copresidents of the political party Popular Congress of Kazakhstan (see Structure of Government; Political Organizations, this ch.). Shakhanov also chaired the commission that investigated the events surrounding the riots of December 1986.

An even more powerful figure than Shakhanov, Suleymenov in 1975 became a pan-Central Asian hero by publishing a book, *Az i Ia*, examining the *Lay of Igor's Campaign*, a medieval tale vital to the Russian national culture, from the perspective of the Turkic Pechenegs whom Igor defeated. Soviet authorities subjected the book to a blistering attack. Later Suleymenov used his prestige to give authority to the Nevada-Semipalatinsk antinuclear movement, which performed the very real service of ending nuclear testing in Kazakhstan. He and Shakhanov originally organized their People's Congress Party as a pro-Naz-

arbayev movement, but Suleymenov eventually steered the party into an opposition role. In the short-lived parliament of 1994–95, Suleymenov was leader of the Respublika opposition coalition, and he was frequently mentioned as a possible presidential candidate.

The collapse of the Soviet system with which so many of the Kazak cultural figures were identified left most of them in awkward positions. Even more damaging has been the total collapse of public interest in most forms of higher culture. Most of the books that Kazakstanis buy are about business, astrology, or sex; the movies they see are nearly all American, Chinese, or Turkish adventure and action films; most concerts feature rock music, not infrequently accompanied by erotic dancing; and television provides a diet of old Soviet films and dubbed Mexican soap operas. Kazakstan's cultural elite is suffering the same decline affecting the elites of all the former Soviet republics. Thus, cultural norms are determined predominantly by Kazakstan's increasing access to global mass culture.

Education

The constitution of 1995 specifies that education through secondary school is mandatory and free, and that citizens have the further right to compete for free education in the republic's institutions of higher learning. Private, paid education is permitted but remains subject to state control and supervision.

In 1994 Kazakstan had 8,575 elementary and secondary schools (grades one through twelve) attended by approximately 3.2 million students, and 244 specialized secondary schools with about 222,000 students. In 1992 about 51 percent of eligible children were attending some 8,500 preschools in Kazakstan. In 1994 some 272,100 students were enrolled in the republic's sixty-one institutes of higher learning. Fifty-four percent of the students were Kazak, and 31 percent were Russian.

The educational situation since independence is somewhat difficult to judge because of incomplete information. The republic has attempted to overhaul both the structure of its education system and much of its substance, but the questions of what should be taught and in what manner continue to loom large. A particularly sensitive and unresolved issue is what the language of instruction should be, given the almost equal distribution of the population between ethnic Kazaks and ethnic Russians. In 1994 most instruction still was in Russian because Kazak-language textbooks and Kazak teachers were in

short supply. Enrollment was estimated to be 92 percent of the total age-group in both primary and secondary grades, but only 8 percent in the postsecondary age-group.

Serious shortages in funding and resources have hindered efforts to revamp the education system inherited from the Soviet Union. Even in 1990, more than half the republic's schools were operating on two and even three shifts per day; since then, hundreds of schools, especially preschools, have been converted to offices or stores. Elementary- and secondary-school teachers remain badly underpaid; in 1993 more than 30,000 teachers (or about one-seventh of the 1990 teaching staff) left education, many of them to seek more lucrative employment.

Despite the obstacles, efforts have been made to upgrade the education system, especially at the highest level. Kazakstani citizens still can enroll in what once were the premier Soviet universities, all of which are now in foreign countries, in particular Russia and Ukraine. In the mid-1990s, however, such opportunities have become rare and much more expensive. This situation has forced the upgrading of existing universities in Kazakstan, as well as the creation of at least one new private university, Al-Farabi University, formerly the S.M. Kirov State University, in Almaty. The largest institution of higher learning in Kazakstan, Al-Farabi had 1,530 teachers and about 14,000 students in 1994. A second university, Qaraghandy State University, had about 8,300 students in 1994. In addition, technical secondary schools in five cities—Aqmola, Atyrau, Pavlodar, Petropavl (formerly Petropavlovsk), and Taldyqorghan (formerly Taldy-Kurgan)—have been reclassified as universities, increasing regional access to higher education. Altogether, in 1994 Kazakstan had thirty-two specialized institutes of higher learning, offering programs in agriculture, business and economics, medicine, music, theater, foreign languages, and a variety of engineering and technical fields. In the area of technical education, the republic has taken aggressive advantage of offers from foreign states to educate young Kazaks. In 1994 about 3,000 young people were studying in various foreign countries, including the United States.

One trend that particularly worries republic administrators is the pronounced "Kazakification" of higher education, as the republic's Russians either send their children to schools across the Russian border or find it impossible to enroll them in local institutions. Kazakstan's law forbids ethnic quotas, but there is

evidence of prejudicial admittance patterns. The class that entered university in 1991, for example, was 73.1 percent Kazak and only 13.1 percent Russian.

Health

The early years of independence have had a disastrous effect on public health. In the 1980s, Kazakstan had an extensively developed public health system that delivered at least basic care without charge even to very remote communities. By 1993, however, Kazakstan rated below average or lower among the former Soviet republics in medical system, sanitation, medical industry, medical research and development, and pharmaceutical supply.

Health System

In 1994 the health system had twenty-nine doctors per 1,000 people and 86.7 other medical personnel per 1,000. There were 1,805 hospitals in the republic, with seventy-six beds per 1,000 people. There were 3,129 general health clinics and 1,826 gynecological and pediatric clinics. Conditions and services at these facilities varied widely; it was not uncommon, for example, for rural clinics and hospitals to be without running water.

The constitution of 1995 perpetuates the Soviet-era guarantee of free basic health care, but financing has been a consistent problem. In 1992 funding allotted to public health care was less than 1.6 percent of GDP, a level characterized by the World Bank as that of an underdeveloped nation.

Because doctors and other medical personnel receive very low pay, many medical professionals have moved to other republics—a large percentage of Kazakstan's doctors are Russian or other non-Kazak nationalities—or have gone into other professions. Nonpayment even of existing low wages is a common occurrence, as are strikes by doctors and nurses.

In the 1980s, Kazakstan had about 2,100 pharmaceutical-manufacturing facilities; drugs were also available from other Soviet republics or from East European trading partners within the framework of the Council for Mutual Economic Assistance (Comecon). Since independence most such supply connections have been terminated, and many domestic pharmaceutical plants have closed, making some types of drugs virtually unavailable. As a result, vaccination of infants and children,

which reached between 85 and 93 percent of the relevant age-groups in 1990, decreased sharply in the early 1990s. Kazakstan ran out of measles and tuberculosis vaccine in late 1991, and the World Health Organization (WHO) estimated that more than 20 percent of children were not receiving basic vaccinations in 1992.

To some extent, the provision of drugs has been taken over by a government-owned company, Farmatsiya, which purchases about 95 percent of the medical equipment and supplies for the government. There have been persistent complaints that Farmatsiya pays far too much for foreign equipment and medicines in return for nonmedical considerations.

Private medical practice is permitted in general medicine and in some specialized fields; private surgical practice is forbidden, as is private treatment of cancer, tuberculosis, venereal disease, pregnancy, and infectious diseases. Some types of private practice have been introduced directly into the state clinics, creating a confusing situation in which identical procedures are performed by the same personnel, some for state fees and others for higher private fees. A substantial unofficial market has developed in the distribution of hospital supplies; patients often are expected to pay for the bandages, anesthesia, and other materials and services required for the "free" treatment received at medical facilities. Kazakstan has no system of medical insurance.

In the mid-1990s, the largest growth area in medicine was in services not requiring large capital outlays by the practitioner. This area, which includes acupuncturists, fertility consultants, substance-abuse therapists, physical therapists, and dentists, is only lightly regulated, and the incidence of charlatanism is high.

Kazakstan has negotiated some international agreements to improve health care. In 1992 an association of scientific organizations specializing in contagious diseases established its headquarters in Almaty. The group, which includes doctors and technicians from Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, conducts joint research with scientists in China, Mongolia, and Vietnam. A 1995 medical cooperation agreement between the Kazakstani and Iranian ministries of health called for exchanges of medical students and experts, joint research projects, exchanges of information on the latest medical advances (with an emphasis on contagious diseases), and mutual natural-disaster assistance.

Health Conditions

The deterioration of the public health system has hit Kazakhstan's population hard. Rates of infant mortality and overall mortality have risen in the 1990s as the fertility rate has decreased, contributing to the first drop in the republic's population since World War II. Infant mortality was twenty-seven per 1,000 live births in 1991, the lowest rate among the five Central Asian republics but higher than that for any non-Central Asian republic. A lack of medicines and facilities, together with a general deterioration in physical environment and living standards, has promoted outbreaks of several potentially epidemic diseases, including diphtheria (its incidence increased from thirty-five cases in 1993 to 312 in the first ten months of 1994), poliomyelitis (two cases in 1994), viral hepatitis, and cholera (of which outbreaks occurred in 1992 and 1993). The incidence of tuberculosis has grown substantially, with as many as 11,000 new cases and 2,000 deaths reported annually (see table 5, Appendix). According to a 1995 report of the Contagious Disease Association in Almaty, a bubonic plague-carrying rat population was moving from the Balkhash region, where the plague is endemic, southward toward Almaty, whose municipal government had taken no measures to control rats.

The first death in Kazakhstan attributed to acquired immune deficiency syndrome (AIDS) was reported in July 1993. At that time, nineteen carriers of the human immunodeficiency virus (HIV) reportedly were registered in Kazakhstan. Of that number, three were identified as homosexuals, two were preschool children, and nine were foreign citizens, who were deported. In mid-1995, the WHO reported that twenty-seven people had been diagnosed with AIDS or as HIV-positive between 1993 and 1995. The Kazakhstan AIDS Prevention and Control Dispensary was established in Almaty in 1991, with twenty-two branch offices and diagnostic laboratories elsewhere in the republic. However, in the early 1990s diagnosis and treatment relied on foreign funds and equipment because domestic health funds were barely sufficient to maintain clinic buildings. Fewer than 500 requests for screening were received in 1993. In mid-1995, the government set up the Coordinating Council for Combating AIDS under the direct administration of the prime minister.

The shortage of health care has put children at particular risk. Approximately 15 percent of newborns in 1994 were unhealthy, most often suffering from bronchiopulmonary and

cardiovascular problems. Measles, diphtheria, brucellosis, and other childhood diseases became more prevalent during the early 1990s.

