

## COUNTRY PROFILE: KAZAKHSTAN

December 2006

### COUNTRY

**Formal Name:** Republic of Kazakhstan (Qazaqstan Respublikasy).

**Short Form:** Kazakhstan.

**Term for Citizen(s):** Kazakhstani(s).

**Capital:** Astana (formerly Aqmola) became the official capital of Kazakhstan in 1997, succeeding Almaty (formerly Alma-Ata) and moving the national government from the far southeast to the industrial north.

**Other Major Cities:** Almaty, Karaganda, Öskemen, Pavlodar, Shymkent, and Taraz.

**Independence:** The recognized date of independence is December 16, 1991, when the Republic of Kazakhstan split from the Soviet Union.

**Public Holidays:** The national holiday is October 25, Republic Day. Other holidays are International Women's Day (March 8), Novruz (spring equinox, March 21–22), Unification Day (May 1), Victory Day (May 9), Constitution Day (August 30), and Independence Day (December 16). Russian Orthodox citizens celebrate Christmas on January 7.

**Flag:** The flag has a sky-blue field with a golden sun and eagle in the center and a vertical golden ornamental strip on the left side.



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### HISTORICAL BACKGROUND

Until the arrival of the Russians in the eighteenth century, the history of Kazakhstan was determined by the movements, conflicts, and alliances of Turkic and Mongol tribes. The Kazakhs' nomadic tribal society suffered increasingly frequent incursions by the Russian Empire, ultimately being included in that empire and the Soviet Union that followed it. The earliest states in the region were the Turkic Kaganate, established in the sixth century, and a state established by the Qarluq confederation in the eighth century. Islam was introduced by Arabs who entered Kazakh territory in the eighth and ninth centuries. Between the ninth and thirteenth centuries, the dominant states of the region were those of the Qaraghanids and the Karakitai. In the early thirteenth century, the latter group was conquered by the Mongols under Genghis Khan.

During centuries of Mongol rule, the territory of Kazakhstan broke up into several major groups known as khanates. The first leader of the Kazakhs was Khan Kasym, who ruled in the early sixteenth century. After having expanded significantly, the Kazakhs split into three groups,

called the Great Horde, the Middle Horde, and the Lesser Horde. In the eighteenth century, Russian traders advanced from the north, catching the hordes between them and Kalmyk invaders from the east. When the Great Horde was forced to accept Russian protection in the 1820s, all of the Kazakh groups had come under Russian control, and the decay of the nomadic culture accelerated. Uprisings against Russian rule began in the 1830s (under the national hero Khan Kene) and continued sporadically through the so-called Basmachi Rebellion of the 1920s.

Beginning in the nineteenth century, Kazakhstan suffered from waves of large-scale implantation of Russians, including the agricultural settlements of Tsar Nicholas II's Minister of Interior Pyotr Stolypin, the Virgin Lands project of Soviet leader Nikita Khrushchev (in power 1953–64) in the 1950s, and the relocation of Soviet industry to Kazakhstan in the 1960s and 1970s. Soviet leader Joseph V. Stalin (in power 1927–53) also forcibly resettled other ethnic groups in Kazakhstan. Soviet agricultural policy was especially harmful to indigenous people and their economy. As the Soviet Union began to deteriorate in the 1980s, Kazakh nationalism grew under Communist Party leader Dinmukhamed Kunayev. Nursultan Nazarbayev, the last leader of the Communist Party of Kazakhstan and an advocate of maintaining a union of Soviet republics with increased autonomy, became president of an independent Kazakhstan when the Soviet Union split apart in 1991.

In the post-Soviet era, Kazakhstan remained closely tied to Russia by energy supply lines, national defense, and the importance of Russian technologists in Kazakhstan's economy, but Nazarbayev also sought closer relations with the West. Beginning in the 1990s, the discovery of major new oil fields and subsequent international investment enabled Kazakhstan's economy to pull far ahead of its Central Asian neighbors. Since his first election in 1991, Nazarbayev has maintained firm control of Kazakhstan's political and economic policy, removing all potential political rivals, including four prime ministers. A new constitution ratified in 1995 significantly expanded presidential power. After canceling the 1996 presidential election, in 1999 Nazarbayev easily won an election that received international criticism. However, by the mid-1990s the ruling elite already had begun to show signs of factionalism. Beginning in 1999, a series of corruption scandals arose, and frequent changes of government disrupted economic policy. In 2002 the government arrested the leaders of the top opposition group, the Democratic Choice of Kazakhstan (DVK), and pressured the media to stop critical reporting. In 2004 corruption allegations against the Nazarbayev regime intensified as a U.S. oil executive was indicted on charges of bribing representatives of the Kazakhstan government. In 2004 and early 2005, a series of restrictions on opposition parties, including the liquidation of the DVK, brought accusations of a political crackdown in advance of the 2006 presidential election. The government advanced the election date by one year to December 2005, when Nazarbayev gained 91 percent of the vote in what international observers called an unfair election. In February 2006, Altynbek Sarsenbayev became the second major opposition leader in four months to suffer a violent death, prompting street protests. Nevertheless, Kazakhstan's international diplomatic and economic positions continued to advance in 2006, despite domestic oppression, as the oil and natural gas extraction of Western oil companies in Kazakhstan increased substantially and Kazakhstan continued to support antiterrorism campaigns in Afghanistan and elsewhere.

## GEOGRAPHY

**Location:** Kazakhstan is located in the center of the continent of Asia, with a coastline only on the landlocked Caspian Sea. Russia forms its entire northern border.



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**Size:** At 2,717,000 square kilometers, Kazakhstan's area is about four times that of Texas, making Kazakhstan the ninth largest nation in the world. Some 47,500 kilometers of the total area is occupied by bodies of water.

**Land Boundaries:** Kazakhstan has common borders with the following countries: China (1,533 kilometers), Kyrgyzstan (1,051 kilometers), Russia (6,846 kilometers), Turkmenistan (379 kilometers), and Uzbekistan (2,203 kilometers).

**Disputed Territory:** Post-Soviet border disputes with China and Kyrgyzstan have been settled, but numerous points along the Uzbekistan border remained in dispute in 2006. Kazakhstan has signed seabed distribution treaties with Azerbaijan and Russia on resource exploitation in the Caspian Sea. Remaining unresolved in 2006 was the distribution of the Caspian Sea water column among the littoral states.

**Length of Coastline:** Kazakhstan's only coastline runs 1,894 kilometers along the landlocked Caspian Sea.

**Maritime Claims:** Jurisdiction over oil, natural gas, and other resources in the Caspian Sea is in dispute with other littoral states.

**Topography:** Kazakhstan's topography varies considerably by region. In the east and northeast, about 12 percent of its territory is occupied by parts of the Altay and Tian Shan mountain ranges with elevations of up to 6,995 meters. More than three-quarters of the country is desert or semi-desert, with elevations less than 500 meters. Along the Caspian Sea, elevations are below sea level.

**Principal Rivers:** Seven of Kazakhstan's rivers are 1,000 kilometers or more in length: the Chu, Emba, Ili, Irtysh, Ishim, Syr Darya, and Ural. The Irtysh and Ural rivers flow partly through Kazakhstan and partly through Russia. The Ili River flows from China into Lake Balkhash in eastern Kazakhstan. The Syr-Darya flows from eastern Uzbekistan across Kazakhstan into the Aral Sea.

