CHAPTER 4
US-KAZAKHSTAN RELATIONS AND PIPELINE POLITICS
The states of Central Asia are of strategic importance for the US, and therefore the US policymakers are trying hard to create opportunities to influence developments in the region by “throwing money” (aid) at them in order to promote democracy through supporting its civil society and existing leadership. Kazakhstan created complex choice for west given its enormous energy potential and the availability of a plethora of eager energy clients from the West and East (Olcott 2006: Online: web). It should be noted that the United States’ strategic partnership with Kazakhstan gained momentum with the visits of the then Secretary Rice to Astana in 2005 and by the then Agriculture Secretary Johanns and Energy Secretary Bodman in 2006. It was believed by the US policy makers that after adopting the extensive economic reforms, Kazakhstan has an opportunity to achieve stability by upholding standards of democracy and human rights. It was acknowledged that Kazakhstan is emerging as a world leader in oil and gas production. U.S. companies have invested heavily there and would like to do more. However, the transport of energy resources to markets remains a challenge.

In addition to this it was also acknowledged by the US policymakers that Kazakhstan has the potential to play a leading role as an investor in regional infrastructure projects, including in Afghanistan along with the diversification of its energy resources to world markets (US 109th Congress, Session 2nd, House of Representatives, Committee On international Relations, Subcommittee on the Middle East and Central Asia, Hearings, “US Policy in Central Asia: Balancing Priorities,” 9 March 2006: 20)

In this chapter an attempt has been made to provide an analytical framework to understand that US energy policy towards Kazakhstan is driven by large strategic and economic considerations. It contends that such a policy is a part of US grand strategy to perpetuate the asymmetrical power structure. It raises questions such as what role does US policy play in the ‘pipeline politics’ of Kazakhstan and what are the incentives for Kazakhstan in allowing increased US presence in the region. In addition, this chapter focuses on US interests, programmes and the investments in Kazakhstan so as to link it to its energy
resources. The constraints and restraints faced by the US in order to sustain its presence in Kazakhstan are also analysed.

**Kazakhstan: An Introduction:** Kazakhstan is characterised as ethnically diverse country constituting ethnic groups such as Russian, Ukrainian, Uzbek, German, and Uyghur, of course majority of which are ethnic Kazakh. Kazakhstan declared its sovereignty as a republic within the erstwhile Union of Soviet Socialist Republics (U.S.S.R.) in October 1990. Following the August 1991 abortive coup attempt in Moscow and the subsequent dissolution of the Soviet Union, it declared its independence on December 16, 1991.

The history of independent Kazakhstan coincides with a period of ferment struggle, discussion and debate. It was the period of Cold War characterised by super power competition, deep ideological struggles among the powers and “proxy war” among competing blocs of the states. With the end of the Cold War the institutions of the 1940s such as the UN and Bretton Woods such as World Bank and IMF, and other institutions and alliances like NATO can also trace their roots to this period (Feigenbaum 2006:Online: web).

The first President of the independent Kazakhstan, Nursultan Nazarbayev, indicated that diplomacy’s main objective was to create and maintain favorable conditions for steady development of the Kazakhstan based on political and economic reforms. The nature of these reforms determines the nation’s foreign policy priorities, impartiality, and a desire to be fully involved in both international and regional events. (Nazarbayev 2009: Online: web).

Kazakhstan’s foreign policy was clearly characterised by its President’s address to the nation where he clearly mentioned that “We will pursue an active, pragmatic and balanced foreign policy aimed at ensuring national interests, increasing the international prestige of our country and strengthening national, regional and global security” (President’s Address to the Nation, Ministry of External Affairs of the Republic of Kazakhstan 2000: Online: web).

In other words after its independence Kazakhstan resorted to pragmatic foreign policy which is evident by the fact that it has stable relationships with all of
its neighbours. Kazakhstan is a member of the United Nations, Organization for Security and Cooperation in Europe, and North Atlantic Cooperation Council, and presently serving as chairman in office of the Organization for Security and Cooperation in Europe. It is also an active participant in the North Atlantic Treaty Organization's (NATO) Partnership for Peace program. Kazakhstan is also a member of the Commonwealth of Independent States and the Shanghai Cooperation Organization along with Russia, China, Kyrgyzstan, Tajikistan, Uzbekistan, Kazakhstan, Russia and Belarus. In addition to this Kazakhstan is the founding member of the Conference for Interaction and Confidence in Asia. It is also engaged in regional security dialogue with Association of Southeast Asian Nations (ASEAN), (Department of State, Bureau of South and Central Asian Affairs 2009 Online: web).

**Natural Resources in Kazakhstan:** Oil, gas, and mineral exports are key to Kazakhstan's economic success. It has significant deposits of coal, iron ore, copper, zinc, uranium, and gold. Kazakhstan is one of the most gifted oil and gas reserves provinces in the Caspian Region after Russia and Iran. The country's population and geography both dwarf Azerbaijan and Georgia. The remarkable economic growth of Kazakhstan is attributed to its petroleum sector (US Geological Survey, USGS “Mineral Information: Europe and Central Eurasia” 2007: Online: web).

Evidence points to the fact that Kazakhstan is near the north-east side of the Caspian Sea and thus most of the Sea's biggest known oil fields are under its control. Kazakhstan's combined onshore and offshore proven hydrocarbon reserves have been estimated between 9 and 40 billion barrels comparable to OPEC members Algeria on the low end and Libya on the high end (Ibid). The country expects that the majority of the growth will come from four enormous fields: Tengiz, Karachaganak, Kurmangazy, and Kashagan (Claugh 2007).

However from 2005 to 2007 there was a slower growth rate which can be attributed to the government’s restrictions on associated gas flaring, field maintenance at Karachaganak and Tengiz, cold weather, and a lack of progress on expanding the Caspian Pipeline Consortium (CPC). Owing to environmental non-
compliance there were further restrictions, especially at the Tengiz field, that could cause the revocation of the operator's production-sharing agreements (PSAs) and would therefore impede production growth. Seventy per cent of recoverable oil reserves and nearly seventy-five percent of recoverable gas reserves lie in these three large fields—Tengiz, Karachaganak and Kashgan. In addition to this, smaller and mostly onshore fields account for the remaining reserves while there are unexplored and as yet untapped offshore prospects as well, but those have still to be given for drilling. For the future levels of Kazakh's oil and gas production, many projections have been made. The country's offshore prospects have been emphasised further except for the Tengiz field. The natural gas market has yet to be developed (other than for Karachaganak gas to the gas processing plant across the borders in Russian Orenburg.). In fact as early as in May 2003, a decree was issued by the President of Kazakhstan Nazerbayev approving the development plan through 2015. It is worthwhile to mention here that this development plan called for total production to reach 1.2mmb/d by 2005, 2.3mmb/d by 2010 and 3.5mmb/d by 2015. Most of the growth is to come from the three fields named above. However, by 2005, the development plan required an investment of $11 billion, another $20 billion in 2006-2010 and finally $21 billion in the period of 2011-2015 (Energy Information Administration 2008, Official Energy Statistics, "Country Analysis Brief" Online: web).