Extensive pollution and degradation of large segments of the natural environment have increased the strain on public health. Both the air and water of many of the large cities are badly polluted. Three regions have been identified as having particularly hazardous environments. Öskemen (formerly Ust-Kamenogorsk) in the far northeast has been rated the third most polluted city in the former Soviet Union, with ten times the maximum permitted levels of lead in the air and high concentrations of beryllium, thallium, mercury, cadmium, antimony, and arsenic in the municipal water supply. Just west of Öskemen, in Semey, a major site of Soviet nuclear testing from 1949 to 1991, radiation has contaminated the air and soil. Experts believe that the tests, which were conducted in the atmosphere until 1963, contaminated the environment of the entire country of Kazakstan. In one village, Kaynar, near the main proving ground, 140 of 3,400 children were found to have been disabled since birth; in a random sample of another 600 of the town's children, all were found to be suffering ill health of one form or another. Radiation is believed the cause of such statistics. The third major area of environmental degradation is the Aral Sea Basin along the southwestern border, where agricultural runoff and untreated sewage have caused advanced pollution of groundwater (see *Environmental Problems*, this ch.).

Water contamination is a serious environmental health hazard in Kazakstan because of poor management of drinking water and insufficient sewage treatment. About 30 percent of rural communities obtain water from shallow wells; the water is vulnerable to contamination by materials leached from the surface. As late as 1985, only 37 percent of homes had sewerage systems and running water, and even schools and hospitals had primitive sanitary systems that caused frequent outbreaks of intestinal illness.

The diet and lifestyle of many citizens, especially in the cities, contribute further to poor health. The average diet is high in meat and salt and low in vegetables and fruits. The hyperinflation of 1992–93 cut deeply into family budgets, limiting both the variety and quantity of food most ordinary people consume. Smoking is almost universal, especially among men, and alcoholism is common. Other forms of substance abuse such as

the use of hemp, morphia products, and glue are common, especially among young people.

Occupational hazards constitute another major health problem. Especially during the economic hardships of the early 1990s, public health authorities refrained from measures such as closing polluting factories or restricting the use of fertilizers, pesticides, and irrigation water out of a fear of accelerating the general decline in production. Because of the dangers posed by exposure to toxic smoke and fumes, lead and phosphate plants limit workers to ten years of employment. With little restriction on how they are operated, factories in Kazakstan note high rates of morbidity, absenteeism, and permanent disability among their employees.

Social Welfare

The Soviet system of social welfare, which remained in place in Kazakstan in the early 1990s, presupposed a very high level of public services. The 1993 constitution maintained most of the assumptions of the Soviet era without providing a clear mechanism for paying for "guaranteed" workers' benefits such as free education, medical care, pensions, and vacations. The constitution ratified in 1995 somewhat reduces the list and scale of guaranteed protections, but remaining guarantees include a minimum wage, pensions for the retired and the disabled, social benefits for orphans and for people who are elderly or infirm, legal assistance, housing, and what is called "social defense against unemployment."

In practice, social benefits have proven difficult to supply because of financial considerations and the lack of a firm organizational structure for service provision. For example, in the Soviet period housing was supplied by the state or by employers. In 1990 housing began to be privatized, a process almost completed by the mid-1990s. The result has been a healthy resale market for existing housing. In 1995 apartment costs in Almaty could exceed 15,000 tenge (for value of the tenge, see Glossary) per square meter, but there had been no corresponding boom in new housing construction, in part because privatization of the land on which such housing would stand remained a sensitive and unresolved issue. As a result, the republic's housing crisis, already acute in the Soviet period, has grown far worse. In the mid-1990s the housing shortage was especially serious in Almaty, where tens of thousands were on

waiting lists. In 1995 housing construction decreased by about 25 percent.

Perhaps the biggest problems have emerged in the areas of pensions, aid to large families and other social assistance, and unemployment compensation. An independent pension fund was created in 1991 on the basis of a social insurance tax on enterprises (37 percent of wages in 1992) and contributions by employees (1 percent of wages in 1992). The national budget nominally covers remaining deficits in the pension fund. Pensions initially were set at 60 percent of average pay, with minimal pensions available even to elderly citizens such as housewives who never had drawn a salary. However, the high inflation of 1991–93 badly eroded existing pensions; the state has continually adjusted pensions upward in a futile struggle to keep pace (see *Prices, Wages, and Currency*, this ch.). In addition, the administration of pensions has been reconfigured several times, leading to lengthy delays in the payment even of the small sums pensioners are owed. Such delays have prompted numerous public demonstrations. Although the value of pensions has shrunk dramatically in real terms, by 1992 government expenditures on them were 4.7 percent of the GDP. In March 1995, the government had to divert 632 million tenge from the national budget to cover pension arrears.

Similar problems have occurred in other categories of allowances to citizens, especially lump-sum payments to newborns; child allowances to large families (those with four or more children) and abandoned children; assistance to single mothers; and assistance to the children of soldiers. In 1992 payments in these categories reached 5 percent of Kazakstan's GDP. Slow payment and the lag between inflation and cost-of-living adjustments have had a particularly severe effect on Kazakstan's poorer families, for some of whom government subsidies provide as much as one-quarter of total income. In 1994 about 2.1 million citizens received retirement pensions, and about 800,000 received other types of pension.

Unemployment is perhaps the most difficult category of social problem because it is a phenomenon that officially did not exist until 1991 and still carries a considerable social stigma. As of January 1, 1995, some 85,700 people officially were registered as unemployed, about 55 percent of them in rural areas. However, this figure is commonly assumed to be too low because many workers still are nominally employed, even though their salaries have been reduced or stopped alto-

gether under a variety of cutback conditions. In January 1995, some 230 enterprises, with a normal work force of about 51,000 employees, were standing idle; by April 1995, the number had grown to 376 enterprises with more than 90,000 employees.

The Economy

Although Kazakstan has the potential to be a wealthy nation, since independence it has suffered consistent and precipitous economic decline. Reporting problems and incompatibility of data make precise measurement of the republic's economic shrinkage difficult, but it is generally accepted that, by the mid-1990s, GDP had dropped to about half of what it was in 1990 (see table 6, Appendix). Despite the presence of rich deposits of natural resources, the republic's industrial sector was developed in the Soviet period only in specific areas such as metal processing, chemicals, textiles, and food processing. The semi-arid condition of much of Kazakstan's territory does not preclude the export of wheat, meat, and some vegetables.

Natural Resources

Soviet geologists once boasted that Kazakstan was capable of exporting the entire Periodic Table of Elements. During the Soviet period, Kazakstan supplied about 7 percent of the union's gold, or about twenty-four tons per year. Since independence, the republic has attracted large foreign partners to develop existing or new mines. President Nazarbayev announced intentions to increase annual gold production to fifty or sixty tons by 1995 or 1996.

In 1989 the mines of Kazakstan yielded 23.8 million tons of iron ore and 151,900 tons of manganese. The republic also possesses deposits of uranium, chrome, titanium, nickel, wolfram, silver, molybdenum, bauxite, and copper. Major phosphate mines feed fertilizer plants in the southern city of Zhambyl. Three major coal fields—Torghay, Qaraghandy, and Ekibastuz—produced 140 million tons of hard coal in 1991, but by 1994 Kazakstan's national total had dropped to 104 million tons.

In the mid-1990s, all minerals in Kazakstan belonged to the republic. Authority for decisions concerning their development was delegated to the prime minister, provided that these decisions were consistent with laws on natural resource development. The fundamental law "On Natural Resources and the



*Karatau Mountains, reportedly containing huge reserves of lead and zinc, southern Kazakstan
Courtesy Paul Hearn*

"Development of Mineral Resources" was passed in May 1992, but its treatment of foreign development of minerals is limited to two brief paragraphs stipulating that foreign development be conducted in accordance with international and national law.

Agriculture

In the early 1990s, agriculture was the second largest sector of the economy, contributing about 36 percent of GDP and employing about 18 percent of the workforce in 1993. The climate and soil of most of Kazakstan are best suited to the light grazing by which the nomadic Kazaks had traditionally supported themselves, following herds of sheep, cattle, camels, and horses about the open steppe. Despite such natural advantages, Soviet policy encouraged cultivation, especially in the northern parts of the republic. The major transformation occurred under premier Khrushchev during the Virgin Lands program of the late 1950s and early 1960s. Its objectives were to reduce Soviet grain imports to Central Asia and settle the remaining nomadic herdsmen of Kazakstan and Kyrgyzstan. Under that program, 60 percent of Kazakstan's pastureland

went under cultivation. An estimated 30 percent of that land was not suitable for cultivation, however, and Khrushchev was ousted in 1964 after a series of crop failures in Kazakstan. In 1992 the total area under cultivation was 36.5 million hectares, of which 2.3 million hectares were irrigated. Much of this land is dedicated to large-scale wheat farming, which requires intensive capitalization and does not lend itself to privatization. Even with the emphasis on grain production, about 84 percent of the republic's agricultural land, or about 187 million hectares, remains devoted to pasturage, mainly of cattle and sheep. Continuation of the Soviet system of intensive livestock management, dependent on fodder more than on natural grazing, has left much grazing land unused and has distorted cultivation in favor of fodder production.

The primary agricultural regions are the north-central and southern parts of the republic. Grain production is especially important in the north-central region, and cotton and rice predominate in the south (see table 7, Appendix). Kazakstan also is a major producer of meat and milk.

In 1993 only about 1.5 percent of agricultural land was in private hands. Although some privatization had occurred, the bulk of Kazakstan's agriculture remained organized in 7,000 to 8,000 state and collective farms that averaged 35,000 to 40,000 hectares each. Many of those farms had moved into a transitional stage of joint-stock ownership, private collectives, or farming associations (see *Post-Soviet Economic Developments*, this ch.). The state also has maintained control of agricultural inputs and equipment, as well as some processing and marketing policies and operations. In the wake of price liberalization, the mandated state share of agricultural sales has decreased annually from the 1991 level of 70 percent.

Until the early 1990s, western Kazakstan was an important fishing area, but sharply increased salination has made the Aral Sea sterile. Fishing output dropped from 105,300 tons in 1960 to 89,600 tons in 1989. The current figure is probably close to zero, judging by the decision of Soviet central planners in 1990 to fly Arctic fish to Kazakstan for processing as a means of maintaining local employment in that operation.

Industry

Kazakstan inherited a decaying but still powerful manufacturing and processing capacity from the centrally managed Soviet system. In that system, among Kazakstan's designated

products for the general all-union market were phosphate fertilizer, rolled metal, radio cables, aircraft wires, train bearings, tractors, and bulldozers. Kazakstan also had a well-developed network of factories producing military goods that supplied about 11 percent of the total military production of the Soviet Union. In some areas of military production, Kazakstan had a virtual monopoly. In the post-Soviet era, much of the defense industry has stopped or slowed production; some plants now produce nonmilitary electronic equipment and machines.

Most of the republic's manufacturing, refining, and metallurgy plants are concentrated in the north and northeast, in Semey, Aqmola, Petropavl, and Aqtöbe (see fig. 5). In south-central Kazakstan, the most important industrial centers are Shymkent (chemicals, light industry, metallurgy, and food processing), Almaty (light industry, machine building, and food processing), and Zhambyl (chemicals, machine building, and food processing).