**Climate:** Because Kazakhstan has no exposure to maritime weather patterns, the entire country has a continental climate featuring cold winters and hot summers. Rainfall, which varies from 100 to 200 millimeters per year, generally is heaviest in the south and in the eastern mountains.

**Natural Resources:** In 2006 Kazakhstan's estimated reserves of oil and natural gas were 35 billion barrels and 1.9 trillion cubic meters, respectively. Future exploration of offshore fields in the Caspian Sea is expected to significantly raise the oil estimate. The country is believed to

possess about 1 percent of the world's total reserves of natural gas and petroleum. Also present are significant reserves of chromium, coal, copper, gold, lead, tungsten, and zinc. Substantial amounts of good agricultural land are present, although Soviet and post-Soviet agricultural practices have greatly reduced the extent of that land.

**Land Use:** In 2005 some 8.3 percent of land was rated as arable, a reduction from the 1998 estimate of 11.2 percent. Less than 0.1 percent of that land was under permanent crops. About 4.8 percent is forest and woodland. The remainder is pastureland, meadows, desert, and mountains. In 2003 irrigated land totaled an estimated 35,560 square kilometers.

**Environmental Factors:** Most of Kazakhstan's water supply has been polluted by industrial and agricultural runoff and, in some places, radioactivity. The Aral Sea, which is shared with Uzbekistan, has shrunk to three separate bodies of water because of water drawdowns in its tributary rivers. A Soviet-era biological weapons site is a threat because it is located on a former island in the Aral Sea that is now connected with the mainland. The reduction in the Aral Sea's water surface has exacerbated regional climatic extremes, and agricultural soil has been damaged by salt deposits and eroded by wind. Desertification has eliminated substantial tracts of agricultural land. Plants in industrial centers lack controls on effluents into the air and water. The Semey region in the northeast has long-term radiation contamination from Soviet-era weapons testing. The Ministry of Environmental Protection is underfunded and given low priority. Some new environmental regulation of the oil industry began in 2003, but expanding oil operations on Kazakhstan's Caspian coast add to that sea's already grave pollution. International programs to save the Aral and Caspian seas have not received meaningful cooperation from Kazakhstan or other member nations.

**Time Zones:** Kazakhstan has three time zones, which are, respectively, five, six, and seven hours ahead of Greenwich Mean Time.

## SOCIETY

**Population:** In 2006 Kazakhstan's population was estimated at 15,233,244, of which about 52 percent was female. Population density was 5.9 persons per square kilometer. Some 56 percent of the population lives in urban areas, and the population is heavily concentrated in the northeast and southeast. In the early 2000s, economic growth brought significant movement from rural to urban areas. Because the annual growth rate has been negligible in the early 2000s, population growth is a critical issue for policy makers. Although in recent years a large number of legal and illegal immigrant workers have come to Kazakhstan from Kyrgyzstan and Uzbekistan, in 2006 the estimated net migration rate was -3.33 individuals per 1,000 population.

**Demography:** In 2006 some 23 percent of the population was younger than 15 years of age, and 8.2 percent was older than 64. The birthrate was 15.8 births per 1,000 population, and the death rate was 9.4 per 1,000 population. The overall fertility rate was 1.9 births per woman. The infant mortality rate was 28.3 deaths per 1,000 live births. Life expectancy at birth was 61.6 years for males and 72.5 years for females.

**Ethnic Groups:** According to the 1999 census, 53.4 percent of inhabitants were Kazakh, 30 percent Russian, 3.7 percent Ukrainian, 2.5 percent Uzbek, 2.4 percent German, and 1.4 percent Uyghur. In 1991 the Kazakh and Russian populations were approximately equal. Between 1989 and 1999, 1.5 million Russians and 500,000 Germans (more than half the German population) left Kazakhstan, causing concern over the loss of technical expertise provided by those groups. These movements have continued in the early 2000s. The Kazakh population is predominantly rural and concentrated in the southern provinces, while the German and Russian populations are mainly urban and concentrated in the northern provinces.

**Languages:** Kazakh and Russian are official languages for commercial purposes. Kazakh, spoken by 64.4 percent of the population, is the official “state” language, and Russian, spoken by 95 percent of the population, is designated as the “language of interethnic communication.” In 2006 President Nazarbayev proposed that Kazakhstan switch from the Cyrillic to the Latin alphabet.

**Religion:** Some 47 percent of Kazakhs are Muslim, primarily Sunni Muslims; 44 percent are Russian Orthodox, and 2 percent are Protestant. Because the Muslims of Kazakhstan developed their religion in isolation from the rest of the Islamic world, there are significant differences from conventional Sunni and Shia practices. For example, the teachings of the Quran are much less central to the Kazakh version of Islam than in other parts of the Muslim world.

**Education and Literacy:** Education is mandatory between ages seven and 15. Primary school is a four-year period, followed by five years of mandatory secondary school. Two years of specialized secondary school are optional. Beginning in the early 1990s, the primary language of instruction shifted from Russian to Kazakh, although in 2005 many institutions still were instructing in Russian. The public education system has declined since the Soviet era, in part because of insufficient funding and in part because the emigration of Russian and German scientific experts has depleted the teaching corps in the technical fields. From 1999 through 2005, government spending on education declined as a percentage of gross domestic product; it accounted for 3.5 percent of the budget in 2005. Between 2001 and 2005, enrollment in the primary grades decreased. Programs to restructure the Soviet-era education system have not been completed. Between 1996 and 2004, the number of private education institutions nearly quadrupled; private schools increasingly are preferred by those who can afford them because of deterioration in the public system. In 2005 some 181 institutions of higher learning were in operation, attended by 747,100 students. Enrollment in higher education increased rapidly in the early 2000s; some 440,700 students were enrolled in 2001. According to the 1999 census, Kazakhstan’s literacy rate was 97.5 percent.

**Health:** In principle, health care is free. However, bribes often are necessary to obtain needed care. The quality of health care, which remained entirely under state control in 2006, has declined in the post-Soviet era because of insufficient funding and the loss of technical experts through emigration. Between 1989 and 2001, the ratio of doctors per 10,000 inhabitants fell by 15 percent, to 34.6, and the ratio of hospital beds per 10,000 inhabitants fell by 46 percent, to 74. By 2005 those indicators had recovered somewhat, to 55 and 77, respectively. Since 1991, health care has consistently lacked adequate government funding; in 2005 only 2.5 percent of gross domestic product went for that purpose. A government health reform program aims to increase

that figure to 4 percent in 2010. A compulsory health insurance system has been in the planning stages for several years. Wages for health workers are extremely low, and equipment is in critically short supply. The main foreign source of medical equipment is Japan. Because of cost, the emphasis of treatment increasingly is on outpatient care instead of the hospital care preferred under the Soviet system. The health system is in crisis in rural areas such as the Aral Sea region, where health is most affected by pollution.

