

# Kazakhstan Crisis Revealed Unpleasant Reality of Economy, Politics and Society

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**Abstract** - Kazakhstan, which is officially known as Republic of Kazakhstan is one of the significant nations in central Asia for its size, location, resourcefulness and strategic alliance. Country is well endowed with natural resources and has abundant oil and uranium reserves. It received independence in 1991 with dissolution of USSR but maintained relationship with former ruler. Economic benefits were not distributed uniformly and grievance of Kazak people piled high. Kazakhstan was blighted by authoritarian rule, blatant nepotism, absence of democracy, pandemic woes and pervasive corruption. The major portion of economic wealth is enjoyed by limited political and economic aristocrats. People of Kazakhstan voiced their anger since beginning of 2022 due to rise of fuel price and protested vehemently against deep seated systemic flaws. Kazak residents got tired and troubled by long standing autocratic rule lingered since independence. Close ally Russia intervened with dispatch of troops to quell the tension, exterminating the demonstrators and silencing the dissenting voices. Government responded to public outcry by implementing a state of emergency, stalling social networking sites and detaining anti-government activist. Unless political liberalism is established and economic disparity is addressed social discontent would not diminish.

**Keywords:** Fuel inflation, Economic disparity, Pandemic distress, Persistent corruption, Social unrest

## I. INTRODUCTION

Kazakhstan has the same land area as Western Europe yet has one of the lowermost population densities in the world. It connects China and South Asia's enormous and rapidly rising markets with those of Russia and Western Europe by road, rail, and a Caspian Sea port. Kazakhstan had a spectacular economic record since gaining independence in 1991. Speedy development facilitated to alleviate poverty and convert the nation into an upper-middle-income economy, bolstered by structural reforms, substantial hydrocarbon resources, robust local demand, and foreign direct investment (FDI). Kazakhstan's economy was expected to rebound to pre-pandemic levels by the end of 2021, with growth of 3.2–3.7 percent in 2021 and 3.7 percent in 2022. In order to restore of domestic activity, an invigorating fiscal approach, and the introduction of vaccinations would help to boost growth. The government reacted quickly to the COVID-19 problem, introducing a fiscal stimulus package worth around 6% of GDP aimed at small and medium-sized businesses (SMEs) and individual families. As per World Bank's analysis government was required to undertake structural changes while dealing effectively with the epidemic in order to achieve a strong, sustained, and inclusive economic recovery. Kazakhstan was the second-largest Bitcoin mining country in 2021. Its contribution was 18.1 percent, lagging the United States, which accounted for 35.4 percent of worldwide cryptocurrency output. Kazakhstan has resumed bitcoin mining following China's crackdown on cryptocurrency. In January 2022, when tens of thousands of Kazakhs took to

the streets to protest soaring liquefied petroleum gas prices, the internet was halted across the country. Bitcoin mining, a developing business in the Central Asian nation, was one of the worst impacted industries. Kazakhstan is the number one producer of uranium, the most often used fuel in nuclear power reactors, contributing for over 40% of global production. In addition to digital assets, other commodities have risen in value as a result of the volatility. Fears of reduced output drove up the price of uranium and crude oil in particular.

## Historical Background of Turbulent Time at Kazakhstan

Kazakhstan situated between two heavyweights China and Russian Federation, is the world's largest landlocked country, with a population of only 19 million people. It being largest country in Central Asia is greater than all of Western Europe. Following the disintegration of the Soviet Union, it attained independence in 1991. The country possesses some of the world's greatest oil reserves. It has attracted billions of dollars in foreign investment and produced 1.6 million barrels of oil per day. The wealth of the nation has not, however, trickled down to the populace, which has an average annual income of less than £2,500. Nursultan Nazarbayev, a former Communist Party politburo member with close ties to Russian President Vladimir Putin, led the country for approximately three decades after independence. President Nazarbayev prioritised economic reforms while opposing democratic rights. Without a government permit, public protests are banned in