Structure of Industry

The energy sector is the most productive component of Kazakstan's industrial structure, accounting for about 42 percent of total output. Metallurgy generates about one-quarter of industrial output, divided equally between the processing of ferrous and nonferrous metals (see table 8, Appendix). Engineering and metalworking account for 6.2 percent of industrial output, chemicals and petrochemicals for 3.6 percent, and construction materials for 2.7 percent. Kazakstan's entire light industry sector accounts for only 4.8 percent of industrial output. In the Soviet era, the republic had more than fifty military-industrial enterprises, employing as many as 75,000 workers. Because Baykonur, one of the world's two largest spaceports, was located in Kazakstan, as were 1,350 nuclear warheads, the prosperity of this sector was assured during the Soviet period. Military-related enterprises produced or processed beryllium, nuclear reactor fuel, uranium ore, heavy machine guns, anti-ship missiles, torpedoes, chemical and biological weapons, support equipment for intercontinental ballistic missiles, tactical missile launcher equipment, artillery, and armored vehicles.

Production Levels

In general, Kazakstan's industry suffered a disastrous year in 1994, when overall output dropped 28.5 percent. The metallurgy and energy industries were the main contributors to the

1994 decline, although by percentage light industry (down 56 percent) and engineering and metalworking (down 43 percent) suffered the sharpest reductions. However, in the last few months of 1994 and the first half of 1995, production decreased more slowly. Although monthly production continued to decline compared with 1994, the rate of decline between 1994 and 1995 was about half the rate shown between 1993 and 1994. By mid-1995, the chemical, oil-refining, natural gas, timber, ferrous metallurgy, and oil extraction industries were showing higher outputs than they had for the same periods of 1994. Reduced consumer purchasing power exacerbated declines in most processing and consumer goods industries, however; overall light industry output was 61.2 percent lower in the first five months of 1995 than in the same period of 1994. In the first five months of 1995, the republic's industries produced goods valued at 253.1 billion tenge, or about US\$4 billion—a drop of 16.5 percent from the five-month output value for 1994.

Kazakstan has remained highly dependent on Russia as a customer for its manufactured products; this dependence has been the main cause of the shrinkage in the industrial base, as Russia has reduced its demand for most of Kazakstan's export products in the early and mid-1990s (see *International Financial Relations*, this ch.). Although more than 80 percent of Kazakstan's industrial production is still intended for sale in Russia, trade with Russia in 1995 was only about 20 percent of what it was in 1991. In January 1995, some 230 enterprises, with about 51,000 employees, were idle; by April the figures had grown to 376 enterprises and more than 90,000 employees. Also alarming is the growing debt load of the enterprises, which continue to support their unprofitable operations by unregulated borrowing among themselves. By March 1994, total agricultural and industrial indebtedness had reached 230.6 billion tenge. One consequence of falling production and growing indebtedness is that the republic's enterprises are increasingly unprofitable. As of March 1995, the government categorized 2,483 enterprises, or about one-third of the republic's total, as unprofitable. As of early 1996, however, very few had been forced into formal bankruptcy.

Energy

Kazakstan is well endowed with energy resources, including abundant reserves of coal, oil, and natural gas, which made the



Figure 5. Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan: Industrial Activity, 1996

republic one of the top energy-producing regions of the Soviet Union. In 1993 Kazakhstan was the second largest oil producer, third largest coal producer, and sixth largest natural gas producer among the former Soviet republics. Industry in Kazakhstan is dominated by the energy sector; in 1994 electric power generation accounted for 19 percent of GDP, and fuel extraction and processing accounted for nearly 23 percent. Thus, the national economy is strongly affected by changes in levels of fuel extraction and energy production (see fig. 6).

Oil

Kazakhstan's oil reserves have been estimated at as much as 2,100 million tons, most of which is in relatively new fields that have not yet been exploited. In addition, new offshore discoveries in the north Caspian more than replaced the annual drawdown of known reserves in the early 1990s. In 1993 Chevron Oil made an initial investment in a joint venture, Tengizchevroil, to exploit the Tengiz oil fields at the northern end of the Caspian Sea in what was envisioned as the leading project among foreign oil investments. Recoverable reserves at Tengiz are estimated at 25 billion barrels, or about twice the amount in the Alaskan North Slope, although Tengiz oil is extremely high in sulfur. The French firm Elf-Aquitaine has leased about 19,000 square kilometers of land in the Emba region northeast of the Caspian, where there are known to be large quantities of sulfur-free oil and natural gas. Other oil deposits, with paraffin, asphalt, or tar (all harder to process), have been found in the Caspian Sea near Novyy Uzen and Buzachiy.

Oil production, which increased by an average of 3 percent per year through 1991, reached a peak production of 26.6 million tons that year before output began to decline in 1992. The most productive region in the early 1990s was the Mangyshlak Peninsula on the east shore of the Caspian Sea. In the early 1990s, Mangyshlak yielded more than 50 percent of the republic's oil output before experiencing a decline of 11 percent in 1992. Kazakhstan also is known to be rich in deposits of heavy oil, which currently are not commercially viable but which are potentially valuable.

The republic planned to increase its oil exports from the 7.8 million tons of 1992 (15 percent of total exports) to as much as 37 million tons in 1996 (50 percent of total exports), for which anticipated revenue was about US\$2.9 billion. By 1993, how-

ever, domestic and CIS industry conditions made such goals unrealistic. The most important obstacles to increased oil production and export involve Russia. In 1994 Russian refineries in western Siberia, upon which Kazakhstan's oil industry continues to rely heavily for processing, cut their operations drastically because paying customers could not be found; this cut resulted in the plants' lower demand for crude oil from Kazakstani suppliers. Thus, in the first nine months of 1994, Kazakhstan's oil sales fell to 4.5 million tons from 8 million tons in the same period of 1993, and production for the year fell 11.7 percent. Because of the oil-exchange agreement with Russia, the cutback in Russian refinery production also reduced domestic refinery production nearly 25 percent in 1994.

The second obstacle to greater production and export of oil is pipeline access through Russia to Western customers, which Russia has curtailed because of capacity limits and political maneuvering. The lack of pipeline facilities caused Chevron to announce substantial capital investment cutbacks in the Tengiz oil fields for 1995. In the mid-1990s, the pipeline that connects Kazakstani oil fields with the Russian Black Sea port Novorossiysk provided the sole access to the oil of the Tengiz fields for Chevron and its Western customers (see Transportation and Telecommunications, this ch.). The uncertainties of relying on the existing Russian line or on a second line passing through the war-torn Caucasus region led to discussions of new pipeline projects passing through Iran or even eastward across China to the Pacific Ocean. In September 1995, a new agreement with Turkey laid plans for pipelines crossing Georgia to ports in Georgia and Turkey, providing a new outlet possibility for Kazakhstan's Tengiz oil. Also, in October 1995 Kazakhstan joined in a new consortium with Russian and United States companies to build a pipeline to the Black Sea. Chevron and Mobil Oil of the United States, British Gas, Agip of Italy, and Russia's LUKoil enterprise were to fund the entire pipeline project in return for a 50 percent share in the pipeline. The governments of Kazakhstan and Russia were to receive the other 50 percent. However, pipeline construction was delayed amid further international negotiation over alternative routes.

In the first quarter of 1995, major accidents and power shortages at drilling sites reduced production by about 10 percent compared with output in the first quarter of 1994. Refinery output in that period was even lower; only about half the



Figure 6. Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan: Fuel and Energy Centers, 1996

first quarter's oil was refined, and the Pavlodar refinery closed entirely because it received no crude oil from Russia.

Natural Gas

Kazakstan has enormous reserves of natural gas, most notably the giant Karachaganak field in the northwest near the Russian border, under codevelopment by a consortium of Agip of Italy, British Gas, and the Russian Natural Gas Company (Gazprom). In 1992 natural gas production was 8.5 million cubic meters, half of which came from Karachaganak. By 1994, however, production was only 4.1 million cubic meters because Russian consumption had dropped drastically in the early 1990s. A 1995 deal with Gazprom gave that organization part ownership of Karachaganak in exchange for a guaranteed purchase of natural gas from Kazakstan. Foreign investment projects at Tengiz and Karachaganak were expected to triple domestic gas output and enhance gas processing capabilities in the later 1990s. The usefulness of increased output depends on new pipeline agreements—still in the formative stage in 1996—with Russia and other countries in the region.

Coal

In 1994 coal production decreased 6.7 percent to 104.4 million tons, after a production peak of 140 million tons was reached in 1991. About thirty major coalfields exist, most of them within 400 kilometers of Qaraghandy in north-central Kazakstan. This region offers some of the most accessible and cheaply extracted coal in the CIS; however, most of Kazakstan's coal is high in ash. The largest open-pit mines are located in the Ekibastuz Basin northeast of Qaraghandy. According to estimates, presently exploited mines contain 100 years of coal reserves at today's rate of consumption. Coal is a key input for industry; in the early 1990s, more than 75 percent of coal consumption in Kazakstan went to thermoelectric stations for power generation, and another 14 percent went to the steel industry. In the early 1990s, Kazakstan exported about 40 percent of its coal to CIS customers, mainly Russia.

The coal industry has been plagued by poor management and strikes that shut down major underground operations at Qaraghandy and surface operations at Ekibastuz in 1994 and 1995. The large metallurgical works of Qaraghandy, built under the Soviet concept of the territorial-industrial complex

combining heavy industry with on-site fuel reserves, has been forced to curtail production when strikes are called.

Current Fuel Supply and Consumption

Despite its fuel endowments, Kazakhstan remains a net importer of energy, partly because of falling production in the early 1990s and partly because of remaining barter agreements from the Soviet era. Undeveloped east-to-west transportation infrastructure has prevented efficient supply of domestic fuels to industries, which are energy intensive. As a consequence, Kazakhstan still must import oil, natural gas, lubricating oil, gasoline, and diesel fuel from Russia, which in the postindependence years has taken advantage of its neighbor's vulnerability to economic pressure. In the mid-1990s, the oil exchange system between Kazakhstan and Russia meant that declining demand in Russia reduced availability of those Russian products to Kazakhstan. In 1994 Russia sent only 40 percent of the crude oil and 48 percent of the refined products prescribed in the bilateral agreement for that year. Gas imports showed a similar drop.

The national electric power system is divided into three grids. The northern grid, which serves a large part of heavy industry, is connected to the adjacent Siberian grid in Russia, and the southern grid is connected to the Central Asian System. Kazakhstan depends on Russia for electricity and fuel. Although the Siberian generating stations that supply the northern grid are located in Russia, they are fired largely by coal exported from Kazakhstan. Some electric power also is received from Kyrgyzstan's hydroelectric stations to the south in exchange for coal (see *Energy*, ch. 2).