The most common diseases are respiratory infections, cardiovascular conditions, and tuberculosis. Since 2000, the incidence of human immunodeficiency virus (HIV) has increased, as has the incidence of environment-linked cancers. In 2003 an estimated 23,000 citizens had HIV. Because of increasing numbers of people in high-risk categories, such as female sex workers and intravenous narcotics users, experts forecast an increase in that figure. In 2003 an estimated 80 percent of cases were narcotics-related. In 2006 an outbreak of juvenile HIV caused by improper hospital techniques gained national attention. In the first nine months of 2006, some 1,285 new cases were reported officially.

**Welfare:** Although the 1995 constitution retained many Soviet-era social protections, the state's funding level and service bureaucracies have not been able to provide adequate benefits for retirees, the disabled, the unemployed, orphans, and the infirm and elderly. Pension payments have been in arrears because of a demographic imbalance between pension contributors and pension recipients and because of tax collection failures. In 1997 the government began replacing its inefficient pay-as-you-go pension system with individual pension funds overseen by the National Bank of Kazakhstan. By 2005 nearly all funds were privately run under the supervision of the Ministry of Labor and Social Protection. In 2005 some 85 percent of Kazakhstan's workers were participating, and the system—the first private pension system in the Commonwealth of Independent States—had US\$3.7 billion in assets, some of which the government reportedly was to use in building new electric power stations. Employees and the self-employed pay 10 percent of their income into mandatory retirement accounts. Under the new program, pensioners whose payments fall below a minimum amount are eligible for social assistance, as are individuals not eligible for contributory benefits. In 2004 social security and public assistance received 24.4 percent of state budget allocations. According to government figures, between 2000 and 2006 the percentage of the population falling below the unofficial poverty line declined from 34.5 percent to 19 percent. However, rural poverty remains deeply entrenched.

## ECONOMY

**Overview:** Because Kazakhstan's economy was closely linked to Russia's in the centrally planned system of the Soviet Union, the breakup of that union in 1991 caused a severe economic downturn in the years that followed. In the 1990s, the contribution of industry to the gross domestic product (GDP) fell from 31 percent to 21 percent, and GDP fell by 36 percent between 1990 and 1995. By 2002 new oil extraction operations restored the GDP share of industry to about 30 percent, and overall economic indicators rose substantially. The government engaged in widespread privatization, although many profitable enterprises went to members of the government-connected elite. The economy has remained poorly diversified; beginning in the

early 2000s, oil has accounted for more than half of Kazakhstan's industrial output, and many other industries are dependent on it. Between 1994 and 2003, frequent changes of prime minister made government economic policy inconsistent and commitments to economic reform and diversification ineffectual. In the post-Soviet era, the labor-intensive agricultural sector became steadily less productive. The machine-building sector, producing construction equipment, agricultural machinery, and some defense items, has grown, however. As much as 30 percent of Kazakhstan's GDP is accounted for by the "shadow economy," particularly in rural areas. A key economic goal is membership in the World Trade Organization; negotiations were active in late 2006. As oil continues to spur rapid growth, key goals of mid-term economic policy are diversifying the economic base by expanding non-oil manufacturing, raising agricultural productivity, and improving the environment for small and medium-sized enterprises.

**Gross Domestic Product (GDP):** Kazakhstan's GDP has increased every year since 2000. In 2004 the estimated GDP was US\$39.8 billion, an increase of 9.3 percent over 2003. The 2005 figure was US\$47.4 billion. In the first half of 2006, GDP grew by 9.3 percent, and the government forecast growth of 10 percent in 2007. In 2005 per capita GDP was US\$3,118. Services contributed 54.7 percent, industry 38.6 percent, and agriculture 6.7 percent of the 2005 GDP.

**Government Budget:** After the national budget ran deficits of 3 to 4 percent of gross domestic product in the late 1990s, revenues and expenditures were approximately equal in the first years of the 2000s because of increased oil revenue and currency reform. In 2004 tax cuts and increased expenditures brought a budget shortfall of about US\$1.2 billion. The shortfall in 2005 decreased to US\$250 million. The 2006 national budget called for revenues of US\$11.0 billion and expenditures of US\$11.8 billion, creating a projected shortfall of US\$800 million. The approved budget for 2007 calls for expenditures of US\$14.9 billion and revenues of US\$16.6 billion, a projected surplus of US\$1.7 billion. In 2004 Kazakhstan reduced its value-added and payroll tax rates, while the corporate tax rate remained the same.

**Inflation:** In 1999 devaluation of the national currency caused inflation to rise dramatically, but the rate for 2000 was only 9.8 percent, and it has remained below that level in subsequent years. In 2004 Kazakhstan's inflation rate was 6.9 percent, and in 2005 it rose slightly to 7.6 percent. The official target for 2006 and 2007 was in the range of 5.7 to 7.3 percent.

**Agriculture, Forestry, and Fishing:** Agriculture is the single largest employer, but between 1990 and 2005 its share of gross domestic product shrank from 35 percent to 6.7 percent. Few agricultural products have export value. The main agricultural products are grain, sugar beets, sunflower seed, fruits and vegetables, beef, and wool. Kazakhstan has agricultural land of good quality, but its continental climate and soil-depleting agricultural practices have limited exploitation. Land privatization has been uneven and inefficient. Landholding law reforms passed in 2003 failed to encourage trading in land, which would improve agricultural efficiency. Aided by good weather and a three-year rural revival program, agricultural output grew by 6.7 percent in 2005 after averaging 1.6 percent growth in the previous four years.

Of the 4.8 percent of Kazakhstan's territory that is forested, about 9 percent is nominally protected. Forest land is concentrated along the Chinese and Kyrgyz border and north of the

Fergana Valley. Kazakhstan produces a small amount of timber for export, but imports of timber products far outnumber exports. In 2004 a total of 300,000 cubic meters of wood were harvested, the majority of which was used as fuel.

The desiccation of the Aral Sea ruined a prosperous fishing and fish-processing industry. In the Caspian Sea, stocks of sturgeon and other fish have been depleted sharply by pollution, poaching, and overfishing. Kazakhstan has developed some sturgeon farms to replace the wild stock. In 2003 the total catch was 23,100 tons.

**Mining and Minerals:** Kazakhstan has rich deposits of chromium, coal, copper, gold, iron ore, tungsten, uranium, vanadium, and zinc. Coal mining, which has declined sharply in the post-Soviet era, is centered in the north-central Karaganda (Qaraghandy) Province, and copper mining, which has received substantial South Korean and British investment, is centered in Dzhezkazgan (Zhezqazghan) Province directly south of Karaganda. Phosphates are mined in Dzhambul (Zhambyl) and Chimkent (Shymkent) provinces along the southern border. Gold deposits in the northern provinces and at Zhambyl have not been fully exploited. Uranium extraction is expected to increase significantly between 2006 and 2112, making Kazakhstan a world leader in that mineral.

**Industry and Manufacturing:** Kazakhstan's industries are concentrated in the northern and northeastern provinces. In the first five years of the 1990s, the production of Kazakhstan's industrial sector fell by 52 percent compared with the last years of the Soviet era. The defense industry, which made a significant contribution to the Soviet system, virtually disappeared. Beginning in 2000, increased oil output stimulated industrial growth, although growth in other industries remained flat. Aside from oil-related activity, the main industries are metals processing, machine building, and the manufacture of construction materials. Substantial foreign investment has bolstered the metallurgy industries, and privatization has revived some enterprises. Since 2000 the construction industry has been stimulated by the need for new oil and gas infrastructure and the building of a new capital city at Astana. The most important light industrial products have been beer, cigarettes, and wheat flour.