However, the commercial development cannot be accomplished only through presidential decrees. Though the 2005 goal was achieved in 2004, yet the major oil companies doubted that this plan would continue to increase production on the same pattern. The reasons for such apprehension were firstly, limits by foreign investors on the ownership in any project, secondly, the new law that imposes greater taxes on Production Sharing Agreement PSA and finally the success of the government in taking a share of Kashgan.

While technical details available points to the enormous value of these resources, the steady increase in production points to the large level of foreign investment involved. For instance in 2007 the oil produced in Kazakhstan was approximately 1.45 million barrels per day (bbl/d) and consumed 250,000 bbl/d,
resulting in petroleum net exports of around 1.2 million bbl/d. By 2008-2009 the oil production in Kazakhstan rose to approximately 1.54 and 1.71 million bbl/d. Karachaganak (250,000 bbl/d), Tengiz (280,000 bbl/d), CNPC-Aktobemunaigas (120,000 bbl/d), Uzenmunaigas (135,000 bbl/d), Mangistaumunaigas (115,000 bbl/d), and Kumkol (70,000 bbl/d) were the major producers of oil. These producers account for 1 million bbl/d (or around 70 per cent) of liquid production in the country. Other production is centred in smaller fields (Silk Road Intelligencer. Energy Information Administration, “Kazakhstan Oil” 2008: Online: web).

There has been a large flow of foreign investments into Kazakhstan's oil sector resulting in increased oil production in recent years (Figure 1). International projects have been taken in the form of joint ventures with Kazmunaigaz (formerly Kazakhoil), the national oil company, as well as production-sharing agreements (PSAs), and exploration/field concessions (Encyclopedia of Earth “Energy Profile of Kazakhstan” 2009 Online: web).

![Fig. 1: Oil Production and Consumption in Kazakhstan (1992-2009F)](image)


Kazakhstan’s oil production has been expected to grow rapidly to the end of the decade and beyond. Production from the Tengiz oilfield was predicted to be
500,000 bpd by 2007 and further expansion could raise the output to 750,000 bpd by the end of the decade. Offshore, the Kashagan field commenced production in 2008. Initial production was expected to be 75,000 bpd, rising gradually to 450,000 bpd and reaching 1.2 mbpd at full capacity, which is planned for 2015 (Ibid).

As one study put it, it is important to note that the development of the Karachaganak gas field has led to an increase in gas production compared to oil. One possible reason is that compared to other Central Asian countries, the climate for the investors in the energy sector is friendly. However recent amendments to the law on subsoil can possibly be a dampener in the future. (This amendment approved by the Parliament in September 2007, empower the authorities to amend terms of contract with investors where Kazakhstan’s economic interest or national security are deemed to be jeopardised).

It is surprising to note that being the richest in terms of hydrocarbon reserves, Kazakhstan is the net importer of natural gas primarily from Uzbekistan. The reason for this import is attributed to the fact that much of the gas produced in the country is slated or actually used for reinjection\textsuperscript{12}, because flaring\textsuperscript{13} is not allowed in Kazakhstan. However, the Amangeldy gas field is under development by the State Oil Company and Repsol YPE. It is hoped that this field output will replace import of Uzbek gas in the future (Ibid).

\textsuperscript{12} Gas reinjection is the reinjection of natural gas to an underground reservoir typically one already containing both natural gas and crude oil in order to increase the pressure within the reservoir and thus induce the flow of crude oil or else sequester gas that cannot be exported. This is not to be confused with gas lift where gas is injected into the annulus of the well rather than the reservoir. After the crude has been pumped out, the natural gas is once again recovered. Since many of the wells found around the world contain heavy crude, this process increases their production. The basic difference between light crude and heavy crude is its viscosity and pumpability - the lighter the crude the easier it is to pump. Recovery of hydrocarbon in a well is generally limited to 50 per cent (heavy crudes) and 75-80 per cent (light crudes). Recycling of natural gas or other inert gases causes the pressure to rise in the well, thus causing more gas molecules to dissolve in the oil lowering its viscosity and thereby increasing the well's output. Air is not suitable for repressuring wells because it tends to cause deterioration of the oil, thus carbon dioxide or natural gas is used to repressure the well. The term 'gas-reinjection' is also sometimes referred to as repressuring - the term being used only to imply that the pressure inside the well is being increased to aid recovery.

\textsuperscript{13} Gas flare, alternatively known as a flare stack, is an elevated vertical conveyance found accompanying the presence of oil and gas wells, rigs, refineries, chemical plants, and landfills. They are used to eliminate waste gas, which is released via pressure relief valve when needed to ease the strain on equipment.
Diversification of Kazakhstan’s Natural Resources: It is beyond any doubt that only oil and gas resources which otherwise contribute to energy diversity and world energy security alone cannot turn any landlocked country into a net exporter. In order to connect these ‘enormous resources’ to the world market through pipelines favourable political conditions are required. Since ironically corruption is pervasive in Kazakhstan as in other countries and it further lacks accountable and functioning democracy its petroleum reserves are not of much use. It is to be noted here that world oil market exists but gas markets for Kazakh supplies are still limited. Moreover, most of the Kazakh gas is associated gas i.e. mixed with oil. Therefore the country’s gas production is linked to its oil production and so the cost is likely to be high for installing gas treating and gathering (US Geological Survey, USGS “Mineral Information: Europe and Central Eurasia” 2007: Online: web).

In spite of having the abundant natural resources with a total potential value estimated at $8.7 trillion, Kazakhstan does not have sufficient capacity to transport its oil reserves of 100-190 billion barrels. However, keeping in mind the economic and commercial considerations, Kazakhstan is committed to the development of oil export routes. Current exports from the region are about 800,000 barrels of oil per day in part due to limited export route options. US Department of Energy estimated that export could increase by 1.8 million of oil per day by 2005 as export routes such as Baku- Tbilisi- Ceyhan (BTC) and Caspian Pipeline Consortium oil pipelines are fully functional. It continued by stating that Kazakhstan’s energy potential argues for strengthened cooperation and commercial dialogue between senior officials of both the US and Kazakhstan. It recommended that an energy working group that can help in clearing the obstacles in implementing commercial projects could prove very useful to iron out any difficulties (Babali 2005: Online: web).

Other studies too have maintained that Kazakhstan’s oil exports are the foundation of the country’s economy and have ensured that average real growth has stayed above 9.0 per cent for the last six years. Real GDP growth during 2007 averaged 9.5 per cent. Kazakhstan’s growing petroleum industry accounts for
roughly 30 per cent of the country’s GDP and over, half of its export revenues (Kaiser 2007:1300-1303).