In 1991 Kazakhstan consumed 101.6 billion kilowatt-hours of electricity (84.7 percent of which was produced domestically), making it a relatively heavy energy consumer among nations of its economic stature. About 85 percent of domestic generation occurs in coal-fired thermoelectric plants. A few thermoelectric plants use natural gas or oil; the remaining 15 percent of energy comes from those plants and from hydroelectric stations. The main sources of coal-generated electricity are the fields of Ekibastuz, Maykubin, Torghay, and Borlin. There are three large hydroelectric stations, at Bukhtarmin, Öskemen, and Kapchagay. The republic's one nuclear power station is located near the city of Aqtau.

Work Force

In 1992 some 16 percent of Kazakstan's work force was employed in manufacturing 24 percent in agriculture and forestry, 9 percent in construction, 9 percent in transportation and communications, and 32 percent in trade and services (see table 9, Appendix). An estimated 28.3 percent of the work force had at least a secondary education at the time of independence. Russians generally were employed in higher-paying sectors such as industry, transportation, and science, and Kazaks predominated in lower-paying areas such as health care, culture, art, and education. Overall, about two-thirds of workers and about 80 percent of industrial workers were non-Kazaks. In state enterprises, which provided 95 percent of employment before independence, one-half of the work force was female in 1990. The high participation rate of women contributed to an overall participation rate of 79 percent of working-age citizens in some form of employment.

In 1990 the working population of the republic peaked at around 6.7 million people, in a command economy where the legal requirement of full employment of both men and women meant substantial underemployment not revealed by official statistics. By the end of 1994, the number of employed people had declined about 8.9 percent, to about 6.1 million. This drop was caused in part by the privatization of Kazakstan's economy (by 1993 about 7 percent of Kazakstanis were working outside the state sector), but it also reflected growing unemployment and underemployment. In January 1995, there were 85,700 officially registered unemployed people in the republic, up from 4,000 in 1992. That figure does not include an unknown but significant number of workers whose names remained on official payroll lists while they were on forced leave, reduced hours, and delayed wage-payment schedules.

Post-Soviet Economic Developments

Until 1990, when the whole central planning system collapsed, Kazakstan was part of the Soviet command economy. Even at the time of the 1991 coup that led to independence, 43 percent of the republic's industrial capacity was under Moscow's direct control, 48 percent was under joint republic and union control, and only 8 percent was strictly under republic control.

Although economic production declined dramatically in the early 1990s, some indicators showed a slower rate of decline by early 1995. In 1994 GDP declined 25.4 percent compared with 1993, including drops of 28.5 percent in industry and 21.2 percent in agriculture. In January and February 1995, additional GDP declines of 18.8 percent and 15.8 percent occurred (against the same months in 1994); however, March 1995 showed an increase of 4 percent (against 1994), fueled mainly by an increase in industrial production. Agricultural production, however, continued to drop in early 1995; 1994 first-quarter production was 79 percent of the same period in 1993, and the first quarter of 1995 almost duplicated that decline.

Much of Kazakhstan's economic future depends upon its ambitious three-stage privatization program, which began in 1992 and reached the end of its second stage in 1995. The Kazakhstan State Property Committee has responsibility for all three phases. In the first stage, housing and small enterprises employing fewer than 200 people were privatized. Most conversions of small enterprises were accomplished by auction to groups of employees, often under the leadership of the incumbent manager. Housing, which by 1995 was nearly all in private ownership, was privatized either by giving the residence outright to its current occupant or by payment of government-issued vouchers. The second stage entailed the privatization of almost everything except the republic's mineral wealth and industrial plants employing more than 5,000 people (such plants accounted for most of Kazakhstan's military-related industry).

Privatization of the largest state enterprises is the principal goal of stage three, which did not begin as scheduled in late 1995. Until that time, these enterprises were run as self-managing joint-stock companies in which the government of Kazakhstan was the largest stockholder. This interim stage, which was considered beneficial, required preparation of profit-and-loss statements in anticipation of full commercial operation sometime in the future. Meanwhile, 3,500 medium-sized firms, including 70 percent of state-owned industries, were offered for sale in a mass privatization program beginning in April 1994. These firms could be purchased with government-licensed investment funds.

Under Kazakhstan's privatization system, vouchers are issued to individual citizens. Vouchers then can be deposited in privatization investment funds, which in turn can buy up to 20 per-



*Typical apartment building,
Almaty
Courtesy Stanley Bach*



*Indoor marketplace, Almaty
Courtesy Lisa Batey*

cent of large companies being privatized. The initial voucher issue reached an estimated 95 percent of citizens. After four auctions, in mid-1994 about 85 percent of forty-five small-to-medium-sized enterprises, mainly in light industry, machinery manufacturing, and fuel distribution, had been sold.

By the end of 1994, about 60 percent of enterprises were owned by individuals or cooperatives. (In 1990 the figure already had reached 40 percent, however.) The success of the privatization of small enterprises, together with the formation of new private enterprises, meant that in 1994 some 61 percent of retail trade occurred in the private sector, an increase of 17 percent over the 1993 figure. Large-enterprise privatization has been less successful, however. Nominally privatized enterprises often maintain close contact with government officials who permit firms to maintain outdated production practices and supply relationships, and even to keep unpaid workers on their rolls.

Distribution of vouchers among the 170 government-licensed investment funds also has been problematic. In 1994

and early 1995, twenty companies collected nearly 60 percent of the vouchers, while another nineteen funds accumulated more than 20 percent; half the funds received a total of only 4 percent of the vouchers. One fund, Butia-Kapital, received nearly 10 percent of the vouchers, the largest single holding. This fund was widely rumored to be controlled by a nephew of President Nazarbayev. Although proceeds from privatization amounted to an income of 242 million tenge for the state treasury in the first quarter of 1995, complaints persisted that objects of privatization were priced too low and that favored funds received "sweetheart" deals.

Privatization of land has been handled differently than that of industry because the concept of individual land ownership does not exist in Kazakhstan. Individuals and corporations can purchase only the right to use the land, and that right can be resold. Initial sale prices of state land are determined by the State Committee on Land Relations and Tenure. Government efforts to legalize a private land market have been stymied by both Russian and Kazak groups, each fearing that the other might gain control of the country's agriculture. By June 1995, some form of ownership or management change had occurred in 1,490 state farms, about three-quarters of the total remaining in operation. Many state farms, or portions of them, were converted into joint-stock companies that retained the same group of occupants and state-dominated arrangements for supply and marketing as under the previous nomenclature. The creation of small, individually managed farms was uncommon because capital, inputs, equipment, and credit were in very short supply for individuals attempting to start agricultural enterprises.

Banking and Finance

Restructuring of the state-controlled banking and financial systems that Kazakhstan inherited in 1991 has been a long, slow process. As in the Soviet era, the national bank continues to dominate the financial system, including currency management. Other commercial institutions have been established, but they play small roles in the country's financial life.

Banks

Kazakhstan's banking industry was created on the basis of a subsequently modified law enacted in April 1993. That law created a central institution, the National Bank of Kazakhstan

(NBK), which has regulatory authority over a system of state, private, joint-stock, and joint banks. Licensed banks are authorized to perform all of the traditional banking functions.

The introduction of a modern banking system has not progressed smoothly. Scandals have involved swindles by bank employees, questionable loans, and the maintenance of heavy portfolios of nonproductive loans. Several bank failure scares also have occurred. Major modifications of banking regulations have been introduced several times. In June 1994, Kazakstan instituted a fifteen-month program of financial and economic reform, tightening banking and credit laws, liberalizing price policies, and ending the granting of credits to state-owned institutions. Another short-term reform was introduced in March 1995, in part to tighten regulation of capital requirements and to increase the professionalism of the existing bank's operations. To that end, a system of partnership with foreign banks was introduced, pairing domestic banks with experienced foreign partners. Guidance for this bank reform is being provided by the IMF, as well as by international auditing firms such as Ernst and Young and Price Waterhouse.

In 1994 the national bank system included a State Export and Import Bank and a State Bank for Development, both of which functioned under full government control rather than as market institutions. Four large, state-owned banks controlled 80 percent of financial assets. Of the 200 small commercial banks in operation in 1994, the majority were attached to enterprises. About thirty private banks were licensed to deal in foreign exchange.

The aim of the 1995 reform was to create a republic-wide banking system, including ten to fifteen large banks with total capital of at least US\$10 million, headquartered in Almaty and with branches throughout Kazakstan; foreign branch banks, most of which would have single representative offices in Almaty; several dozen smaller banks, both in Almaty and in the provinces, with capital in the range of US\$2–US\$3 million; and savings banks, some with specialized purposes such as the Agricultural and Industrial Bank (Agroprombank).

In 1995 the NBK planned to release 80 percent of the credit funds it granted to an auction market, departing from the previous policy of rationing credit by directing it to designated enterprises. No stock exchange or capital markets existed as of 1995, although a law on securities and stock exchange had been adopted in 1991.

Fiscal Management

State revenue is derived primarily from various taxes, the introduction of which has been somewhat problematic. A fundamental revision of the national tax code in 1995 reduced the number of taxes from forty-five to eleven and the volume of prospective revenue by 17 percent. Five national corporate taxes remained after the reform, which reduced the corporate tax rate to 30 percent. Prior to that revision, the largest contributions to state income were business-profit taxes (15 percent); a uniform, 20 percent value-added tax (see Glossary), a personal income tax (ranging from 12 to 40 percent and accounting for 16 percent of tax income); and special-purpose revenue funds (17 percent). However, the system has suffered from chronic undercollection. The primary long-term goal of the 1995 tax reform was to encourage fuller compliance with tax laws. The 1996 budget called for reducing the deficit to 3.3 percent of GDP.

Prices, Wages, and Currency

The freeing of government price controls, followed by introduction of the tenge as Kazakhstan's independent currency unit, set off hyperinflation, which badly eroded real wages, pensions, and savings (see table 10, Appendix). Introduced in November 1993 at approximately five to the United States dollar, the tenge fell to about fifty-six per dollar by late November 1994. Subsequently, the currency remained relatively stable, falling only to sixty-four per US\$1 at the beginning of 1996. The tenge's stabilization was due in part to the government's determination to control the state budget, in part to the availability of an IMF stabilization fund, and in part to the backing of government reserves of US\$1.02 billion in hard currency and gold. By 1995 inflation had decreased substantially from the levels of 1993 and 1994, when the rate was 1,880 percent, although the annualized rate for 1995 was estimated at midyear at 190 percent, well above the prime minister's target figure of 40 percent.

Inflation has strongly affected wages and family budgets. In July 1994, for example, nominal wages in the republic increased by an average of twenty times, but the costs of food, services, and goods increased by more than thirty-two times in the same month. As a result of such conditions, real wages in the republic declined by about one-third in the first half of 1994. The overall average monthly wage in the republic in Feb-

ruary 1995 was 3,650 tenge, or about US\$61 at the exchange rate of the time. In mid-1995, the overall average wage was 4,613 tenge, but the disparity between industrial and agricultural wages was growing steadily: the industrial average was 7,452 tenge, the agricultural average 2,309 tenge. Wages in service occupations such as education and health are quite low, and government employees in those occupations often are not paid on time. Chronic nonpayment of wages has caused strikes in industrial enterprises and coal mines.