Kazakhstan, and prior strikes and demonstrations have been handled ruthlessly. The president erected monuments of himself and constructed a new capital, Astana, which was eventually christened Nur-Sultan after him. In 2019, Mr. Nazarbayev stepped down, making room for Kassym-Jomart Tokayev who is reigning as the current president. Mr. Nazarbayev retained a powerful position in government after relinquishing presidentship and continued as president of Kazakhstan's Security Council. He also remained busy mentoring his daughter Dariga to be the next head of the group. When the government raised the price cap on liquefied petroleum gas, demonstrations erupted in protest against government decision. As because LPG is less expensive than other fuels, many Kazakhs modified their cars to run on it. The government, on the other hand, believed the price cap was causing LPG shortages and that it could no longer afford to increase supplies. Its decision to eliminate the cap effectively increased the cost.

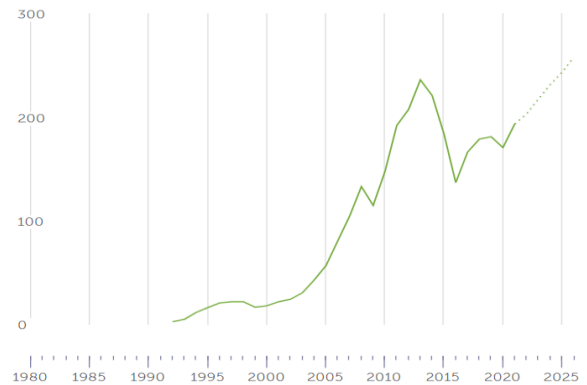
People in the west part of the country initiated protest movement in response to a sharp increase in petrol prices. The disturbance soon expanded to other parts of Kazakhstan, including Almaty, the country's former capital. In Almaty, protests turned violent, with looting and attacks on government buildings. Until January 19, 2022 the government declared a state of emergency. Mr. Nazarbayev has been dismissed from his position in order to appease the demonstrators. Karim Masimov, another former national security chief, was indicted with treason. Kassym-Jomart Tokayev, the president of Kazakhstan, requested assistance from the Collective Security Treaty Organization, which dispatched peacekeepers to the country. During the upheaval, President Kassym-Jomart Tokayev turned to a Russia-led military bloc for backing, putting his erstwhile patron and predecessor Nursultan Nazarbayev on the backburner by seizing control of the National Security Council. Troops from the Collective Security Treaty Organization (CSTO), an alliance of six former Soviet states, assisted in the de-escalation of conflict in Central Asia, and commenced a cautious pull-out on January 13, 2022. As per Kazakhstan's National Security Committee, situation restored normalcy and security personnel regained control of the chaotic situation. The government made a settlement by delaying the removal of the LPG price cap for six months and ordered the price of all motor fuel to be regulated. President Tokayev claimed that the government had failed to fulfil "one of its major duties

**Economic Situation of Kazakhstan Preceded to Social Upheaval**

Kazakhstan achieved significant policy progress and properly absorbed enormous natural resource-based revenues during the last decade by developing a rules-based fiscal system. Diversification remained a challenge for a country with the world's ninth-largest oil reserves, as hydrocarbon output accounted for 21% of GDP and nearly

70% of exports in 2020. The flawed policy prescription deterred economic diversification. The social disparity went high over the years. As per World Bank estimate the Gini coefficient which was 26.8 percent in 2015 reached 27.8 percent in 2018. Gini coefficient zero indicates complete economic equality as it moves towards 100 higher disparity it highlights. The following diagrams would illustrate economic setbacks of Kazakhstan and how economic deceleration aggravated due to policy logjam and pandemic driven restrictions.