**Beginning of US-Kazakh Relations**: The United States was the first country to recognise Kazakhstan on December 25, 1991, and opened its Embassy in Almaty in January 1992 which moved to Astana in 2006. In the years since Kazakhstan's independence, the two countries have developed a wide-ranging bilateral relationship. The current Ambassador is Richard E. Hoagland. It is observed that the bilateral relations between the two countries have been continuously broadening since Kazakhstan attained independence. The cooperation in security and non-proliferation area is the cornerstone of the relationship between Kazakhstan and the United States. The United States has assisted Kazakhstan in the removal of nuclear warheads, weapons-grade materials and their supporting infrastructure. In reciprocation, Kazakhstan transferred more than a half-ton of weapons-grade uranium to the United States. Further in 1995, Kazakhstan removed its last nuclear warheads and sealed off 181 nuclear test tunnels in May 2000 (Department of State, Bureau of South and Central Asian Affairs 2009: Online: web).

Even before the tragic event of September 11, Kazakhstan and other Central Asian nations such as Azerbaijan, Turkmenistan and Uzbekistan were beginning to receive greater attention from the United States government primarily because of their significant petroleum and other mineral resources. Since September 11, that interest has been intensified by the military campaign in Afghanistan and overall war against terrorism. From both the perspectives the United States has an important national interest relating to Kazakhstan specifically and the Caspian Basin generally. These interests had been extensively articulated by the Bush administration and members of Congress in view of September 11.

During his visit to Kazakhstan, the former Secretary of State Colin Powell acknowledged Kazakhstan’s political and diplomatic support for the ‘War on Terrorism’ and its military support in the form of over flight clearances. The country’s transportation infrastructure and other facilities played a significant role in the humanitarian relief and reconstruction of Afghanistan. The US government
also has a strong interest in working with the Central Asian government to combat illicit drugs and to prevent the smuggling of material that could be used to develop weapons of mass destruction. The FBI has opened an office in Kazakhstan to serve these purposes (Department of State, Bureau of South and Central Asian Affairs 2009 Online: web).

Dick Cheney, the most senior of the US officials has also spoken at greater length about Kazakhstan. He stressed the importance of Kazakhstan in the context of diversifying foreign oil supplies. “We need to develop projects to get pipelines built so that we can get access to the oil, get into the international market that will help in stabilizing prices and diversify supply” (Dick Cheney in an Interview with Jim Lehrer in Online News Hour, 7 February, 2006: Online: web)

In American opinion given the scope of the energy supply and demand challenges today and in the years ahead, Kazakhstan can play a helpful role in addressing the world’s energy needs. Further the US strongly supports the work of its energy companies and their international partners who are now focused on ramping up production and improving transportation to markets. US energy companies were among the first non-CIS foreign investors in Kazakhstan. It appears that the US is desperate to have a long-term engagement in the region (US Geological Survey, USGS “Mineral Information Europe and Central Eurasia” 2007: Online: web).

Before entering into the issue of ‘US-Kazakh Relations and pipeline Politics’ it is inevitable to have a better understanding of the Kazakhs’ energy cooperation with the countries surrounding it.

Kazakhstan’s Energy Cooperation with the Main Geopolitical Actors in Central Asia: In the post Cold War era the issue of energy security sparked off an intense competition among the major powers for the control of the strategic resources of the region, especially Kazakhstan. US policy makers realised that providing several options for the landlocked status of Central Asia and thereby enhancing its own influence was in the geopolitical and economic interest of the
United States. The strategic importance of Kazakhstan can be better understood by analysing the dynamics of three major countries which surround it.

**Russia**: The US aimed to reduce the Russian influence by making the post-Soviet states independent and prosperous. In this context pipeline infrastructure assumed tremendous importance. In the process of planning the pipeline infrastructure, priority was given to bypass Russia and consequently challenging Russian monopoly in the region. The execution of bypassing Russia was manifested quite explicitly in the ‘contract of the century’, i.e. Baku-Tbilisi-Ceyhan. It was signed between the state oil company of Azerbaijan Republic and a consortium of companies led by the British Petroleum on September 20, 1994. The route was from Baku to Ceyhan in Turkey via Tbilisi in Georgia. This multiple pipeline route has been operational since late 2005 (Starr and Cornell 2005 Online: web).

![Map 1](http://www.russiablog.org/...php)

**Source**: The Baku-Tbilisi-Ceyhan Pipeline Real Russia Project. 6 November 2006 [Online: web] URL: http://www.russiablog.org/...php?.
Interestingly, the other multiple routes are Caspian Pipeline Consortium14 (formed by Russia, Kazakhstan and Oman) in which American oil companies Chevron- Texaco also have a major share. It is important to note here that Russia has skilfully used the advantages that have accrued to it because of high oil prices and Russian monopoly in Central Asia to regain its waning influence there. Russia is not losing any opportunity to ensure that the energy policy of the Central Asian States is in tandem with its own. In other words Russia can not afford to lose its status as a leading energy power (Gorst: 2003:28-30).

Map 2


14 The Consortium includes the government of Russia (24 percent); the government of Kazakhstan (19 percent); the government of Oman (7 percent); Chevron Caspian Pipeline Consortium Co. (15 percent); LUKARCO B.V. (12.5 percent); Mobil Caspian Pipeline Co. (7.5 percent); Rosneft-Shell Caspian Ventures Ltd. (7.5 percent); Agip International (N.A.) N.V. (2 percent); Oryx Caspian Pipeline LLC (1.75 percent); BG Overseas Holdings Ltd. (2 percent); and Kazakhstan Pipeline Ventures LLC (1.75 percent).
**China**: Kazakhstan’s attempt to find reliable access to the world market and reduce the heavy dependency on the Russian transportation system led to a visible rapprochement within neighbouring China. In September 1997, Chinese Vice President Lee Pen visited Kazakhstan, during which the Chinese side promised to invest $9.5 billions in projects with Kazakhstan. The deal included an agreement by China National Petroleum Corporation (CNPC) to build the pipeline from the West of Kazakhstan to China. It was assumed that rapidly developing China could become a main importer of Kazakh oil due to the fact that its own hydrocarbon resources were not enough to meet the domestic energy demand (Croissant, and Aras1999:203 Online: web).

The growth of the Chinese oil industry from 1992 to 1996, on average was only 1.5 per cent per year, but the consumption of oil products was 7.5 per cent per year. It was expected that in 2000, China’s import would be more than 1 million barrels per day or 50 billion barrels per year. Yet it was not the only energy demand that pushed Beijing to cooperate with Kazakhstan. China wanted to consolidate ties of economic and strategic significance in the Central Asian Region. Beijing understood that in this respect it had to cooperate with the US and Russia which were also penetrating this region (Ibid)