Many enterprises have made wage payments in merchandise rather than money; this practice has led to a large volume of merchandise resale at bazaars, either by workers or by private wholesalers. The actual level of consumer welfare is unknown because prices and the availability of goods change rapidly. Because Kazakstan lacks a strong consumer-goods industry, imports have begun to replace CIS products, notably clothing, housewares, and electronics. In 1995 wage increases continued to lag behind the rising cost of living, causing spending power to decline by 2 to 3 percent per month. The greatest losses in real wages have been suffered in industrial (and mostly Russian) northern Kazakstan. One consequence of declining purchasing power is that families now devote as much as 10 percent of their budgets to the purchase of foreign currency, presumably as a hedge against inflation. In 1995 the purchase of food became the largest family expenditure, exceeding 50 percent of average budgets. Even so, purchases of all categories of foodstuffs have declined in the republic, while purchases of nonfoodstuffs have dropped 40 percent or more.

International Financial Relations

Shortly after independence, Kazakstan began seeking diversification of its commercial activities, which had focused completely on the Soviet Union until 1992. Because the regime has been stable and abundant natural resources make investment potentially profitable, the search for new foreign partners has been successful in many cases, although substantial limitations remained in the mid-1990s.

Foreign Investment

World Bank figures showed foreign direct investment in Kazakstan of US\$400 million in 1993, projected to rise to an annual average of about US\$775 million by 1997. By mid-1994, fourteen British firms, fifty American firms, and twenty-four

French firms were registered as investors. A March 1994 survey showed one foreign acquisition in the republic, twenty-five new economic projects, and seventy working joint ventures, with total foreign investment of \$US10.44 billion. Average investment was computed at US\$108.7 million, but that figure was distorted by Chevron's huge single investment in the Tengiz oil development project.

In the mid-1990s, Kazakstan's investment climate was considered liberal compared with that of the other non-Baltic former Soviet republics. In December 1994, existing trade legislation was consolidated into the Law on Foreign Investments, which, among other things, offered foreign investors 100 percent ownership of enterprises and full conversion of profits into hard currency. Liberal tax incentives, including a five-year initial forgiveness of all corporate taxes, also have been implemented. Regulations have been loosened on the export of precious metals and on terms for foreign participation in oil field development. For these reasons, international investor ratings place Kazakstan high among the former Soviet republics.

The international lending community also has been attracted to Kazakstan. In 1994 the Paris Club of Western creditor countries committed US\$1.33 billion for use in reconstructing Kazakstan's industry and agriculture. The sum was the first large-scale foreign assistance received by the republic. Kazakstan also received US\$296.9 million in trade credits in 1994, US\$220 million of which came from Japan. Projections called for Kazakstan's external debt to peak at US\$5.1 billion in 1996, then begin to decline. However, that figure was based on expectations of drastic increases in foreign oil sales by 1996, an eventuality made impossible by the intervening decline in output.

Foreign Trade

Traditionally, most of the goods that Kazakstan produced for export went to markets in Russia and elsewhere in the Soviet Union. In 1990 some 88.7 percent of Kazakstan's exports followed this route, including more than 70 percent of its industrial production and mined products and 27 percent of its agricultural production. By 1992 the trade situation among the CIS countries was characterized by the World Bank as "verging on the chaotic," with the old Soviet payments system deteriorating and a common currency, the ruble (see Glossary), showing uncertain value. That situation prompted Kazakstan to under-

take a vigorous search for diversified trade markets, and in fact its exports to the CIS declined by nearly 80 percent between 1990 and 1994. By 1994 Russia still accounted for 40 percent of Kazakstan's total trade and for 74 and 80 percent of the republic's total CIS exports and imports, respectively. Kazakstan's largest volume of non-Russian CIS trade is with Kyrgyzstan, Uzbekistan, Belarus, and Ukraine, all of which are net importers of Kazak goods. The most important West European trading partners are Germany, the Netherlands, Switzerland, the Czech Republic, and Italy (see table 11, Appendix). Non-CIS Asian countries account for 11 percent of trade, with China the major partner in this category.

The predominant pattern of trade has continued from the Soviet era: exports are mostly raw materials, and imports are mostly manufactured goods. Ferrous and nonferrous metals—mainly rolled steel, copper, ferroalloys, zinc, titanium, and aluminum—account for 40 percent of export earnings, followed by oil and petroleum products (33 percent) and chemicals (10 percent). Energy products are also the largest import category, mainly because of the ongoing geographically determined exchange agreement that sends Russian oil from western Siberia to refineries in eastern Kazakstan and oil from Kazakstan's western oil fields to refineries across the border in Russia. Thus, in 1994 some 31 percent of imports were energy products, followed by machinery, equipment, and vehicles (29 percent); chemicals; and food. By 1994 private traders also imported large amounts of consumer products that did not appear in official statistics.

In 1994 Kazakstan's total exports were worth US\$3.076 billion, and its imports were worth US\$3.488 billion. Comparison with 1993 is not meaningful because in that year unstable ruble values and heavy barter transactions skewed statistics. In fact, an estimated 70 percent of 1994 trade also was in the form of barter. Of the 1994 totals, US\$1.266 billion, or 41 percent, of exports went to the "far abroad," beyond the CIS, and US\$1.286 billion, or 37 percent, of imports came from the "far abroad." Experts forecast slightly lower overall export figures in 1995 because of restricted access to Russian pipelines. The trade deficit with non-CIS partners is financed by borrowing from international financial institutions. The deficit with CIS partners is financed simply by delaying payments to Russia.

Transportation and Telecommunications

Kazakstan's transportation and telecommunications networks are poorly developed because of the distance between population centers (see fig. 7) and because of the inhospitable terrain that separates them. Only the largest cities are linked by roads and railroad. Railroad lines carry the overwhelming bulk of freight traffic, and more than half of the passenger traffic moves by road. In 1996, two ministries were responsible for transportation: the Ministry of Transport and Communications for transport operation of railways, roads, and airlines; and the Ministry of Construction and Housing, for construction of highways and airport and port facilities.

Transportation

Overall transportation volume probably peaked in the late Soviet period, when enormous inefficiencies added time and distance to all types of movement. The postindependence correlation of prices to cost has meant abandonment of uneconomical transportation practices. The pipeline system, although crucial to the economic welfare of oil-rich Kazakstan, remains without direct connection to potential customers in the West and elsewhere. The national telephone system serves only a small percentage of the population; domestic radio and television remain limited and state owned.

Roads

In 1994 and 1995, annual freight movement by road, which already accounted for less than 10 percent of Kazakstan's freight haulage, declined more than 50 percent per year because of the shift to more efficient means of transport and the country's overall economic decline. In 1993 Kazakstan counted about 400,000 road vehicles for freight transport, many of which were pieces of farm equipment. Available tractors and trailers are mostly small and in poor condition; the shortage of spare parts and the lack of a domestic truck-manufacturing industry hinder long-distance haulage.

The passenger bus fleet, which numbered 25,500 vehicles in 1991, has declined in numbers and quality since the last new buses were added in 1988. Spare parts are also a problem in bus maintenance, and local bus service is impeded by government caps on fares.

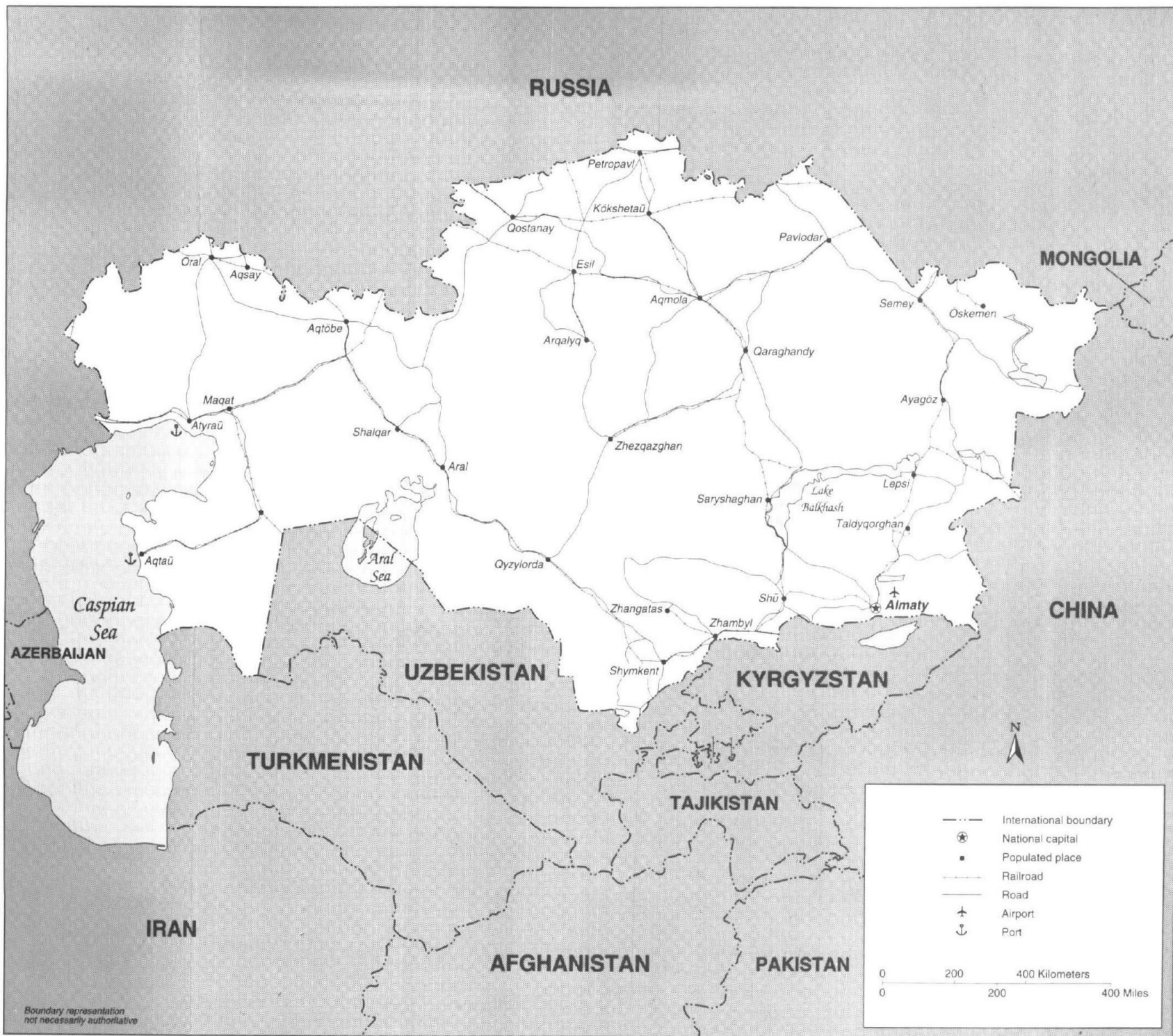


Figure 7. Kazakhstan: Transportation System, 1996

The basic road infrastructure (about 88,000 kilometers, of which about 83,000 kilometers are paved or gravel) serves the widely dispersed population and economic centers adequately. However, there is a shortage of road maintenance equipment, and construction and repair contracts are allocated to as many as seventy different companies and plants owned by the Ministry of Construction and Housing and the Ministry of Transport and Communications. As a result, construction and repair operations are disorganized and uneconomical.