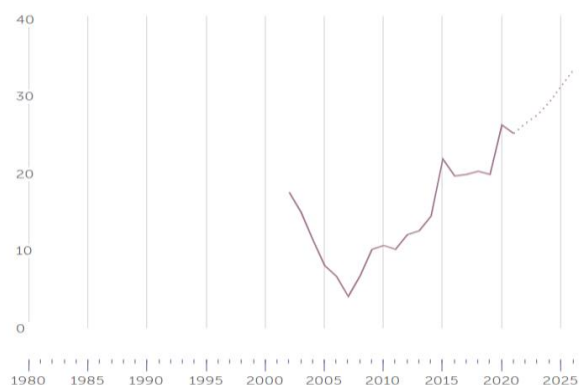
Table I: GDP in current prices (Billions of U.S. dollars)



Source: IMF DataMapper, Country Data- Republic of Kazakhstan, October 2021

Economic contraction started much before pandemic hit Kazakhstan. The above graph bears the testimony of economic downturn. Country made a progressive journey post-independence in 1991 and registered a steady growth of GDP in current prices over the decades. There was minor effect of financial crisis and global meltdown of 2008. Economic performance receded in 2009 before making a sharp upward movement. Economy reached its pinnacle of growth in 2013 when it achieved US\$236.64 as GDP value in 2013. Since then, economy embarked on slippery track and faced steep decline. Pandemic delivered a severe jolt economy and suspension of economic activities caused severe contraction and GDP in current prices reached US\$ 171.24 in 2020.

Table II: General government gross debt (Percent of GDP)



Source: IMF DataMapper, Country Data- Republic of Kazakhstan, October 2021

In the above diagram debt burden of Kazakhstan has become evident. The general government gross debt was high in the initial years of 21<sup>st</sup> century. In year 2002, the general government gross debt was 17.6 percent of GDP. It started reducing and reached low to be 4.1 percent of GDP in 2007. Later it had a sharp climb as government of Kazakhstan couldn't handle fiscal management deftly. Government debt burden went high and became 26.3 percent of GDP by 2020 when government had to dole out funds to confront healthcare emergencies. Lack of revenue generation and surge in expenses to support economy threw fiscal discipline out of gear.

## II. DISCUSSION

The new year of 2022 didn't start on a good note at Kazakhstan. It witnessed a massive social unrest. Kazak people already troubled by misrule and deprivation, faced sudden price hike of liquefied petroleum gas due to lifting of price cap for essential fuel by government in the very beginning of the year. Protests against gas price hike began on New Year's Day in the Kazakhstani city of Zhanaozen and quickly spread across the country, becoming the first massive encounter the country's administration had ever faced. Demonstrators in Almaty, the country's commercial capital, attacked and set fire to the mayor's office and other government buildings on January 5, 2022, and protestors captured the city's airport up overnight. Protesters complained that the price hike would lead to a sharp rise in food prices and exacerbate the country's long-standing income disparity. Inflation in the country was approaching 9% year on year in 2021, the maximum it experienced in more than five years. However, lower fuel prices were merely the blip on the radar. Ordinary Kazakhs had been increasingly dissatisfied with expanding income disparity, which further intensified as a result of the coronavirus pandemic, as well as a lack of democracy. While the country's authoritarian leadership was extensively criticised for breaching fundamental liberties, it had been able to garner millions of dollars in international investment by posing politically stable. There were numerous reports of anomalies during the 2019 presidential elections. Several rallies erupted, asking for a boycott of the polls, marking one of the few times in a country where opposition was rarely permitted that residents were openly criticising the administration. The election was held after Nursultan Nazarbayev, the country's long-serving Soviet-era leader, left office. Tokayev, who was largely viewed as purposefully selected successor, took his post. Nazarbayev and his family, on the other hand, remained to exercise considerable authority in Kazakhstan. Most of the recent rage was aimed at Nazarbayev, who was still broadly regarded as the country's supreme overlord. Given the growing anti-Nazarbayev attitude, shouts of "Old man, get away" reverberated across the country during the January 2022 demonstration. Hardship of people became unbearable

due to prolonged injustice and government apathy towards social suffering. The struggle for existence turned excruciating due to pandemic driven economic contraction and severe supply crunch. The latest turmoil alarmed Kazakhstan's neighbours, Russia and China, both of which remained important strategic allies. The success of the CSTO-led anti-terror campaign in Kazakhstan, in which Russia played a key role, had restored Moscow's pivotal role in Central Asia, which is in its immediate neighbourhood and in which it has significant stakes. The situation in all of Kazakhstan's areas where disturbances occurred from January 2 to 7 January 2022 had finally settled. However, the loss topped 87 billion tenge tantamount to about 200 million dollars.