By the end of 1997, China and Kazakhstan agreed to create a joint venture for realisation of the Uzenmunaiz projects which were dedicated to the building of a pipeline from the Uzen deposit in the west of Kazakhstan to the border with China and from there to the western Chinese provinces. China pointed out from the very beginning that the building of the pipeline was conditional on its own involvement in developing the Uzen deposit arguing that there was no reason for Beijing to build a pipeline without pumping a guaranteed amount of oil for export. China has thus been very active in its policy of participation in Kazakh oil extraction. In 1997, the China National Petroleum Corporation (CNPC) bought a 60 per cent share of the Kazakh company Aktobemunaigaz which extracts 2.6 million tons of oil annually and is increasing its capacity further (Dillion 2002:13-18).
Kazakhstan wanted to control the building of the Chinese pipeline as well as tariff policy for future oil transportation. It therefore offered to create a consortium with a private company’s participation. China, however, wanted to control these issues itself. It was also interested in total control of the pipeline for a fixed ten to fifteen-year period which would allow it to get the highest profit from exploitation. After this period, Kazakhstan would own the pipeline. Kazakhstan accepted Beijing’s conditions for participation in development of the Uzen deposit in order to solve its own problems. Some Western authors stressed the mutual interests of both the sides in the Kazakh oil deal and emphasised the lack of oil export options as the main reason for Kazakhstan’s interest. For the Kazakhs, the projects provide economic diversification that goes to the heart of its new independence. Without any doubt, realisation of the Chinese pipeline options is high priority for the Kazakhstan’s government. President Nazarbayev fired Vice Prime Minister Ahmetzhan Esimov in February 1998 because he did not speedily begin the building of the pipeline through China. Nazarbayev noted thereafter that “I follow Kazakh- China pipelines myself” (Croissant, and Aras1999:204 Online: web).

It is hoped in Kazakhstan that the expected widening of railways leading to China (Japan Chori company is working on it by using steel from a recently privatised steel foundry in Kazakhstan) will alleviate the oil transportation problem for oil companies till pipelines are installed. Importantly, Chevron already has experience in using railways for export of Tengiz oil to the oil refining factory in Western China. (Ibid).

The Kazakhstan-China pipeline, the first stage of which connects the Kazakh oil fields of Aktobe to the Kazakh oil hub of Atyrao is already complete. The second stage, which run from Atasu (north-west Kazakhstan) to Alashkanou (Xingjian, China) and costed an estimated $700 million with the eventual capacity of 200,000 bbl/d and 400,000 bbl/d respectively was completed in 2005 (China Daily 2005: Online: web). In contrast the Caspian Pipeline Consortium which connects Kazakh oil deposits to the Russian port of Novorossiysk is owned and
operated by Western companies, along with the Russian, Kazakh and Omani government owned companies, has a capacity of 560,000bbl/d.

Map 3, The Kazakhstan-China Pipeline (KCP)

URL: http://www.sras.org/geopolitics_of_oil_pipelines_in_central_asia

Iran: Kazakhstan began discussing oil trading possibilities with Iran in 1992. Kazakh exported oil shipment to its northern province in exchange for Iran to export the same amount of oil on behalf of Kazakhstan from its terminals on Kharg Island in the Persian Gulf. By these means Kazakhstan hoped to export a major part of Tengiz oil (Ahmad 2005:385-88).
Nazarbayev met the US Vice President Al Gore, during his visit to the United States in the fall of 1995 for the opening of a new UN General Assembly session. Gore agreed to help Chevron by giving its exclusive rights to sell part of its extracted Kazakh oil to Iran and avoid the existing embargo\textsuperscript{15} and in November 1995 the US government confirmed this officially. Hence it can be observed that Kazakhstan successfully overcame the American embargo on trade with Iran. It was emphasised however that the project was temporary and would be discontinued with the completion of the Caspian Pipeline Consortium. Prime Minister Nurulan Balgimbayev in 1996 declared that there were no political obstacles for exporting Kazakh oil to Iran (Croissant, and Aras1999:204 Online: web). One of the southern pipeline routes that could be used to export Kazakh hydrocarbons via Iran has also been considered within the framework of the Economic Cooperation Organisation (ECO) since 1992. A 2000 km pipeline was proposed. Many foreign companies showed an interest in participating in this project. In May 1996, governmental representatives of Kazakhstan, Turkmenistan and Iran signed a memorandum of understanding for creating an export committee for technical elaboration concerning the building of this pipeline. Finally the French companies Total and EIF Aquitaine financed a study on this project at the request of Kazakh government and later on, in 1996 created a working group along with the Kazakhstan minister of oil and gas. The China National Petroleum Corporation (CNPC) also expressed readiness to participate in building of the pipeline. It agreed to build a pipeline with the length of 200 kms from western Kazakhstan to Turkmenistan and possibly on to Iran (Dash: 2000:9-15).

From a political point of view, it was considered in Kazakhstan that the project was undoubtedly advantageous because the pipeline would pass through countries with a stable political situation. From an economic point of view, the route has both advantages and disadvantages.

On the positive side the pipeline would grant Kazakhstan access to the Persian Gulf. On the negative side, by the preliminary estimation made by the law

\textsuperscript{15} In April 1995, President Bill Clinton issued a total embargo on U.S. dealings with Iran, prohibiting all commercial and financial transactions with Iran which had actually imposed against Iran in view of 'Hostage Crisis' of 1979.
firms Ernst and Young, British petroleum and Statoil in 1992, the economical parameters of this project were going to be worse than any other route of Western direction. Iran which was very interested in building pipelines through its territory, suggested building a pipeline from Baku to Tabriz and then to its oil terminal on Kharg island. The length of the pipeline was going to be 1,000 kms with the capacity of 40 million tons of oil per year. The cost of this project was estimated at about $2.5 billion (Quoted in ibid).

Of course, the United States opposed the pipeline building through Iran for its own reasons and tried to influence Kazakhstan so that it could refuse the idea of transporting oil through Iran. In the opinion of Senator Sam Brownback, Chairman of the West and South Asia Subcommittee of the US Senate Foreign Relations Committee, building of a pipeline through Iran would lead to the capturing of the eastern and southern area of influence. This would consequently lead the region to become an economic hostage of Iran. Robert Gee, former US Assistant Secretary of Energy expressed more clearly that developing Iran’s oil and gas industry and building of pipelines through Iran will seriously damage the development of East-West infrastructure and allow Iran to influence the Caucasian and Central Asian economies (US 105th Congress, Session 2nd, House of Representatives, Committee on International Relations, Subcommittee on Asia and the Pacific, Hearings, “US Interests in the Central Asian Republics”, 12 February 1998:10-15).

The “play in pipelines” thus became a major concern for Kazakhstan’s external policy and diplomacy. Ultimately Kazakhstan was unwilling to refuse the Iranian route. In Almaty, during an international conference on export pipelines, an initiative of the Kazakhstan government, former Kazakhstan Minister of Energy, Industry and Trade Acygat Zhabagin stated that, “of the seven variants that were discussed, the pipeline through Iran was the first priority for Kazakhstan” (Quoted in Croissant, and Aras1999:214). He declared that because the estimated export volume of Kazakh oil is going to be 130 million tons per year at the beginning of the twenty first century, Kazakhstan need to possess a pipeline through Iran. He also emphasised that the realisation of the project can only be made after 2005. By forecasting the possibility of building a pipeline through Iran, the Kazakhstan
government intends to reach two goals simultaneously. On one hand, it wants to sustain cordial relations with Iran and therefore to use Iranian transport and communications for convenient access to the world market (Resizade 2002:37-39).