**Energy:** The government maintains a virtual monopoly over energy industries. Despite its fossil fuel riches, Kazakhstan is a net importer of electricity, mainly from Russia. A major cause of the energy imbalance is an extremely high ratio of energy consumption to gross domestic product output. Reversal of energy dependency is a high priority of government economic policy. In the first half of 2006, electric power consumption increased by 4.3 percent over the same period of 2005, totaling 35.9 billion kilowatt-hours; in that period, production increased by 5.8 percent to 36.6 billion-kilowatt hours. Electricity imports from Russia (73 percent of the total) and Kyrgyzstan (27 percent) decreased by 39 percent between the first half of 2005 and 2006

Between 1996 and 2005, the share of thermoelectric generation declined steadily, and the share of hydroelectric generation increased, reaching 12 percent in 2005. Kazakhstan has no operating nuclear power plants. Dependence on foreign suppliers has motivated a long-term plan to build 20 new generating plants, mainly hydroelectric, by 2015. The first such plant, Moinak on the Charyn River, would open in 2010. Other plants will go on the Chu, Ili, Irtysh, Syr Darya, and Talas rivers. With international assistance, the power distribution grid began a large-scale



overhaul in the early 2000s, including a major new line connecting power plants in the north with centers of consumption in the south. The main fuel for thermoelectric power generation is coal from the Ekibastuz mines in the northeast.

Because of an inefficient domestic delivery system and the failure to utilize natural gas obtained in oil extraction operations, Kazakhstan also imports natural gas from Uzbekistan, incurring power cuts when payments lag. In 2004 infrastructure improved sufficiently for domestic output to equal consumption, at the level of 16 billion cubic meters. In the first half of 2005, Kazakhstan became a net exporter of natural gas for the first time, as production continued to increase. According to an official forecast, in 2015 gas output will reach 50 billion cubic meters, compared with 20.5 billion cubic meters in 2004. In 2005 China and Kazakhstan discussed a major gas pipeline connection from Kazakhstan to China's existing transnational line reaching Shanghai. Beginning in the late 1990s, foreign investment has stimulated rapid development of the oil industry. The state-owned oil and gas company, Kazmunaigaz, provides 20 percent of output, with the remainder accounted for by three major foreign consortia: Tengizchevroil, the Karachaganak Integrated Operation, and the Agip Kazakhstan North Caspian Operating Company. In the early 2000s, the government attempted to improve the terms of foreign ownership in the oil and gas industries, although substantial restrictions remain on ownership of Caspian operations. Plans call for development of an ethanol industry to supplement conventional fuels, using grain from the agricultural region of northern Kazakhstan. Kazakhstan would be a member of the Asian Energy Club, which Russia proposed in 2006 to unify oil, gas, and electricity producers, consumers, and transit countries in the Central Asian region in a bloc that is self-sufficient in energy. Other members would be China, Kyrgyzstan, Tajikistan, and Uzbekistan.

**Services:** Since 1995 Kazakhstan's banking system has been consolidated, partially privatized, and streamlined. Three banks dominate the system, which is overseen by the National Bank of Kazakhstan and the Financial Supervision Agency: the privately owned commercial bank Kazkommertsbank; the Turan-Alem Bank, which specializes in foreign exchange; and the state-owned Halyk savings bank. Particularly after 2004, the financial services sector has played an increasing role in providing credit to companies and individuals. In 2005 the value of bank credits increased by 75 percent. However, bank credit remained scarce for small business enterprises. Between 2004 and 2006, individual and corporate bank deposits grew from US\$6.5 billion to US\$15.5 billion. During this period, the proportion of deposits in tenge rather than foreign currency increased substantially. Most industrial lending goes to the fuels industries.

Other service industries have grown rapidly from the low level of the Soviet era. Because they are small-scale, however, the value of these services often is not reflected in official statistics. Services often are targeted by protection rackets and corrupt officials. The retail sales sector is dominated by small shops and kiosks. The tourism industry has been minimal because Kazakhstan lacks sites of interest, and the infrastructure is undeveloped. Hotels serve mainly businesspeople. Because of the oil boom, the real estate industry increased rapidly in the early 2000s.

**Labor:** In 2005 the total labor force was estimated at 7.85 million. Of the estimated 7.24 million (92 percent) that were employed, some 2.6 million were classified as self-employed. Between

1998 and 2005, the unemployment rate dropped from 13.7 percent to 8 percent. In 2002 the labor force was divided by sectors as follows: 20 percent worked in agriculture, 30 percent worked in industry and construction, and 50 percent worked in the services sector. In 2005 the minimum subsistence wage was US\$40 per month, and the official minimum wage was US\$69 per month. The average monthly wage in 2005 was US\$274; urban workers generally earned substantially higher wages than those in rural areas. In recent years, substantial numbers of illegal Uzbek immigrants have joined the workforce.

**Foreign Economic Relations:** Because it relies heavily on oil exports, Kazakhstan's landlocked position increases the cost of trade substantially. As a result of improved relations with Russia, between 2002 and 2004 trade with that country increased from US\$4.3 billion to US\$4.8 billion. The value of trade with Russia in 2005 was about US\$9.6 billion, dominated by Russia's 38 percent share of Kazakhstan's import value. Pipelines through Russia continue to carry the largest volume of Kazakhstan's exported oil, and Kazakhstan will not be connected with the Baku–Tbilisi–Ceyan pipeline bypassing Russia until 2008. Kazakhstan has not been able to revive economic interdependence among the former Soviet states in the Eurasian Economic Community (formerly the customs union of the Commonwealth of Independent States), which instead has insulated members from world prices and discouraged outside competition. In 2007 Belarus, Kazakhstan, and Russia were expected to form a customs union, which eventually would include the other members of the Eurasian Economic Community (Kyrgyzstan, Tajikistan, and Uzbekistan). Kazakhstan's manufactured goods have not been competitive on Western markets.

Since 1999 oil exports have provided Kazakhstan a substantial trade surplus; in 2005 export values totaled US\$27.8 billion and import values, US\$17.4 billion. The main export commodities are oil, natural gas, vegetable products, metals, and chemicals. The main import commodities are machinery and equipment, mineral products, chemicals, and semi-finished metal products. In 2004 the main purchasers of Kazakhstan's exports were Switzerland, Italy, Russia, and France. The main suppliers of Kazakhstan's imports were Russia (dominated by coal and electricity), Germany, China, and the United States. In 2005 exports to Russia amounted to 10.5 percent of Kazakhstan's total (compared with 14.1 percent in 2004), and imports from that country accounted for 38 percent of total imports (about the same share as in 2004). In 2005 commercial relations with China expanded significantly with completion of the Atasu–Alashankou oil pipeline into Xinjiang Province and an agreement to export US\$10 billion worth of electric power to China. China also bought one of Kazakhstan's largest oil companies, PetroKazakhstan, and a major natural gas pipeline into Xinjiang was in the planning stage. The imbalance of Kazakhstan's domestic economy makes non-petroleum producers vulnerable to competition from imported goods. Poor border controls have encouraged the smuggling of goods into Kazakhstan, as well as unrecorded small-scale trade along the borders with Kyrgyzstan, Russia, and Uzbekistan.