Railroads

Kazakstan Railways is the third largest rail system in the former Soviet Union, smaller only than the systems of Russia and Ukraine. In 1991 railroads carried 90 percent of Kazakstan's freight and 30 percent of its passenger traffic. In 1993 the rail system included 14,148 kilometers of track, of which 3,050 kilometers were electrified. All track was 1,520-millimeter gauge. In 1993 the system carried about 39.7 million passengers and hauled about 517 million tons of freight, but haulage declined 42 percent in 1994, most notably in chemicals, cement, iron ore, and ferrous metals. Like the road system, Kazakstan Railways suffers from a shortage of spare parts; as much as 95 percent of spare parts, equipment, and rolling stock must be purchased from Russia, Ukraine, and other countries. Repair plants for rolling stock are in poor condition and use outmoded equipment.

Pipelines

In 1992 Kazakstan had 2,850 kilometers of pipeline for crude oil, 3,480 kilometers for natural gas, and 1,500 kilometers for refined products. The oil pipeline system was designed to ship domestic oil, most of which is in the western part of the republic, and to bring Russia's Siberian oil to Kazak refineries. Construction of a pipeline that would bring Kazakstan's oil to world markets has proven a major obstacle in the development of the Tengiz field because of disagreements over routing, financing, and ownership. Russian control of Kazakstan's only pipelines to the outside world has restricted oil exports to the West and discouraged foreign investment in the oil and gas industries. In 1995 Kazakstan, Turkmenistan, and Azerbaijan, all of which have suffered export shutdowns in their cross-Russia pipelines, began discussing a massive pipeline project that

would bring their products across China to the Pacific Ocean and into Japan (see Energy, this ch.).

Air Transport

Kazakstan Airlines was founded in 1993 as a joint-stock company initially based on 100 aircraft that the republic received as its share when the Soviet Aeroflot fleet was divided among the former republics. Six private airline companies also operate within the republic. The republic airlines of Ukraine and Uzbekistan began service to Kazakstan's regional airports in 1992, and Lufthansa of Germany and Turkish Airlines have begun international flights into Almaty. Air traffic between Kazakstan and other CIS republics is handled mainly by Aeroflot. The airport at Almaty, Kazakstan's only international facility, underwent a gradual modernization of instrumentation, air control, and communications facilities in the early 1990s; beginning in 1993, international traffic to and from Kyrgyzstan also moved through Almaty. In 1994, besides connections with CIS destinations, regular flights went to Frankfurt, Hannover, Vienna, Zurich, Istanbul, Delhi, Karachi, Tel Aviv, and Sharjah. In 1991 some 7.9 million passengers and about 36.4 million tons of freight passed through Kazak airports. In 1994 the republic had twenty commercial airports and another 132 classified as usable, of which forty-nine had permanent-surface runways and eight had runways longer than 3,600 meters.

Water Transport

The republic's two inland waterways, the Syrdariya in south-central Kazakstan and the Ertis River in the northeast, have a total of 4,000 kilometers of waterway navigable by commercial craft. A state agency, the Kazakstan River Fleet Industrial Association (Kazrechmorflot), administers river traffic. In 1992 the association's eleven water transport companies carried about 1.6 million passengers and about 7 million tons of freight.

Telecommunications

Experts consider Kazakstan's telecommunications facilities inadequate to support the type of economic expansion sought in the mid-1990s. The Ministry of Transport and Communications is the only provider of telecommunications services; its responsibilities include management and regulation of all aspects of the republic's telephone, telex, telegraph, data communications, radio, television, and postal services.

In 1994 only seventeen of every 100 people in urban areas and 7.6 of every 100 people in rural areas had telephones. These figures were above average for Central Asia but lower than those for other CIS countries. Of the republic's total of about 2.2 million telephones, 184,000 were located in Almaty. Current equipment is utilized at a rate of 98 percent, leaving no room for expansion or new subscribers, although in 1992 the waiting list had about 1 million names.

Sixty breakdowns per 100 telephone lines occur annually, a very high rate. Because much of Kazakstan's telephone equipment, most of which came from the Soviet Union and Eastern Europe, is obsolete, spare parts are scarce. In 1992 only 8 percent of exchanges used fiber-optic and digital equipment. International connections go through Moscow and via satellite links to Australia and Israel. In 1992 a total of 100 channels connected with countries outside the CIS, and 3,000 channels connected with CIS countries.

In 1994 there were about 4.75 million televisions and 10.17 million radios in Kazakstan. Landlines and microwave carry radio broadcasts from other CIS republics and China; the International Telecommunications Satellite Organization (Intelsat) and the Russian Orbita satellite system provide satellite transmission of television broadcasts from other countries, and the Moscow gateway switch sends international radio broadcasts through eight telecommunications circuits. With Turkish aid, a new satellite ground station went into operation at Almaty in 1992.

Radio and television broadcasting is the exclusive domain of the Kazakstan State Radio and Television Company. In 1995 the broadcasting system included three national and thirteen regional radio programs broadcast over fifty-eight stations, an irregular Moscow relay of the Voice of Russia and Radio Netherlands, Radio Almaty (a foreign broadcast service offering English, German, Kazak, and Russian programming), one domestic television channel available through eight regional stations, and relays of two Russian channels and Kyrgyz and Turkish programming in Almaty.

Government and Politics

In 1995 Kazakstan passed through a period of political turmoil that fundamentally changed the shape of the republic's government and political forces. The republic came under direct presidential rule in March 1995, and a new constitution

adopted shortly thereafter strengthened the power of the executive. Presidential elections, originally scheduled for sometime in 1996, were postponed until December 2000 after a 1995 referendum provided the basis for such an extension.

Constitution

In May 1995, Nazarbayev convened a council of experts to draw up a new constitution under his guidance. The resulting constitution was adopted in August 1995 by a popular referendum. The official participation figure, 90 percent, and the fairness of this vote were contested by opposition groups. The constitution guarantees equal rights to all nationalities and prescribes both Kazak and Russian as "official" state languages, suitable for use in government documents and education. The president and the legislature, the Supreme Kenges (Supreme Soviet), are to be elected by universal adult suffrage for five-year terms. The president is head of state. The second component of the executive branch is the Council of Ministers, key members of which are presidential appointees. The prime minister, as head of the Council of Ministers, appoints the other ministers.

Structure of Government

The postindependence government was structured by the 1993 constitution with a strong executive branch, a parliament, and a judicial branch. In practice, the administration of Nursultan Nazarbayev dominated governance sufficiently to impel the writing of a new constitution providing justification for the one-man rule that developed in the early 1990s.

Executive Branch

The constitution formalizes the increased power that President Nazarbayev assumed upon the invalidation of parliament in early 1995. It continues the previous constitutional definition of Kazakhstan as a unitary state with a presidential form of government. The president is the highest state officer, responsible for naming the government—subject to parliamentary approval—and all other republic officials. The 1995 constitution expands the president's power in introducing and vetoing legislation. The government that the president appoints consists of the Council of Ministers, headed by a prime minister, and several state committees. In early 1996, after Nazarbayev

had reshuffled the government in October 1995, the Council of Ministers included the heads of twenty-one ministries and nine state committees; the prime minister was Akezhan Kazhegeldin. In the October 1995 shift, Nazarbayev himself assumed the portfolio of the Ministry of National Security.

The new constitution does not provide for the position of vice president, although it permitted the incumbent vice president, Yerik Asanbayev, to remain in office until 1996. The president has the power to declare states of emergency during which the constitution can be suspended. The president is the sponsor of legislation and the guarantor of the constitution and of the proper functioning of government, with the power to override the decisions and actions of local authorities and councils. The only grounds on which a president can be removed are infirmity and treason, either of which must be confirmed by a majority of the joint upper and lower houses of the new parliament. In the event of such a removal from power, the prime minister would become the temporary president.

Legislative Branch

The 1993 constitution created a unicameral parliament, which was to replace the 350-seat Supreme Soviet when the mandates of that body's deputies expired in 1995. Composed overwhelmingly of career communists, the 1990 parliament had been a balky and turgid partner for the task of economic and political reform. Although he probably lacked the legal authority to do so, Nazarbayev pressured this parliament into a "voluntary" early dissolution in December 1993 in order to allow the seating of a smaller and presumably more pliant "professional parliament." Under the 1995 constitution, the parliament consists of two houses, the Senate and the Majlis, both operating in continuous session. Each of Kazakhstan's nineteen provinces and the city of Almaty, which has province status, have two senators. These are chosen for four-year terms by joint sessions of the provinces' legislative bodies. An additional seven senators are appointed directly by the president. In addition, ex-presidents automatically receive the status of senators-for-life. The Majlis has sixty-seven representatives, including one from each of fifty-five districts drawn to have roughly equal populations, and the Senate has forty seats. Direct elections for half the seats are held every two years. In the first election under the new parliamentary structure, all seats in both houses of parliament were contested in December 1995; runoff elec-

tions filled twenty-three seats in the Majlis for which the initial vote was inconclusive. International observers reported procedural violations in the Majlis voting. The new parliament, which was seated in January 1996, included sixty-eight Kazak and thirty-one Russian deputies; only ten deputies were women.

The initiative for most legislative actions originates with the president. If parliament passes a law that the president vetoes, a two-thirds vote of both houses is required to override the veto. A similar margin is needed to express no confidence in a prime minister, an action that requires the president to name a new prime minister and Council of Ministers.