On the other hand, Kazakhstan expected that the collaboration with Iran would be used as a tool to encourage Washington to make concessions in financing alternative pipelines. Not only this, Kazakhstan also had in mind the use of US veto in safeguarding the embargo against Tehran in its own interest. Along with this, President Nazarbayev also wanted to accelerate or speed up the realisation of the pipeline project through Azerbaijan, Georgia and Turkey which was supported by the United States. Aiming to achieve a new "Silk Road" connecting the remote regions of Asia with Europe the pipeline will trace a route from the west of Kazakhstan along the Caspian seabed to Baku and from there it will transit to the Turkish port of Ceyhan on the Mediterranean Sea (Energy Information Administration, 2002: Online: web).

According to United States’ view the Europe Asian transport will brace the Turkish energy security. It will also help in building reliable access to European markets for the Caspian countries and eventually help in avoiding ecological problems of transporting oil products through the crowded Bosporus Strait. The pipeline was estimated to cost $1.5 billion. During his visit to Washington in the fall of 1997, President Nazarbayev set an October 1998 deadline for the US government to provide financing for the Baku- Ceyhan pipeline. He also noted that Kazakhstan could refuse alternative pipelines through Iran, Pakistan and Afghanistan if the US intends to realise the projects promptly. Washington was ready and prepared to speed up the efforts and to work out its technical- economic grounds and financial mechanism by the fall of 1998. By the end of 1998, Kazakhstan’s attitude to this oil route seemed to have changed. It was declared on October 26, 1998 by Prime Minister Balgimbayev that an oil pipeline underneath the Caspian from Aktau to Baku under the present circumstances was not commercially viable. Other export routes that Kazakhstan planned for oil export was through the Georgian Black Sea coast by tanker to the large oil terminal at Odessa in Ukraine (Hydrocarbons technology.com :2005:Online:web).
Ukrainian President Leonid Kuchma’s visit to Kazakhstan in October 1997, President Nazarbayev emphasised that this country was interested in any oil transportation because the volume of extracted hydrocarbon resources on every deposit was rapidly increasingly. Kazakhstan was also exploring the possibility of shipping oil via Russia or Georgia to Romania, thereby avoiding the Bosporus route (Maugeri: 2003:165-72).

In this scenario, the US policy makers felt that it should diversify its energy supplies, station its military forces close to the most immediate threats and create an enduring and deep impact by promoting democratic and free market values in an area that is still undergoing political and economic development. It was suggested that the US should evolve its policies keeping in mind the following considerations.

- Support-projects to increase and diversify non-Russian energy transit routes for Central Asian oil and gas;
- Further develop ties with Central Asian States to expand trade and security relations with the US;
- Continue to encourage good governance, modern institutions and legislative reforms in Central Asia; and
- Adopt a nuanced approach to regimes with which the US is not currently on cordial terms, allowing for engagement address national priorities, such as energy security and the global war on terrorism (Feltess: 2003:18-21).

Kazakhstan’s Interest in Allowing US Presence in the Region: Kazakhs interest in allowing US presence in the region can better be understood by analysing the various oil companies active in Kazakhstan.
After analysing the above table it is apparent that numerous oil companies are fiercely engaged in Kazakhstan in order to diversify its natural resources. In this scenario the Kazakh government felt that it should encourage the investment of foreign capital for the exploitation of its natural resources and reduce its dependency on Russia. In this process, the economically, technologically developed Western countries proposed the best financial capabilities for investments. However this turn towards the West did not happen automatically. Initially, Nazarbayev stated that first, Kazakhstan looked towards Russia in order to explore and enhance its oil industry. But very soon it became apparent that Russian partners were broken and consequently Kazakhstan took a sharp turn towards the West. President Nazarbayev argued that “the investment potential of Kazakhstan is so large that it would require resources which are not available even to the highly developed countries. He believed that such a diversification, given the long-term balance of interests which contribute to strengthening of Kazakhstan’s economic stability and would allow it to get effectively involved in the world market (Blank: 2006).
In addition to direct US financial investment, Kazakhstan also required US technical support. According to an agreement signed by Kazkoil and the US Company Texaco in 1997, Texaco would train Kazakhstan specialists working on various international oil projects. In this way, Kazakhstan was trying to develop its own highly trained cadres to secure its independence from Russia and any other country on this issue in the future. In the mutual agreement signed by the President of the United States and Kazakhstan in the fall of 1997, it was emphasised that since 1991 American companies have been playing a significant role in the Kazakhstan’s economy (Ibid). It is also stressed that the “massive American investment” into exploitation and transport of the Kazakhstan energy resources contributed greatly to a goal shared by both countries on the development of the energy sector in the Caspian Region.

Further US and Kazakhstan reached an agreement during Nazarbayev’s visit to the US in 1997. A contract was signed dividing oil which will be extracted from the Kashgan region of the Kazakhstan Caspian Shelf over the next forty years. Noticeably the West invested about $30 billion into the country’s oil industry, which allowed Kazakhstan to export about 150 million tons of oil annually by 2010. The planned total profits from the production and sale of oil was targeted about $800 billion. Part of the profit estimated to be $690 billion, was to be divided between Kazakhstan and its Western partner in the following way: 80 per cent of the profit coming from Tengiz field would amount to 775 million tons, along with substantial quantities of associated products (Ibid).

As a document put out by Department of Energy in 1997 stated that the scale of the growing collaboration between Kazakhstan and the United States was manifested clearly by the visit of president Nazarbayev to the United States in 1997. It provided a basis for analysts to conclude that Kazakhstan was growing increasing distance from the Russian sphere of influence. It was also acknowledged that Kazakhstan’s strategic location is important for the region and that Washington was concerned about Russia and China strengthening their position in the Caspian Basin. This was clearly manifested in the statement of Vice- Premier Yesimov when he stated, “the largest American companies work in
Kazakhstan taking into account all these factors.” (Energy Information Administration 1997: Online: web).

Clearly, Kazakhstan government was pointedly turning towards the West, not only for oil production from the previously explored fields, but also for exploration of newly discovered fields. After the agreement on Tengiz, an agreement was signed on the creation of an international consortium, Kazakhstan-Caspishelf (KCS), which included the British-Norwegian joint company, British company, British gas, and the Italian agip. The French Total, the Dutch Shell and the American Mobil, the KCS was supposed to conduct complex geophysical and seismological studies during its first stage of activity (1994-1997), while during the second stage (1997-2001) it planned to determine the amount of oil in the fields only after the oil production was begun. The directorship declared that the first stage was already finished and that transition to the second stage had begun in August 1997 (Amineh: 1999:20-25).