**Balance of Payments:** In 2004 the overall balance of payments was US\$4 billion. The 2004 current account balance of US\$529 million was positive for the first time in four years because of increased oil prices and borrowing, and the capital account surplus increased because of increased foreign direct investment. However, in 2005 the current account balance fell to a negative US\$486 million. After increasing steadily for the previous decade, the foreign exchange

reserve was US\$8.7 billion in mid-2006. The balance of portfolio investment, on the other hand, has been increasingly negative in the early 2000s.

**External Debt:** After rising steadily for several years, in 2005 the external debt reached US\$41.7 billion. This figure had been US\$22 billion in 2003 and US\$26 billion in 2004. Most of that debt is inter-company loans rather than public debt. Kazakhstan has borrowed regularly on international markets, and its bond rating was raised to “investment” level in 2002, improving access to international capital markets.

**Foreign Investment:** In the post-Soviet era, Kazakhstan has received about 80 percent of the total foreign investment going to Central Asia. Led by the international oil industry, foreign investment has increased steadily during that time. In the early 2000s, the largest investors have been from the United States (a total of US\$12 billion by 2005), the Netherlands, and Britain. Between 2003 and 2005, ChevronTexaco, a major investor since 1993, invested an estimated US\$3 billion in Kazakhstan’s oil industry. By 2005 foreign investment was responsible for some 85 percent of oil production. However, in 2005 foreign direct investment decreased sharply from US\$4 billion to US\$1.7 billion as energy companies recognized economic risks of further investment. In the early 2000s, investment also grew rapidly in the consumer goods and transportation and communications industries. In non-energy sectors of heavy industry, Ispat Karmet, the largest steel company, is owned by the Netherlands company Mittal Steel, and the British Kazakhmys company owns Kazakhstan’s largest copper processing operation. Russia’s investment in Kazakhstan, totaling US\$2.2 billion since 1992, has been only in the oil industry and only by the Lukoil company. China’s purchase of PetroKazakhstan in 2005 made that country a large-scale investor.

**Currency and Exchange Rate:** The national currency is the tenge, which since 2003 has gradually appreciated against the dollar. In December 2006, the exchange rate was 128 tenge per US\$1.

**Fiscal Year:** Calendar year.

## TRANSPORTATION AND TELECOMMUNICATIONS

**Overview:** The transportation infrastructure does not meet the needs of a vast country whose per-capita volume of road and railroad shipping is one of the highest in the world and whose climatic extremes put particular stress on transportation infrastructure. The telecommunications infrastructure is similarly inadequate to meet contemporary needs. Critical repairs and expansion have not received adequate funding or organized planning, although international banks have funded some projects.

**Roads:** In 2005 Kazakhstan had about 90,000 kilometers of roads, 84,100 kilometers of which were hard surface. Of the 23,000 kilometers of main highways, an estimated two-thirds are in poor condition. The major artery, the 1,222-kilometer road between Astana and Almaty, was rehabilitated in the early 2000s with funding from three international banks. With assistance from the European Bank for Reconstruction and Development, another important highway is

being completed along the Caspian coast between Turkmenbashi in Turkmenistan and Astrakhan in Russia, serving Kazakhstan's western oil outposts. There are 46 road crossings on the border with Russia, seven each on the borders with Kyrgyzstan and Uzbekistan, and six on the border with China. Spurred by income from oil, ownership of private vehicles increased sharply in the early 2000s, albeit from a very low starting point.

**Railroads:** In 2005 Kazakhstan had an estimated 14,200 kilometers of rail line, of which about 4,000 kilometers were electrified. The infrastructure of the railroad system is in poor condition, although Kazakhstan still moves nearly 75 percent of its freight and 50 percent of its passengers by rail. Using foreign funds, state-owned Kazakhstan Railways has undertaken a three-year infrastructure improvement program, and its passenger service was being reorganized in 2006. Rolling stock and spare parts have been in short supply. The system is concentrated in the northern part of the country, where it connects with lines in southern Russia. Lines also run northeast from Almaty to join the Trans-Siberian Railroad in Russia and westward from Almaty to Shymkent and then into European Russia. The main connector with Uzbekistan runs into Shymkent. Needed reform of the administrative structure and route improvements have gone slowly. A high priority is construction of a shorter rail route across Kazakhstan to link western China with Russia. Kazakhstan and Kyrgyzstan plan a 100-kilometer connector line from Almaty to Lake Issyk-Kul in Kyrgyzstan, to be completed in 2008. A rail line connects Druzhba, on Kazakhstan's eastern border, with China via the Alataw Shankou Pass. Almaty also plans to build a 35-kilometer subway line.

**Ports:** Kazakhstan's major ports are the cities of Aqtau and Atyrau on the Caspian Sea and the Irtysh River ports of Öskemen, Pavlodar, and Semey, which serve the northeastern industrial sector. Beginning in 1999, Aqtau was upgraded, with the goal of handling 7.5 million tons of oil and 1 million tons of freight per year. A new ferry port opened in Aqtau in 2001 added substantially to its capacity and established ferry connections with Azerbaijan, Iran, and Russia.

**Inland Waterways:** Although Kazakhstan has about 4,000 kilometers of inland waterways, 80 percent of river traffic uses the Irtysh River. Eleven companies carry traffic through the system.

**Civil Aviation and Airports:** In 2006 some 16 major airports and 51 smaller paved-runway airports served Kazakhstan. Nine had runways longer than 3,000 meters. Three, at Almaty, Aqtau, and Atyrau, offered international flights. In 2006 a fourth international airport was planned to serve western Kazakhstan. Flights from Almaty connect with Russia, other former Soviet republics, and some destinations in Europe, Asia, and the Middle East. Development of Kazakhstan's airline service has suffered from political struggles over control of the industry. The government has contracted management of some airports to foreign companies, and in the early 2000s foreign companies began competing with domestic airlines. In 2002 one-third of Kazakhstan's air companies lost their licenses because of lax safety practices, and many companies merged thereafter. Air Kazakhstan, the state airline, declared bankruptcy in 2004, making its competitor Air Astana the main domestic airline. The Atyrau airport is scheduled for upgrading with funding from the European Bank for Reconstruction and Development.

**Pipelines:** Because Kazakhstan is a vast country producing large amounts of oil and natural gas, pipelines receive high priority in transportation planning, and their location and funding have

been controversial issues. In 2006 Kazakhstan had 11,019 kilometers of natural gas pipeline, 10,338 kilometers of oil pipeline, 1,095 kilometers of pipeline for refined products, and 658 kilometers for gas condensate. Poor management and distribution of the domestic pipeline system have necessitated importation of natural gas, and foreign investment has concentrated on export lines. Kazakhstan is linked to the Russian pipeline system by the Atyrau–Samara line, whose capacity was increased in 2001, and to Russia’s Black Sea oil terminal at Novorossiysk by the Caspian Pipeline Consortium line. The Central Asia Oil Pipeline sends oil from Kazakhstan through Turkmenistan and Afghanistan to Pakistan’s Arabian Sea port of Gwadar. In late 2005, the Atasu–Alashankou oil pipeline was completed between eastern Kazakhstan and Xinjiang Province in China. That 970-kilometer line has a capacity of 20 million tons per year. In 2006 work was underway to extend that line from Atasu to Atyrau on the Caspian Sea, making the total length 2,900 kilometers.