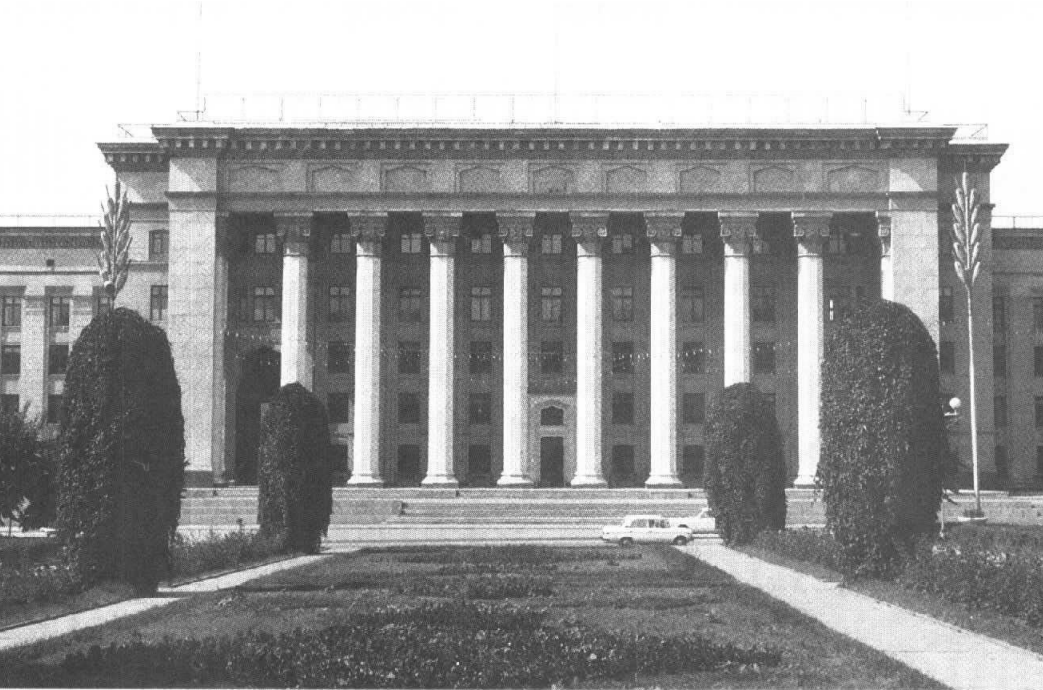
Judicial System

The judicial system is the least developed of Kazakstan's three branches of government. Although Minister of Justice Nagashibay Shaykenov objected strenuously, the constitution retains the practice of presidential appointment of all judges in the republic. The 1993 constitution specified terms of service for judges, but the 1995 document makes no mention of length of service, suggesting that judges will serve at the president's pleasure.

Under the 1993 constitution, lines of judicial authority were poorly defined, in part because the republic had three "highest courts"—the Supreme Court, the State Arbitrage Court, and the Constitutional Court—which among them employed a total of sixty-six senior judges. Many of these senior judges, as well as numerous judges in lower courts, had been retained from the Soviet era, when the judicial branch was entirely under the control of the central government. The 1995 constitution makes no provision for the State Arbitrage Court, which had heard economic disputes among enterprises and between enterprises and government agencies. Provisions for the new judiciary clearly subordinate all other courts to the Supreme Court, which also has a consultative role in appointing senior judges.

Local Government

Kazakstan is divided into nineteen provinces, and the city of Almaty has administrative status equal to that of a province. In turn, the provinces are divided into regions that consist of a number of settlement points. Each province and region and most settlements have their own elective councils, charged with



*Headquarters building of parliament, Almaty
Courtesy Stanley Bach*

drawing up a budget and supervising local taxation. Cities have their own local councils as well, and large cities are divided into regions, each of which has its own council.

The local legislatures lack the authority to choose the local executive, who is appointed directly by the president. The local executive has the job of ensuring that decisions of the national government are enforced and that the constitution is observed. Province and regional "heads of administration," known by the Russian term *glav* or the Kazak term *hakim*, are presidential appointees. The *hakim*, in turn, appoints the members of his staff, who are the department heads of the jurisdiction. The *hakim* also can reverse budgetary decisions of the local councils.

There has been considerable pressure, especially in the predominantly Russian north, to make the *hakim* posts elective rather than appointive. In 1994 Nazarbayev indicated that he would consider doing so, but the 1995 constitution provides only that the local councils can express no confidence in their *hakim* by a two-thirds vote. The president also has the power to override or revoke decisions taken by local councils; a *hakim* has the power to control budgetary decisions taken by the local council.

The Election of 1994 and Its Aftermath

After the early dissolution in 1993 of Kazakstan's first parliament, an election for the 177 seats of the new, "professional" parliament was held in March 1994. The election was so closely managed and restricted by the government that observers from the Organization for Security and Cooperation in Europe (OSCE; before 1995, the Conference on Security and Cooperation in Europe—CSCE—see Glossary) initially were reluctant to certify the election as fair.

Despite his careful electoral management, Nazarbayev netted a reliable bloc of only about sixty of the 177 seats. The remaining deputies quickly organized themselves into a "constructive" opposition bloc, a center-left configuration calling itself Respublika. It included a number of disparate political groups. A subgroup of Respublika organized a shadow cabinet to provide alternative viewpoints and programs to those of the government.

At the end of May 1994, the parliament passed a vote of no confidence in the government of Prime Minister Sergey Tereshchenko, who had been in office since 1991. Nazarbayev put off dismissing Tereshchenko, citing the provision of the 1993 constitution giving the president the right to name the prime minister, subject only to parliamentary confirmation. By mid-year, however, parliament was in rebellion against the president, and a new faction of Respublika, including a broad range of communist, nationalist, and special-issue parties, demanded the resignations of Nazarbayev and Tereshchenko.

In mid-October, following a month-long scandal over the private dealings of Tereshchenko's ministers of internal affairs and the economy (the second of whom was indicted), Nazarbayev was finally forced to dismiss the Tereshchenko government. Nazarbayev named industrialist Akezhan Kazhegeldin to replace Tereshchenko. As chief of a northern industrial conglomerate, Kazhegeldin, a Kazak, was closely associated with the Russian-controlled sector of Kazakstan prior to 1991.

Thus, by late 1994 parliament was emerging as a particular focus for anti-Nazarbayev sentiment. Although extremely unproductive itself, passing only seven laws during its year of existence, parliament severely impeded Nazarbayev's privatization programs, causing the complete cessation of privatization voucher distribution. At the end of 1994, the parliament issued its own alternative New Economic Policy, in competition with Nazarbayev's, and parliament also attempted to take over

actual disbursement of funds for the state budget. At the same time, parliament was providing a forum for several skilled and well-financed men to position themselves for a challenge to Nazarbayev in the presidential election scheduled for 1996.

In March 1995, Kazakstan's Constitutional Court ruled the 1994 parliamentary election invalid because of procedural irregularities that, among other things, waived certain requirements for pro-Nazarbayev candidates. After filing a token objection, Nazarbayev announced the dissolution of parliament and new elections to be held in two or three months. The Council of Ministers that had been approved by that parliament then resigned en masse. Using emergency powers granted him upon the dissolution of the 1990–93 parliament, Nazarbayev reappointed Prime Minister Kazhegeldin, who installed a new Council of Ministers. Unlike its virtually all-Kazak predecessor, the new body put the key Ministry of Finance under a Russian, Aleksandr Pavlov, and gave the Ministry of the Economy portfolio to a Middle Horde Kazak from the Russified north. One of Kazhegeldin's two new first deputy prime ministers was Kazak; the other was Russian. The new head of the Privatization Commission, Sarybay Kalmurzaev, also apparently was a Middle Horder. He not only began to permit privatization auctioneers to accept cash in addition to vouchers, but also began to give Russian companies rights of first refusal in privatization of large industrial plants, especially military ones. In April 1995, Nazarbayev staged a referendum that ratified extension of his presidency until December 2000 by a 95 percent majority. In December 1995, Nazarbayev issued a decree enabling him to annul any existing law, demand the government's resignation, or order new parliamentary elections. This step furthered the authoritarian direction of Kazakstan's government.

Political Organizations

Economic and ethnic differentiation in Kazakstan has led to the appearance of more than 2,000 social organizations, movements, political parties, and social action funds across a broad political spectrum. Although Nazarbayev prevented electoral participation by many opposition parties, the formation and reformation of parties and coalitions have occurred at a rapid pace in the postindependence years. In the parliamentary election of December 1995, thirty parties and other organizations registered candidates.

The President's Party

Significantly, the one type of party that has failed to thrive in Kazakhstan is a "presidential party" that would serve as a training ground for future officials, as well as a conduit for their advancement. Nazarbayev lost control of his first two attempts at forming parties, the Socialists and the People's Congress Party (NKK). The latter particularly, under the leadership of former Nazarbayev ally Olzhas Suleymenov, became a center of parliamentary opposition. Nazarbayev's third party, the People's Unity Party (SNEK), remained loyal to the president, although it was unable, even with considerable government help, to elect enough deputies to give Nazarbayev control of the 1994–95 parliament. SNEK formally incorporated itself as a political party in February 1995.

Other Parties

With the exception of SNEK and some smaller entities, such as the Republican Party and an entrepreneurial association known as For Kazakhstan's Future, most of Kazakhstan's parties and organizations have little or no influence on presidential decision making. Because privatization and the deteriorating economy have left most citizens much worse off than they were in the early 1990s, most of the republic's organizations and parties have an oppositional or antipresidential character.

The Communist Party of Kazakhstan, declared illegal in 1991, was allowed to re-register in 1993. Kazakhstan also has a small Socialist Democratic Party. Both parties made poor showings in the 1994 election, but two former communist organizations, the State Labor Union (Profsoyuz) and the Peasants' Union, managed to take eleven and four seats, respectively.

Nationalist Groups

At least four large Kazak nationalist movements were active in the mid-1990s. Three of them—Azat (Freedom), the Republican Party, and Zheltoksan (December)—attempted to form a single party under the name Azat, with the aim of removing "colonialist" foreign influences from Kazakhstan. The fourth movement, Alash (named for the legendary founder of the Kazak nation, as well as for the pre-Soviet nationalist party of the same name), refused to join such a coalition because it advocated a more actively nationalist and pro-Muslim line than did the other three parties. In the March 1994 election, Azat

and the Republicans were the only nationalist parties to run candidates. They elected just one deputy between them.

Four exclusively Russian political organizations in Kazakstan have nationalist or federative agendas. These are Yedinstvo (Unity), Civic Contract, Democratic Progress, and Lad (Harmony). Party registration procedures for the 1994 election made places on the ballot very difficult to obtain for the Russian nationalist groups. Although Lad was forced to run its candidates without party identification, four deputies were elected with ties to that party.

The Russian group most unsettling to the Nazarbayev government was the Cossacks, who were denied official registration, as well as recognition of their claimed status as a distinct ethnic group in the northeast and northwest. Not permitted to drill, carry weapons, or engage in their traditional military activities, Kazakstan's Cossacks have, in increasing numbers, crossed the border into Russia, where restrictions are not as tight.

Opposition Coalitions

In 1994 parliament's success at countering presidential power encouraged the legislators, many of whom were connected with the former Soviet ruling elite, to use their training in the political infighting of Soviet bureaucracy to form effective antipresidential coalitions. Ironically, these coalitions were the only political groupings in the republic that transcended ethnic differences. The Respublika group was elastic enough to contain both Kazak and Russian nationalists, and the Otan-Otechestvo organization forged a coalition of Kazaks, Russians, and even Cossacks who desired a return to Soviet-style political and social structures.