Political Maneuvering Around the Pipelines in Kazakhstan: The pipeline politics with respect to Kazakhstan emerged because of two major factors-

Failure of Caspian Pipeline Consortium: In its serious and sincere effort to achieve diversification of its energy resources, Kazakhstan along with Russia and Oman joined the Caspian Pipeline Consortium (CPC). The CPC’s objective was to build a pipeline from the western Kazakhstan to the Russian Black Sea port of Novorossiysk and from there to the world market. With the capacity of 55 million tons of oil per year, the total length of the pipeline was to be 1,600 kilometres. Kazakhstan was expected to contribute through its land and oil, while Russia was supposed to contribute through land, construction equipment and a certain part of infrastructure. Oman was to take care of the financial aspect of the project. CPC’s share was divided as: Kazakhstan and Russia were given 25 per cent each, Oman 50 per cent. The first phase was completed in 1996 with the construction of the 250-kilometres pipeline and a capacity of 15 million tons per year between Kropetkin to South Ozerenka, north of Novorossiysk. The second phase was to finish the building of a main Aktau- Tengiz Novorossiysk gas pipeline as well as branching system of auxiliary pipelines with the total length
approximately 1,500 kms by 1998. The pipeline had to go through Astrakhan-Elista Comosmolsakya Tikhornetsj to avoid Chechnya and other unstable regions of the North Caucasus. This pipeline was an important project for Kazakhstan as it diluted the problem of oil transport safety. But Oman was unable to fulfil its obligation of financing the project. However, at Kazakhstan’s request the consortium was restarted in early 1996, this time the major share of 50 per cent was given to the major oil companies Lukoil, Agip, ARCO, Chevron and Mobil and the Omani share was reduced to 7 per cent, the Kazakh and Russian share were also reduced slightly from 25 to 21.5 per cent for each side (Caspian Pipeline Consortium Online: web).

Unexpectedly even after restructuring, the project failed to make progress. According to one account the project could not get started because the foreign companies did not rush to finance the project. Russia too was not very interested at the beginning of the project. As Russia was the main source for export of oil and gas, it did not want any competitors such as Kazakhstan and other Caspian countries, especially when the prices of oil were declining in the world market. The project then currently stagnated. In 1996 CPC mangers promised to start pipeline building in January 1997 which was later postponed to May 12, 1999. The pipeline became fully operational by October 2001. The declared capacity is 28 million tons per year. Kazakhstan gradually lost interest in the project, as the country desperately needed reliable ways of export. At the same time it wanted to reduce its dependency on Russia and actively looked for alternative export projects (Olcott 2006: Online: web).

**Lack of Guaranteed Oil Transport Means:** Failure of CPC led to Kazakhstan’s government to look towards the United States. It is observed that development and exportation of Caspian energy resources have always been on the priority agenda of Kazakhstan’s foreign policy. However, despite having a huge oil and gas reserves in and around Kazakhstan, extracting the benefit for rapid growth of the economy was a difficult task. The unfavourable situation of the world oil market, lack of sufficient domestic resources, and the geographical location of the region became added disadvantages to Kazakhstan. In addition Kazakhstan’s effort
to attract foreign companies in order to enhance its oil production and export caused heavy resistance as Russia aims to dominate the region and does not want any new competitor to appear on the world market. The defensive political action taken by the Kazakhstan government in order to eradicate the Russian influence consequently embittered the Russian- Kazakhstan’s relations. On the other hand, Kazakhstan’s Caspian policy gained a serious rapprochement with the West, first of all with the US, to which Kazakhstan was seeking economic and political support in its inevitable competition with Moscow. Simultaneously, Kazakhstan perceptibly normalised relations with China and developed a friendly connection with Turkey and all Caspian neighbouring countries. Hence it can be said that Kazakhstan’s Caspian policy contains Western pragmatism accompanied by Eastern flexibility and persistence in achieving its objective. In fact, some account states that Kazakhstan has already reached positive results in the realisation of this policy (Caspian Pipeline Consortium, CPC: Online Web).

However, Kazakhstan agreed in principle to be associated with Baku- Tbilisi -Ceyhan ,BTC route, but planned to build pipelines along the floor of the Caspian. Though Russia raised objections on ecological grounds. Kazakhstan was also taking into account that the option to transport oil to Azerbaijan via tankers across the Caspian Seas (Stern 2000).

US Pipeline Politics Towards Kazakhstan: In a recent statement, Bureau of Economic, Energy and Business Affairs of the US Department of State pointed to the significant progress made by Kazakhstan in creating a market economy since its independence in 1991. Titled “2008 investment climate statement –Kazakhstan” it also analysed the Kazakhstan’s openness for foreign investments and concluded that the government of Nazarbayev had created a “favourable regime in oil and gas investment, at the same time that it undertook other liberalising economy and began an ambitious privatisation programme” (US Department of State, Bureau of Economic, Energy and Business Affairs 2008: Online: web). This document also outlined the legislative history of investments in Kazakhstan and noted that some concern still existed for the US as their laws were inconsistently implemented. Yet while highlighting concerns, the statement noted that the 1994 US-Kazakh bilateral
Investment Treaty allowed for disputes to be taken for the international arbitration. This aspect was significant because it encompasses the Kazakhstan’s government power to annul contracts in extractive sector. However a brief history of these two needs to be kept in mind while analysing the pipeline politics.

The seeds of US-Kazakh joint efforts were sown in 1988 when the government of Kazakhstan continued its negotiations with Chevron which was in fact initiated by the Soviet Union. The negotiation was directed towards joint exploration and exploitation of the Tengiz field. The negotiation picked up pace and subsequently came to the highest point of the decision to form an agreement during Nazarbayev’s visit to the United States in 1992. The joint exploration of the Tengiz and the neighbouring Karloev oil field was encouraged. Further, on April 6, 1993 the joint Kazkh- American venture, Tengizchavoil TCO was launched and given a forty-year mandate for carrying out operations on a 4,000 square kilometre area with a start up investment of $1.5 billion. The overall investment volume was expected to amount to $20 billion. Kazakh enterprise Tengizneftegaz- is a part of the national company Kazakhstan Munigaz and is also the predecessor of the current company Kazkhoil became a partner of the American company. As one account added, during the four decades of work, it was expected that oil output alone from the Tengiz field would amount to 775 million tons, along with considerable quantities of associated products (Hersh 2001: Online: web).

It is important to note here that there is a reason for Kazakhstan’s urgency in signing the agreement before the Caspian States can agree on the status of the Caspian Sea. Apparently Kazakhstan believed that if either the agreement was signed on oil exploration or production, Kazakhstan’s position in negotiation on the status of the Caspian would be subsequently strengthened. In particular, Kazakhstan would get needed support from the United States in defending its rights on the previously mentioned disputed Kashagan field. This aspect was alluded in the 2008 document of Economic Energy and Business affairs of the Department of State.

The energy partnership declaration illustrates the US commitment to work with the government of Kazakhstan to promote development of its energy sector in
accordance with international standards of responsible economic, social and environmental management. The energy partnership declaration reaffirms US support for multiple export routes of oil, particularly along the proposed Baku-Tbilisi-Ceyhan pipeline linking Kazakhstan oil fields to the world market via Turkey. It also strengthened cooperation on energy security and enhanced protection of production and transport facilities and promotes further cooperation on electrical power, nuclear energy and environmental protection.