**Telecommunications:** Although Kazakhstan has the best telephone system in Central Asia, the system rates poorly by world standards, providing only 15 lines per 100 inhabitants in 2004. Attempts to attract foreign investment have largely failed. The state-owned national telecommunications company, Kazakhtelcom, has received assistance from the European Bank for Reconstruction and Development in a nationwide program of expansion and modernization. The company relinquished its monopoly control of international and long-distance telephony in 2005, and several companies now compete in those markets. Particular growth has occurred in mobile phone access; in 2006 more than 5 million people used mobile telephones, compared with 29,000 in 1994. The June 2006 launch of the KazSat communications satellite from the Baykonur space platform, with Russian technical assistance, was expected to reduce the dependence of all the Central Asian countries on European and U.S. telecommunications satellites. Launch of a second KazSat is planned for 2009.

Expansion of Internet use has been limited by the relatively low ownership of computers in Kazakhstan. Most users access the Internet at public or work facilities. Usage is concentrated in the northern urban centers. In 2006 an estimated 400,000 people were using the Internet.

## GOVERNMENT AND POLITICS

**Overview:** Kazakhstan has been ruled by one person, Nursultan Nazarbayev, since before the collapse of the Soviet Union in 1991. During that time, governance has been destabilized by the dismissal of several governments, a series of referenda that changed governmental practice, periods of rule by presidential decree, and the establishment of two new constitutions. These events have concentrated power in the presidency, severely limiting the power of the legislature and the ministries. Nazarbayev has acted to discourage opposition, although some opposition parties exist. Government corruption has been a major issue. In 2005 the corruption index of Transparency International rated Kazakhstan 111 out of 163 countries. At the same time, Kazakhstan’s international prestige has improved because of its oil and gas resources and its geographic importance in antiterrorism operations.

**Executive Branch:** The president is elected by direct ballot to a five-year term. The constitutions of 1993 and 1995 have given increased powers to the president, and subsequent

referenda have made key changes such as the abolition of the two-term limit for that office. Officially, the prime minister, one deputy, and the 17 ministers that compose the government implement policy; the president determines policy. Nazarbayev has dissolved several governments in instances when a prime minister threatened his position as sole policy maker. Between 1992 and 2004, four prime ministers were dismissed or forced to resign. Only the president can introduce constitutional amendments. He or she has the power to appoint and dismiss the government, dissolve parliament, call for referenda, and appoint administrative heads of regions. Major foreign investment and foreign policy issues are handled by the president's office. The president appoints the members of the Committee for National Security, which plays a major role in law enforcement through its responsibilities for national security, intelligence, and counterintelligence. Nazarbayev, an indecisive administrator whose regime has been plagued by corruption, has survived by balancing competing factions. His daughter and son-in-law have assumed influential positions in politics and the media, fueling controversy about a potential dynastic succession. In a case labeled "Kazakhgate," Nazarbayev has survived longstanding accusations of taking bribes from a U.S. oil executive. Nazarbayev was reelected in December 2005 by an overwhelming majority.

**Legislative Branch:** In the post-Soviet era, Kazakhstan has had four parliamentary structures. Since 1998 the bicameral parliament has consisted of the 39-seat Senate and the 77-seat Majlis. The president appoints seven senators; every three years, half of the remaining 32 senators are elected by the governing councils of their respective provinces. Senators serve six-year terms; two are elected from each of 14 provinces and the cities of Almaty and Astana. Majlis members serve five-year terms. Ten Majlis members are elected from the winning party's lists, and the remainder are elected from single-seat districts. Legislation normally is introduced and pushed through parliament by the president or government members, although members of parliament also have the right to introduce legislation. The legislature has no power to appropriate state funds or to lower taxes without approval from the executive branch. The Majlis can dismiss the president by a three-quarters vote only in case of treason or gross incompetence. In the 1999 Majlis elections, only four of 67 successful candidates represented opposition parties. In the 2004 Majlis elections, Otan (Fatherland), the presidential party, once again won a decisive majority of seats. Otan also held a majority in the Senate before and after the indirect elections of 2005. In 2006 two women had seats in the Senate, and eight women had seats in the Majlis.

**Judicial Branch:** The highest court in Kazakhstan is the 44-member Supreme Court, whose members are nominated by the president and approved by the Senate. The Supreme Court is the appeals court for decisions taken at lower (district and province) court levels. Although nominally Supreme Court judges are appointed for life, in fact they retire at the mandatory federal retirement age of 65. Under the 1995 constitution, the Constitutional Court that had been established in 1991 was replaced by the Constitutional Council. The council rules on all constitutional matters, but its decisions are subject to a presidential right of veto. The council is composed of seven members: three appointed by the president and four appointed by the legislature. Citizens have no right of appeal on council decisions.

**Administrative Divisions:** In 1997 an administrative reform reduced the number of Kazakhstan's provinces from 19 to 14. The cities of Almaty, Astana, and Baykonur have the

same status as provinces. The 1997 reform divided the country into 160 districts and 10 municipal districts.

**Provincial and Local Government:** The governors of the provinces and districts, called *akims*, are appointed by the president. In 2006 a reform measure established direct elections for local governors, who previously were appointed by the *akims*. At city, district, and province level, the legislative body is the council (*maslikhat*), which is directly elected but has only budgetary and tax-raising power. The province *maslikhats* also elect the members of the national Senate from their provinces.

**Judicial and Legal System:** The system, whose independence is compromised by heavy control by the executive branch, functions at three levels: district, provincial, and federal. Judges at all levels are appointed by the president. Supreme Court and province-level appointments are made through the Supreme Judicial Council, which in turn is composed of ex officio presidential appointees. District-level judges are appointed from lists provided by the Ministry of Justice. Most criminal cases are heard at the district level; provincial courts try cases involving a possible death penalty and serve as appeals courts for decisions at the district level. Provincial court decisions can be appealed to the Supreme Court at the federal level. In 2002 legislation, the prosecutor general, who is the chief legal representative of the state, received new quasi-judicial powers that eroded the already small independence of the judiciary. Although judges are well-paid at all levels, bribery is common. Trial by jury, for which the constitution provides, was to be introduced for the first time in 2007, for capital cases only. Trials are public, and defendants have the right to counsel; however, in 2005 only half of criminal trials involved defense lawyers. Higher-court reversals of verdicts because of improper procedure have been common.

**Electoral System:** The national election law provides for universal suffrage for citizens aged 18 or older. National elections are overseen by the Central Election Commission, whose members are appointed by the president with the approval of the Majlis. The commission has summarily removed opposition candidates from ballots as recently as the 2002 Senate elections. Opposition candidates also have been bribed and intimidated, and in 2004 a court rejected the qualifications of one electoral bloc. International monitors found major procedural flaws in the Senate elections of 2002 and the Majlis elections of 2004. International observers declared the presidential election of December 2005, which Nazarbayev won easily, to be an improvement over earlier elections but still below democratic standards. The next Majlis elections are scheduled for September 2009.