Nazarbayev and Political Prospects

Public opinion in Kazakstan appears to have accepted the imposition of presidential rule, at least partly because the parliament Nazarbayev dissolved had focused on its own wages and benefits rather than on solving the nation's problems. In the short run, the imposition of direct presidential rule seemed likely to reduce ethnic tensions within the republic. Indeed, one of Nazarbayev's primary justifications for assuming greater power was the possibility that bolstered presidential authority could stem the growing ethnic hostility in the republic, including a general rise in anti-Semitism.

The ethnic constituency whose appeasement is most important is, however, the Russians, both within the republic and in Russia proper. Stability in Kazakstan is overwhelmingly shaped by developments in Russia, especially as that country returns its attention to some measure of reintegration of the former Soviet empire. Because of Kazakstan's great vulnerability to Russian political, economic, and military intervention, experts assume that Russian national and ethnic interests play a considerable part in Nazarbayev's political calculations (see Foreign Policy; National Security Prospects, this ch.).

It also seems likely that Nazarbayev would use presidential rule to increase the linguistic and cultural rights of the republic's Russians. Although Nazarbayev had taken a firm stand on the issue of formal dual citizenship, a treaty he and Russia's president, Boris N. Yeltsin, signed in January 1995 all but obviated the language question by permitting citizens of the respective countries to own property in either republic, to move freely between them, to sign contracts (including contracts for military service) in either country, and to exchange one country's citizenship for the other's. When the Kazak parliament ratified that agreement, that body also voted to extend to the end of 1995 the deadline by which residents must declare either Kazakstani or Russian citizenship. After the dissolution of that parliament, Kazakstan considered extending the deadline until 2000, as Russia already had done.

In the mid-1990s, Nazarbayev seemed likely to face eventual opposition from Kazak nationalists if he continued making concessions to the republic's Russians. Such opposition would be conditioned, however, by the deep divisions of ethnic Kazaks along clan and family lines, which give some of them more interests in common with the Russians than with their ethnic fellows. The Kazaks also have no institutions that might serve as alternative focuses of political will. Despite a wave of mosque building since independence, Islam is not well established in much of the republic, and there is no national religious-political network through which disaffected Kazaks might be mobilized.

The lack of an obvious venue for expression of popular dissatisfaction does not mean, however, that none will materialize. Nazarbayev gambled that imposition of presidential rule would permit him to transform the republic's economy and thus placate the opposition through an indisputable and widespread improvement of living standards. Experts agree that the repub-

lic has the natural resources and industrial potential to make this a credible wager. But a number of conditions outside Nazarbayev's control, such as the political climate in Russia and the other Central Asian states, would influence that outcome. By dismissing parliament and taking upon himself the entire burden of government, Nazarbayev made himself the obvious target for the public discontent that radical transformations inevitably produce.

The Media

Kazakhstan has enjoyed the same flourishing of media as have most of the other former Soviet republics. To some extent, the republic also continues to be influenced by the Moscow media, although changes in currency and the simple passage of time are steadily reducing that influence. Also similar to the processes in other republics is a certain erosion of the freedom that the media enjoyed in the earlier days of independence. Although the government always has retained some control, there was a certain tendency to view the proper relationship between the media and government as adversarial. However, Nazarbayev steadily chipped away at Kazakhstan's central press, which as a result became more noticeably pro-government in 1994 and 1995. The 1995 constitution guarantees freedom of ideas and expression and explicitly bans censorship. In practice, however, the government influences the press in several ways. Government presses (the only ones available) have refused to publish private newspapers for various "technical" reasons; financial pressure has been brought through court cases or investigations of a given newspaper's sponsors; and, in some cases, outright censorship has been exercised for "security reasons." Strictly enforced laws forbid personal criticism of the president or members of the president's family.

The major official newspapers are the Russian-language *Kazakstanskaya pravda* and *Sovety Kazakstana*, which are supported by the government. Nominally, the former is the organ of the Council of Ministers and the latter that of the parliament. The newspaper *Ekspress K* has taken some independent positions, although in the mid-1990s the editor in chief was a senior official in SNEK, the presidential political party. The small-edition papers *Respublika* and *NKK* are somewhat more oppositional. The first was the organ of the Socialist Party until it was sold to commercial interests, and the second is the organ of the People's Congress Party. *Respublika* is said to be underfi-

nanced, but *NKK* enjoys the resources of Olzhas Suleymenov's large Nevada-Semipalatinsk commercial organization. *Panorama*, perhaps the largest independent newspaper in the republic, is owned by some of the largest business interests in the republic and is oriented toward political and economic issues (on which it generally takes an objective view). The *Karavan* commercial organization publishes two newspapers, *Karavan* and *ABV* (short for Almaty Business News). The former inclines toward tabloid-style muckraking, while the latter is entirely commercial in character.

The electronic media remain under state control. Many private production companies exist, but access to television and radio is still controlled by the State Television and Radio Broadcasting Corporation (see Transportation and Telecommunications, this ch.).

As it does most activities, ethnicity complicates media operations. Inevitably the nationality of the owners of a newspaper or television production company affects how its product is received. The most obvious example is that of the newspaper *Karavan*. Although its muckraking approach is similar to that taken by newspapers in Moscow and Bishkek, the fact that the paper is Russian-owned makes it seem, in the context of Kazakhstan, to be more vividly partisan. In early 1995, a fire in the *Karavan* warehouse prompted rumors of sabotage, which never were substantiated.

Human Rights

Considering the power available to the Nazarbayev regime, Kazakhstan's observation of international human-rights standards in the mid-1990s was given a relatively high rating. In one celebrated case of attempted censorship, historian Karishal Asanov was tried three times before being acquitted on a charge of defaming the president for an article he published in a Moscow newspaper.

Although antigovernment activities of the nationalist-religious group *Alash* have been actively discouraged, there have been no recorded instances of extrajudicial killings or disappearances, or of unsubstantiated grounds for arrest. Prisons are generally overcrowded because of the eruption of crime in the republic, but international organizations record no instances of torture or of deliberately degrading treatment.

The state security organs continue some of their Soviet-era ways; there have been complaints that proper procedures for

search warrants are not always followed, and some credible accusations have been made about tampering with or planting evidence in criminal proceedings. In general, however, the republic's investigative and security organs seem to be making an effort to follow the constitution's guidance on the inviolability of person, property, and dwelling.

Free movement about the country is permitted, although residence is still controlled by the Soviet-era registration system, which requires citizens to have official permission to live in a particular city. In practice, this system has made it almost impossible for outsiders to move into Almaty.

The exercise of political rights in Kazakstan is closely controlled, and the number of parties is limited by registration restrictions. Imposition of presidential rule and the general strengthening of the president's role have limited popular political participation. The Russian population has attempted to depict the imposition of language laws and the refusal to grant dual citizenship as violations of human rights, but these claims generally have not been accepted by the international community. Several Russian political groups and human rights alleged that irregularities in the August 1995 constitutional referendum invalidated the document's ratification on human rights grounds. The nine official foreign observers reported no major irregularities, however.

Foreign Policy

From the onset of independence, President Nazarbayev sought international support to secure a place for Kazakstan in the world community, playing the role of bridge between East and West, between Europe and Asia.

Almost immediately upon its declaration of independence, the republic gained a seat in the United Nations, membership in the CSCE, and a seat on the coordinating council of the North Atlantic Treaty Organization (NATO—see Glossary). The United States and other nations also gave Kazakstan quick recognition, opening embassies in Almaty and receiving Kazakstani ambassadors in return. Its status as an apparent nuclear power got Kazakstan off to a fast start in international diplomacy. President Nazarbayev became a signatory to the Strategic Arms Reduction Treaty (START) and its so-called Lisbon Protocol by which Belarus, Kazakstan, and Ukraine pledged to eliminate nuclear weapons in the 1990s. In addition, Nazarbayev was able to negotiate US\$1.2 billion in prepayment by

the United States against sale of the enriched uranium contained in Kazakstan's warheads, as well as another US\$311 million for maintenance and conversion of existing missile silos. Equally important was that the nuclear warheads prompted the United States to become a party to negotiations concerning the warheads between Kazakstan and Russia. The United States eventually became a guarantor of the agreement reached by the two countries. In May 1995, the last nuclear warhead in Kazakstan was destroyed at Semey, completing the program of removal and destruction of the entire former Soviet arsenal and achieving the republic's goal of being "nuclear free."

Under the leadership of Nazarbayev, who maintained personal control of foreign policy, Kazakstan eagerly courted Western investment. Although foreign aid, most of it from Western nations, began as a trickle, significant amounts were received by 1994. In practice, however, Nazarbayev was ambivalent about moving too fully into a Western orbit.

Turkey

In the period shortly after independence, policy makers often discussed following the "Turkish model," emulating Turkey in incorporating a Muslim cultural heritage into a secular, Europeanized state. Turkey's president Turgut Özal made a state visit to Kazakstan in March 1991 and hosted a return visit by Nazarbayev later the same year. Soon afterward Nazarbayev began to echo Turkish talk of turning Kazakstan into a bridge between Muslim East and Christian West. In practice, however, the Turks proved to be more culturally dissimilar than the Kazakstanis had imagined; more important, Turkey's own economic problems meant that most promises of aid and investment remained mostly just statements of intentions.

China

As Turkey proved itself a disappointment, President Nazarbayev began to speak with increasing enthusiasm about the Asian economic "tigers" such as Singapore, the Republic of Korea (South Korea), and Taiwan. Among the republic's first foreign economic advisers were Chan Young Bang, a Korean American with close ties to South Korea's major industrial families, and Singapore's former prime minister, Li Kwan Yew.

The most compelling model, however, was provided by China, which quickly had become Kazakstan's largest non-CIS trading partner. The Kazakstani leadership found the Chinese



*President Nursultan Nazarbayev with French President François Mitterrand during the former's official visit to France, September 1992
Courtesy Hermine Dreyfuss*

combination of rigid social control and private-sector prosperity an attractive one. China also represented a vast market and appeared quite able to supply the food, medicine, and consumer goods most desired by the Kazakstani market.

However, the relationship with China has been a prickly one. Kazakstan's fears of Chinese domination remain from the Soviet era and from the Kazaks' earlier nomadic history. A large number of Kazaks and other Muslims live in the Xinjiang Uygur Autonomous Region of China, just over the border. Direct rail and road links have been opened to Ürümqi in Xinjiang, and Chinese traders in Kazakstan are prominent in the thriving barter between the two nations. However, China is plainly nervous about any contact that would encourage separatist or nationalist sentiments among its own "captive peoples." For its part, Kazakstan has expressed unease about the large numbers of Chinese who began buying property and settling in the republic after the end of Soviet rule. Kazakstan also has reacted angrily but without effect to Chinese nuclear tests at Lob Nor, China's main testing site, located within 300 kilometers of the common border.