US policy for the development of oil and gas reserves in Central Asia is predicated on the use of best commercial standards and transparency to ensure that energy resources are developed efficiently and for the benefit of the countries concerned. The completion of the Caspian Pipeline Consortium (CPC), pipeline from Kazakhstan to Novorossiysk on the Black Sea in Russia and the inauguration of the Baku-Tbilisi-Ceyhan (BTC) pipeline from Azerbaijan to Turkey are signal successes of this policy. The US made it clear that it is proud to the part of this endeavour. BTC in particular represents a new environmental, social, and design benchmark for energy transport worldwide. BTC, The Baku-Tbilisi-Ceyhan pipeline, with a capacity of over 1 million barrels per day, which runs from the Azerbaijani coast of the Caspian Sea to the Mediterranean coast of Turkey. Its major shareholder forms a consortium that includes British Petroleum, SOCAR, Chevron, Statoil, Total, ENI, Itochu, Conoco-Phillips and Exxon Mobil. Atyrau-Samara, a Russian owned pipeline, which extends from Atyrao, Kazakhstan to Samara. Its current capacity is 30000bbl/day, but Russia has pledged to increase its capacity to 500,000bbl/day (Cohen 2006: Online: web).

The construction of the South Caucasus pipeline would bring Azerbaijani natural gas to European markets and ultimately, Turkmen and Kazakhstan gas may cross the Caspian and share this route. It was commonly believed by US policy makers that their pipeline policy, a policy of antimonopoly was changing the landscape of Eurasia in a crucial and welcoming way. US firms were among the biggest investors in Central Asia’s energy sector and this was a welcome development in many ways. Major US oil and gas firms such as Chevron, Conoco Phillips, and Exxon Mobil have extensively invested in the Tengiz, Karachaganak,
and Kashagan fields. In addition, US oil services, companies and equipment providers such as Parker Drilling, McDermott, and Baker Hughes Services International have found promising opportunities (Ibid).

In order to maneuver the preferred pipeline routes in Kazakhstan US policy makers resorted to much pragmatic policy towards this 'tiny country' which can be discussed as under:

**Exchange of the Visits of State Dignitaries:** The United States and Kazakhstan have enjoyed a constant stream of high level visitors. For example Energy Secretary Bodman met President Nazarbayev and Energy Minister Izmukhambetov, Vice President Cheney met the President Nazarbayev, and Secretary Rice saw Foreign Minister Tokayev and Agriculture Secretary Johanns visited Kazakhstan on an agricultural trade mission. The US optimistically hopes that this trend continues.

**Strengthening Strategic Relationship:** The strategic relationship between the United States and Kazakhstan seems to have broadened in the recent past; but the issue of the pipeline route for the export of Kazakhstan's oil to the Western market remained an area of conflict and disagreement. It was observed that the United States and Kazakhstan stressed their strategic partnership in the fight against international terrorism, but agreed to differ on the issue of pipeline routes to export Kazakh oil to the Western markets. President Nazarbayev made it clear that, his huge resource rich nation of 15 million was prepared to work with the US in rebuilding post-war Afghanistan. Further Secretary Powell also categorically mentioned that Kazakhstan's crude was becoming of "critical importance". Washington preferred two oil export routes; one CPC, from western Kazakhstan to Russia's Black Sea in November 2001 and coasted $2.5 billion, 1530 kms. The second proposed pipeline from Baku-Ceyhan on Turkey's Mediterranean coast. This pipeline route was intended to bypass Russia and Iran. But Nazarbeyev also mentioned that though they backed BTC, oil investors working in Kazakhstan considered crude shipment to the Gulf across Iran to be most advantageous (Nichol 2004:Online:web).
**US Nurtures Ties with Kazakhstan:** It has been argued in the United States that it should continue to work with Kazakhstan in order to promote transparency and private investment and further to encourage leaders to expand cooperation with US oil companies. Moreover the US must work with Kazakhstan and countries of Central Asia and the Caucasus to encourage them to expand infrastructure and in particular to increase options for the delivery of oil and gas to the market. Continued improvement of the investment regime and stable tax rates were essential for ensured continued US investment on a commercial basis. The US urged the prudent use of energy resources in Central Asia through transparency. The Extractive Industries Transparency Initiative (EITI) in which Kazakhstan participated was a step forward in ensuring increased transparency and appropriate oversight over revenues from hydrocarbon extraction. The International Monetary Fund have also praised Kazakhstan’s management of its national fund, in which oil and gas revenues are placed (US 109th Congress, Session 1st, House of Representatives, Relations, Subcommittee on the Middle East and Central Asia, Statement by Steven R. Mann, Former Principal Deputy Assistant Secretary for South and Central Asian Affairs before the on “Assessing Energy and Security Issues in Central Asia” July 25, 2006:14-16).

As has been evidenced that the former US President George W. Bush endorsed his Kazakh counterpart on his endeavour to transform this newly independent sovereign country into a free nation. Their efforts in combating terrorism by supporting the US logistically were also endorsed by the US. Though economic ties between the US and oil rich Kazakhstan topped the agenda (Posen2007:561-567). However, US concern over Kazakhstan’s human rights record did not become the obstacle in enhancing the ties. According to Nazarbayev, “in economies, in energy partnership, in the war on terror, we truly become close partners” (KazCham 2010: Online: web). Following the “closed door talks, the leaders issued a joint statement saying the two countries’ energy partnership would help US companies play a role in exploring Kazakhstan’s vast gas and oil reserves around the Caspian Sea. The US is the largest investor in Kazakhstan’s oil and gas industry and rivalry over its natural resources has turned the economy into a rare post-Soviet success story. Analysts say that Kazakhstan is
seen as an important new energy sources for the West which could help reduce reliance on Middle East oil.

**US Assistance to Kazakhstan:** The United States assisted Kazakhstan through $400 million to combat threats arising from narco- trafficking, terrorism and all smuggling of contraband, including weapons of mass destruction by building up Kazakhstan’s rapid reaction capabilities (Broder 1994). The US funded border security training programme by donating three 42-foot patrol boats to the maritime border guards.

The United States supports increased citizen participation in the public arena through support of non-governmental organisations (NGOs). Dozens of grants have been provided to support NGOs that promote an independent media, legal reforms, women’s rights, civic education, and legislative oversight. USAID also has provided training courses for leaders and professionals (Department of State, Bureau of Democracy, Human Rights, and Labor 2004 Online: web).

A large part of proposed foreign military financing and other equipment and training aid for FY2005 was used to create a rapid reaction brigade at the Atyrau military base and to support the Kazakh peacekeeping battalion. Further it was also directed towards assisting Kazakhstan in order to combat against terrorist threat to oil platforms or border and thereby protecting Caspian energy infrastructure along with the key energy transport routes (State Department 2005: Congressional Presentation for Foreign Operations. The Peace Corps had about 140 volunteers working throughout Kazakhstan in business education, English teaching, and the development of environmental non-governmental organisations.