## III. CONCLUSION

The problem of Kazakhstan occurred against the backdrop of growing labour costs and periodic ethnic strife in a country where the vast majority of the people gained little from the country's vast oil resources on a daily basis. For years, low wage, delayed remuneration, unsafe working conditions, environmental damage, and widespread corruption remained disturbing issues. The epidemic exacerbated these problems, exposing a chronically underfunded, incompetent, and unscrupulous healthcare system while sliding the economy into a tailspin. The working and middle classes were the worst afflicted by inflation. Kazakhstani were more disgruntled of rich oligarchs who kept their fortunes overseas while their budgets were squeezed to buy necessities. In the last couple of years, the country's social safety net was exposed, a situation aggravated by the dearth of economic opportunities for the majority of the country's youth. This was particularly factual for ethnic Kazakhs from rural regions and smaller cities who have flocked to Almaty and Nur-Sultan, the country's two major urban locations, to dwell in decrepit suburbs. The wealth divide was particularly visible in those expanding urban areas, establishing a strong divergence between the extravagant exhibitions of riches and everywhere else, where living standards and infrastructure remain deplorable. The migration of people from outside exacerbated social and ethnic conflicts, as well as taxed government services. The yearlong social repression and yawning inequality triggered the social outcry and uprising. The Nazarbayev regime promised structural transformation for decades, including enhanced political liberties, system of regulation, stronger governance, and anti-corruption efforts. When Tokayev gained office in 2019, he continued this trend of promising transformation, while touring the country on a "listening tour." Tokayev betrayed his promise and instead of liberalizing society, clamped down on opposition. For opposing government policies or revealing malpractice in government activities, journalists, dissenters, and others were imprisoned. Elections were still tightly regulated and

managed unethically, with any genuine antagonizing voices being deprived of the right to vote. The governing party, Nur Otan, won an improbably emphatic victory in the January 2021 parliamentary elections, with just a few opposition organisations largely loyal to the ruling class obtaining the remaining seats. This governance framework was carried out at the local level as well. Electorates of Kazakhstan was deeply upset with rigged election and its unfavourable outcome. There was no prospect of change in degraded circumstances they were in. The bottled-up frustration erupted in furious demonstrations that rocked the peace and stability of the nation. The government instead of acknowledging its misrule, unscrupulous practices and systemic disparity dubbed the civic activists with dissenting voices “international terrorists.” President of Kazakhstan, Mr. Tokayev called for Russian Collective Security Treaty Organization (CSTO) and Russian intervention to quell domestic tension. By bringing an unpredictable and typically untrustworthy partner (Russia) into the equation, the CSTO internationalised what began as a domestic outrage. The advent of Russian forces in Kazakhstan had already generated fears about the country's future sovereignty in certain quarters. Furthermore, Kazakhstani nationalist feelings had lately risen, as seen by the continued waving of Kazakh flags by demonstrators. Kazakhstan's Nazarbayev era came to an end. Both he and Tokayev had constantly turned a deaf ear toward appeal for transformation by local residents. Tokayev attempted to both explain his request for CSTO aid and reached out to secularists within the nation who were legitimately alarmed by the street violence by attempting to discredit the demonstrators. He appeared to be preparing society for radical reform, either domestically or through the CSTO. The social convention between the state and the people, on the other hand, seemed to have been ruptured. Tangible reform is essential for Kazakhstan to re-establish its stability, while it is unknown who would be available and capable of bringing about such transformation.

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