**Political Parties:** Parties have not played an important role in Kazakhstan's political structure, and the Nazarbayev government has worked to prevent the development of an adversarial system. The constitution prohibits political parties based on religion. The election law of 2002 substantially reduced the number of parties by setting new financial and membership requirements on registration, which is under the authority of the Ministry of Justice. In the 2003 local elections, candidates from the presidential party, Otan (Fatherland), ran unopposed in more than 50 percent of races. Aside from Otan, 10 parties—one of which is chaired by the president's daughter—were registered for the Majlis elections of 2004. Three of the parties called themselves opposition parties, although all were considered moderate. All of the other seven had strong government ties. Otan won a decisive majority in the 2004 elections, whose procedures

were criticized by international monitors. Some leaders of two forceful opposition parties, the Republican People's Party of Kazakhstan (RPPK, founded in 1998) and the Democratic Choice of Kazakhstan (DVK, founded in 2001), have been sentenced to prison, and RPPK leader Akezhan Kazhegeldin has been in exile since 1998. The government deprived DVK of its legal status in 2005. Less threatening opposition parties such as the Ak Zhol (Bright Path) Party have been allowed legal status. In 2005 Ak Zhol split into pro-government and antigovernment parties, the latter of which was denied registration. The Coalition for a Just Kazakhstan, including most of Kazakhstan's opposition groups, was refused registration in 2005. Nevertheless, its chairman, Zharmakhan Tuyakbai, finished second to Nazarbayev with 6.6 percent of the vote in the presidential election. In February 2006, the murder of Altynbek Sarsenbayev, leader of the unregistered splinter of Ak Zhol, cast suspicion on the ruling party. As of early 2006, some 12 parties had official status, and four of them held seats in the Majlis. In mid-2006 the pro-government Asar Party joined Otan.

**Mass Media:** Although the constitution and the Media Law provide for freedom of speech and the press, by 2002 the government had eliminated or silenced most independent media outlets. The daily newspapers with widest circulation are the *Almaty Asia Times* (in English), the *Almaty Herald* (in English), *Ekspress-K* (in Russian), *Kazakhstanskaya Pravda* (expressing the official views of the government in Russian, circulation 55,000), *Khalyk Kenesi* (in Kazakh), *Vecherniy Almaty* (in Russian), and *Yegemen Kazakhstan* (expressing the official views of the government in Kazakh, circulation 62,000). The *Times of Central Asia* covers all of Central Asia except Tajikistan. The weekly Russian-language *Karavan*, owned by President Nazarbayev's daughter, has a circulation of about 250,000. The government also controls most printing and distribution facilities, and many of the approximately 1,000 privately owned newspapers receive government subsidies.

A large percentage of broadcast media outlets were privatized in the late 1990s, but most broadcast companies are operated by pro-government owners, including Nazarbayev's daughter and son-in-law. The main television channel, Khabar, reaches 64 million people in Central Asia and parts of China and Russia. Six other national channels are active. Public and private regional television channels and radio stations also broadcast, many of them on frequencies owned by regional governments. In 2000 Kazakhstan had about 6.3 million radios and 3.6 million television sets. The state press agency is the National Information Agency, Kazinform. Major foreign news agencies in Kazakhstan are Agence France-Presse, Anadolu Ajansı of Turkey, the U.S.-based Internews Network, the Islamic Republic News Agency, ITAR-TASS and RIA-Novosti of Russia, Reuters, and Xinhua.

**Foreign Relations:** In 2006 Kazakhstan continued its largely unsuccessful advocacy of stronger relations among the states of the former Soviet Union and among the five Central Asian states. Despite ongoing efforts by President Nazarbayev, neither of the two existing regional economic organizations—the Central Asian Economic Community and the Eurasian Economic Community—has increased regional cooperation. The only regional rapprochement occurred in the realm of national security, as the members of the Shanghai Cooperation Organization (China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan) began issuing geopolitical policy statements as a bloc in 2004. Kazakhstan's bilateral relations with Russia improved significantly in the early 2000s, and the government declared 2004 the "Year of Russia." Bilateral programs



with Russia involve joint exploitation of Caspian Sea fuel deposits, long-term Russian rental of Kazakhstan's Baykonur Cosmodrome, and cooperation in power generation. Caspian Sea exploitation remains in dispute with the other three littoral states, Azerbaijan, Iran, and Turkmenistan. Beginning in the early 2000s, a series of agreements with China on pipelines and the oil industry reduced Kazakhstan's suspicions of Chinese regional ambitions. Relations with Uzbekistan have remained tentative because of earlier border disputes, accusations that terrorists in Uzbekistan had trained in Kazakhstan, and Uzbekistan's ambitions to dominate the region. Relations with the United States have been fruitful for Kazakhstan, which has benefited from substantial U.S. investment in the fuels industries. In 2001 Kazakhstan provided the United States landing and overflight rights for military operations in Afghanistan, an arrangement still in force in 2006. In the early 2000s, Kazakhstan carefully balanced its position among the competing regional interests of China, Russia, and the United States, emphasizing common concerns about terrorism with the United States. In 2003 Kazakhstan supported the U.S. policy in Iraq, contributing a small military contingent to Operation Iraqi Freedom.

**Membership in International Organizations:** Among the international organizations of which Kazakhstan is a member are the Asian Development Bank, Central Asian Cooperation Organization, Collective Security Treaty Organization (of the Commonwealth of Independent States), Commonwealth of Independent States, Economic Cooperation Organization, Eurasian Economic Community, European Bank for Reconstruction and Development, Food and Agriculture Organization, International Atomic Energy Agency, International Bank for Reconstruction and Development, International Criminal Police Organization (Interpol), International Development Association, International Finance Corporation, International Fund for Agricultural Development, International Labour Organization, International Monetary Fund, International Organization for Migration, International Telecommunication Union, Islamic Development Bank, Nuclear Suppliers Group, Organisation for the Prohibition of Chemical Weapons, Organization for Security and Co-operation in Europe, Organization of the Petroleum Exporting Countries, Partnership for Peace (of the North Atlantic Treaty Organization), Shanghai Cooperation Organization, United Nations, United Nations Committee on Trade and Development, United Nations Educational, Scientific, and Cultural Organization, United Nations Industrial Development Organization, Universal Postal Union, World Customs Organization, World Federation of Trade Unions, World Health Organization, and World Trade Organization (observer status).

**Major International Treaties:** Between 1994 and 1997, Kazakhstan signed a series of bilateral treaties with the United States covering the peaceful use of nuclear technology and the conversion of military technology to civilian purposes. Among the multilateral treaties to which Kazakhstan is a signatory are the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal; Convention on Biological Diversity; Convention on Long-Range Transboundary Air Pollution; Convention on the International Trade in Endangered Species of Wild Flora and Fauna; Convention on the Prohibition of the Development, Production, Stockpiling, and Use of Chemical Weapons and on Their Destruction (but not the companion treaty on biological and toxin weapons); Geneva Conventions (1949); International Covenant on Economic, Social and Cultural Rights; Montreal Protocol on Substances That Deplete the Ozone Layer; Protocol of 1978 Relating to the International Convention for the Prevention of Pollution From Ships; Treaty on the Non-Proliferation of Nuclear Weapons;

United Nations Convention to Combat Desertification; and United Nations Framework Convention on Climate Change and its Kyoto Protocol.