In addition, security assistance programmes offered by the US are enabling the refurbishment of facilities at the maritime academy in Aktau, and the US maintain a robust programme of engagement to ensure that Kazakhstan has the capability to monitor and manage its land and sea borders. Kazakhstan is also trying with the US assistance to refurbish Huey helicopters for use as part of its rapid reaction forces (Cornell and Swanstrom: 2006:24-28).
Regional Integration Initiatives: In this regard it is important to bring to the notice that Kazakhstan was the first Central Asian State to develop and secure NATO approval for the Individual Partnership Action Plan, which has helped Kazakhstan gain a better understanding of NATO’s role and purposes. Its participation in ordnance disposal efforts in Iraq improved the Kazakhstan’s military’s interoperability with the US forces. Kazakhstan has shown the great commitment to military modernisation, both of equipment and doctrine, in Central Asia (Joint Statement by President George W. Bush and President Nursultan Nazarbayev on the New Kazakhstan-American Relationship, December 21, 2001Washington, DC Online: web).

It can be argued that the United States firmly supported the expanded Central Asia’s ties to the Euro-Atlantic community, while also looking for new opportunities to the South. The creation of the State Department’s Bureau of South and Central Asian Affairs reflect this expanded view. Institutions such as NATO and Organisation for Security and Cooperation in Europe and the United States are enhancing new ties and synergies with nations of the south.

The United States and the countries of the broader region share an interest in the free movement of energy, people, goods and information from the Kazakh steppes to the Indian Ocean. The US count not only to support economic development along a north-south axis, but also afford Afghanistan access to a wider world, thus becoming a bridge, not a barrier. In this vision, the United States wants to be the convener, facilitator and engine for change by trying open physical and diplomatic bottlenecks. Additionally, the US looks forward to undertake a strategic dialogue on regional integration with the countries of the region. The US also work with multilateral institutions, governments, and the private sectors (Neack :2003:23-78 ).

As Secretary Rice noted in her speech at the Eurasian University in Astana on October 13, 2005, Kazakhstan has the potential to become the locomotive of growth for Central Asia and to give impetus to a “corridor of reform” extending southwards to Afghanistan and the Indian Ocean. Further, she also opined that Kazakhstan’s expanding economy and mounting funds for investment would
ensure it a growing regional role. In addition to the US’s encouragement of continued economic and commercial reforms, it looks to Kazakhstan to make concomitant political reforms that will establish the democratic institutions fundamental to stability and orderly transfer of power when President Nazarbayev completes his current term in 2012 (“Rice Urges Kazakhstan to Lead Central Asia on Democratization” Kazakhstan’s Echo 2005: Online Web).


The growing cooperation between the US and Kazakhstan can also be analysed by the fiscal support provided by the US to Kazakhstan. It is important to note here that between 1992 and 2005, the United States provided roughly $1.205 billion in technical assistance and investment support to Kazakhstan. The programmes were designed to promote market reform, to establish a foundation for an open, prosperous, and democratic society, and to address security issues. US foreign direct investment (FDI) was 24.6 per cent of total FDI in Kazakhstan in the first half of 2007. American companies have invested about $14.3 billion in Kazakhstan since 1993. These companies are concentrated in the oil and gas, business services, telecommunications, and electrical energy sectors. Kazakhstan has made progress in creating a favourable environment for investment (Ibid).

Cumulative US aid budgeted for Kazakhstan in the fiscal year 1992 through 2003 was estimated at $1.054 billion, with Kazakhstan ranking fifth in aid among the twelve former Soviet Republics. The United States also helped deliver Department of Defense excess and privately donated commodities worth $202.36 million in FY 1992-Fy 2003. Estimated US Freedom Support Act and other foreign aid for FY 2004 was $41.57 million. The US also contributed to international organisations that aid Central Asia (Nichol 2004: Online: web). In this scenario, Kazakhstan is the most economically developed of the former Soviet Central Asia.
Republics. According to the World Bank, Kazakhstan’s economic prospects are promising because of its vast energy and mineral resources, low foreign debt and the well trained workforce. Since 1993, the US Agency for International Development (USAID) administered technical assistance programmes to support Kazakhstan's transition to a market economy, fully integrated into the world trade system. These programmes include cooperation in privatisation, fiscal, and financial policy; commercial law; energy; health care; and environmental protection “Foreign Operations Appropriated Assistance: Kazakhstan” Bureau of European and Eurasian Affairs, Fact Sheet, 2009: Online Web).

The continued and robust US engagement is required to push forward the next phase of energy development and provide the political space for the countries of the region to pursue their national interests. Security will continue to be challenged. The continued progress in Afghanistan and a reduction of narco-trafficking will contribute materially to the stability and security of governments in the region and will help to erode the foundations of fundamentalism and terrorism (Scott: 2003:30-31).

Similarly according to Deputy Secretary of State Richard Armitage on April 27, 2004, “Kazakhstan can and should serve as a guiding light” in Central Asia, the South Caucasus and beyond, since it is the largest most stable and prosperous Central Asian State. Further, he confirmed that US goals towards Kazakhstan are fostering democratisation, open markets, a favourable investment climate for US firms and Kazakhstan’s integration into the global economy (Armitage 2004, Press Release in Kazakhstan).

The US funded $36 million to the Afghan-Tajik Bridge. The US also assisted with the construction of customs and border crossing facilities throughout the region. It is remarkable that the Afghan ring road has been completed, cutting travel time between Kabul and Mazar-e Sharif in half. The US is also making progress on rehabilitation of the Afghan energy grid and hope to lay the foundations for export of electricity from Tajikistan to Afghanistan. The US Trade and Development Agency sponsored Central Asian Powers Sector Forum brought together all the governments in the region and the private sector to explore specific

So after the above discussion it can be concluded that the US seek to cooperate with Kazakhstan and its neighbours so that together they can assure multiple options and new opportunities in every direction on the compass, east, west, north, and south. Former Secretary of State Condoleezza Rice noted that US policy is to give impetus to a “corridor of reform” extending southward to Afghanistan and the Indian Ocean, even as the region’s ties expand eastward to China, Japan, Korea, and the Pacific Rim. And while looking for these new opportunities to the south, the United States firmly supports maintaining and expanding Central Asia’s robust ties to the Euro-Atlantic community, not least through institutions such as NATO and the Organisation for Security and Cooperation in Europe (OSCE). Thus the United States is promoting options and opportunities omni-directionally, but increasingly to the south because it is the least developed direction. In this regard the US is taking a multidimensional approach, working on security, economics and democracy simultaneously. Promoting the rule of law is not simply a matter of better governance and democratic development but also creates a more attractive economic and investment climate since no company will invest where the rule of law is lacking, where contracts are not sacred, and where a firm has uncertain means of legal redress in the event of a contractual dispute. Likewise with the modernisation of borders and customs the United States has worked closely with Central Asian governments in both these areas, improving security through its assistance but also facilitating economic interaction and expanded trade. In all these efforts, Central
Asia themselves is at the centre of the US approach. Kazakhstan is perceived to play a leading role in all this. The country’s expanding economy and mounting funds for investment suggest enormous possibilities. However, the US and Kazakhstan share an interest in the free movement of energy, people, goods, and information. Further it is to be noted that the US is not merely supporting economic development along this north-south axis, but also to afford Afghanistan access to a wider world, thus becoming a bridge where once it was a barrier.