## NATIONAL SECURITY

**Armed Forces Overview:** When the Soviet Union dissolved, Kazakhstan inherited a large but antiquated military technical base, including nuclear weapons that remained the property of Russia after 1991. However, development of an officer corps and a national military policy has been a slow process that has suffered from inadequate funding. Only in 2001 did military spending reach 1 percent of gross domestic product. Since the late 1990s, the number of active military personnel has grown considerably, from about 40,000 in 1995 to about 66,000 in 2005. In 2005 the army had 46,800 active personnel and the air force, 19,000 active personnel. The maritime border guard had 3,000 personnel. Paramilitary forces totaled 34,500. A naval force, announced in 2003 as protection for offshore drilling rigs, has developed very slowly. In 2005 much of Kazakhstan's equipment still was of the late Soviet era; hence, it required significant upgrading or replacement. The National Security Committee (KNB), successor to the Soviet-era KGB, is responsible for national security, law enforcement at the national level, and counterintelligence. It includes the Internal Security Service, Military Counterintelligence, Border Guard Service, and Foreign Intelligence Service. Little is known about the secretive Foreign Intelligence Service. The KNB has several commando units.

**Foreign Military Relations:** The critical foreign military link remains Russia, which is the main source of military equipment and personnel training. Kazakhstan is a signatory of the Collective Security Treaty of the Commonwealth of Independent States with Armenia, Belarus, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan. Membership in that group, which conducted some joint military exercises in 2005, precludes joining another military alliance. Nevertheless, Kazakhstan also has cultivated military links with the United States. Under the North Atlantic Treaty Organization (NATO) Partnership for Peace program, U.S. and Kazakhstani troops have engaged in regular joint training exercises since 1997. In 2003 Kazakhstan signed a five-year cooperation program supplying small amounts of U.S. military equipment and expertise. Some U.S. assistance also has gone to the naval forces at Aqtau on the Caspian Sea.

**External Threat:** In 2006 Kazakhstan faced no threat of involvement in armed conflict with any neighbor.

**Defense Budget:** After resisting increases in the 1990s, the Nazarbayev government has raised the defense budget annually since 2000. Between 2001 and 2005, the amount increased from US\$180 million to US\$419 million.

**Major Military Units:** The army has four mechanized rifle brigades, two artillery brigades, one mechanized rifle division, one engineer brigade, one mechanized division, one multiple rocket launcher brigade, one air assault brigade, and one surface-to-surface missile brigade. The army is administered from four district headquarters. The air force consists of one division, including one fighter regiment, three ground-attack fighter regiments, and one reconnaissance regiment. The maritime border guard forces are stationed at the Caspian ports of Aqtau and Atyrau.

**Major Military Equipment:** The army has 930 main battle tanks, 140 reconnaissance vehicles, 573 armored infantry fighting vehicles, 770 armored personnel carriers, 505 pieces of towed artillery, 163 pieces of self-propelled artillery, 171 mortars, 147 multiple rocket launchers, 12 surface-to-surface missiles, and 68 antitank guns. Most of that equipment is of the Soviet era and not reliable. The air force has 40 MiG–29, 43 MiG–31, and 16 MiG–25 fighter aircraft; 53 Sukhoi ground attack fighter aircraft; several regiments with 14 attack helicopters each; and 12 Sukhoi–24 reconnaissance aircraft. South Korea and other partners have delivered Kazakhstan about 13 small patrol craft for use in the Caspian Sea.

**Military Service:** The term of active service is 24 months. Males become eligible for conscription at age 18. The hazing of conscripts is a common practice.

**Paramilitary Forces:** In 2005 Kazakhstan had a total of 34,500 paramilitary personnel, 12,000 of whom were in the state border protection forces (under the Ministry of Interior), 20,000 in the internal security troops (police, under the Ministry of Interior), 2,000 in the presidential guard, and 500 in the government guard.

**Foreign Military Forces:** Since 2001 Kazakhstan has provided overflight and overland supply shipment rights to U.S. forces based in Kyrgyzstan.

**Military Forces Abroad:** In mid-2006, 29 Kazakhstani medical troops were attached to Operation Iraqi Freedom in Iraq.

**Police:** The police, numbering 20,000 in 2005, are supervised by the Ministry of Interior, which traditionally has been run by a military official. The first civilian minister of interior was appointed in 2003, placing all of Kazakhstan's security forces under civilian control. The government has used police to harass and incarcerate opposition journalists, political figures, and demonstrators. Human rights organizations have reported frequent incidents of police brutality. The secret police have been effective in discouraging opposition organizations, but the regular police, who are poorly paid, are ineffective and often corrupt. In 2005 the Ministry of Interior reported more than 2,000 complaints of police corruption. In the early 2000s, the government has taken some measures to improve police practices. An independent Financial Police Agency, responsible to the prime minister, investigates money laundering and other financial crimes.

**Internal Threat:** The government has successfully discouraged civil unrest except for demonstrations on specific issues such as pension arrears. Crime figures on Kazakhstan are not available, but organized narcotics smuggling and human trafficking have prospered in recent years because of Kazakhstan's location between source countries and Russia and the ineffectiveness of border controls. Seizures of smuggled narcotics from Afghanistan increased substantially in 2006.

**Terrorism:** In 1995 Kazakhstan joined what later became the Shanghai Cooperation Organization, a group also including China, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan, aimed at regional prevention of Islamist and separatist activities. However, Kazakhstan's involvement with terrorism, either as a victim or as a supporter, is not considered likely. Although Islamic fundamentalism has no attraction for Kazakhstan's Muslims, the government

poses the terrorist threat as a pretext for domestic repression. In 2005 the Majlis banned the pan-Islamist group Hizb ut-Tahrir as a terrorist organization because of the group's calls for an international Islamic government.

**Human Rights:** Government control of the media has increased in the early 2000s. Newspaper and broadcast reporters have been beaten and imprisoned when government corruption became a major focus of reporting. As an additional control, the government has restricted access to printing and distribution facilities. In 2004 President Nazarbayev approved a law restricting press coverage of elections, and media coverage of the Majlis elections of September 2004 was severely restricted. Monitors noted some improvement in press coverage of the 2005 presidential election. In 2005 incidents of harassment and violence toward the press remained common, however. Expression of political opposition is limited by improper electoral procedures (as noted by international monitors in each of the most recent four national elections) and restrictions on party registration. Prosecutors have very broad authority that negates the constitutional guarantee of a fair trial and has resulted in reversal of some trial verdicts. Police brutality is reported in prisons and in dealing with suspects. Prison conditions are very harsh. The constitution guarantees the right of assembly, but the Law on National Security has been used widely to label demonstrations and meetings as security threats. All public organizations must register with the Ministry of Justice. The vagueness of laws on nongovernmental organizations has been used to restrict the activity of such groups, and police harassment has been frequent. Kazakhstan has been the source, destination, and transit country for trafficking in people. According to estimates, in 2005 such incidents involved several thousand victims, mainly young women. Convictions for trafficking have been rare, and some involvement by corrupt law enforcement officials is assumed. Some 20,000 crimes against women, mainly in rural areas, were reported in 2005. Freedom of religion generally is protected, and religious organizations are not required to register. Jehovah's Witnesses and Hare Krishna members have met local persecution, however.