

Big Business and High-level Politics in Kazakhstan: An Everlasting Symbiosis?

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ABSTRACT

This article argues that there is a symbiosis between elite business groups and top politicians in Kazakhstan. It suggests a typology for the different kinds of symbiotic relationships that exist and highlights the activities of a number of prominent figures in Kazakhstani politics and economy. The article asserts that the rapidly changing weight and status of big business groupings due to the shifting fortunes of a booming economy may have an impact on politics. Moreover, the underlying dilemma associated with the future transfer of power when President Nursultan Nazarbaev ultimately leaves politics introduces considerable degrees of uncertainty to national politics as well as to the business sector. The result is that even as Kazakhstan appears as a tightly managed democracy, the political system is neither static nor inherently stable.

Keywords • Kazakhstan • Economy • Business • Politics • Interest groups
• Informal politics

Introduction

The managed democracies in the post-Soviet area are neither static nor inherently stable. In Kazakhstan, politics are defined by the tight but fluctuating relationships between top politicians and big business groups. Two features constantly inject dynamism and change into this structure. One is the rapidly changing weight and status of big business groupings due to the shifting fortunes of a booming economy; the other is the underlying dilemma and uncertainty associated with the future transfer of power when President Nursultan Nazarbaev ultimately leaves politics.

This article assesses why and how the symbiosis between politics and business is such a central feature of politics in Kazakhstan. It highlights some key characteristics of politics–business links and provides an

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overview of some of the most central business groups. It ends by discussing the prospects for change.

Key Features of Kazakhstani Politics

Most of the post-Soviet countries have evolved into “managed democracies.” These are countries where “elections are held, but the results are known in advance; courts hear cases, but give decisions that coincide with the interests of the authorities; the press is plural, yet with few exceptions dependent on the government.”¹ The formal political process, in other words, is tightly controlled and managed by the country’s political leadership.

This system is accompanied by a passive electorate and deficiencies in political interest formation. Some exceptions aside, few political entrepreneurs link up systematically with distinct sections of society in order to define grievances or formulate political demands and agendas. A recent survey conducted by the Risks Assessment Group in Kazakhstan found that the population showed scant interest in politics and voiced few political demands towards the government, aside from wanting continued guarantees of economic freedom.²

Managed democracy and electoral passivity in Kazakhstan make – aside from a few prominent exceptions – formal politics relatively static, homogeneous and consensus-based.³ Moreover, the tightly managed formal political process leaves ample scope for informal politics. With few institutional checks on state conduct and with little scrutiny on the part of the electorate, the top political leaders are free to choose which political questions should be openly debated in formal institutions and which should be left as formally undisputable decisions to be taken by themselves. The latter type constitutes a substantial part of government decision making in Kazakhstan – and major informal political battles are played out around these closed decision-making processes. Importantly, these political battles tend to focus on narrow issues associated with

¹ Perry Anderson, “Russia’s managed democracy,” *London Review of Books*, January 25 2007.

² Risks Assessment Group, “Business, society and political elite: partnership or confrontation?” Almaty, June 2007. The research for this report included an expert poll where 85 experts from Kazakhstani political parties, NGOs, business companies and analytical organizations participated.

³ There are, of course, some exceptions to this. These include the considerable shifts in party politics in recent years with the pro-presidential parties Asar and Agrarian Party-Civic Party Bloc merging with Nur Otan. On the opposition side, among other developments, the moderate opposition party Ak Zhol split in two into “Naghyz Ak Zhol” and “Ak Zhol” in 2005. There are also a number of specific issues where grass-root mobilisation is a key feature and where bottom-up pressure helps propel difficult issues on to the national policy agenda. One such issue is the challenges associated with the shortage in housing in urban areas.

demands and interests of the sole highly politicized group in Kazakhstan – the business community.⁴

Business groupings do not compete in order to ensure that their political ideals are incorporated into state strategies or social development. Rather, the key focus of intra-business elite struggles is on being able to attract attention and recognition from the head of state, seeking to influence the latter in a way favorable to the immediate business concerns of a particular group.

In addition to these surface-level intrigues geared towards eliciting favorable political decisions on issues such as tax and market regulations, at a more fundamental level there is disagreement within the business community over whether today's system, with its peculiar symbiosis between politics and business, should be preserved or changed – and here different business groupings take different positions. This underlying battle has, as will be discussed below, increased in intensity and importance apace with the growing uncertainty over what will happen when President Nazarbaev leaves Kazakhstani politics.

The Business – Politics Symbiosis: a Typology

Observers of business and politics in Kazakhstan stress the central division between big business, with its high profit margins, and smaller business entities, where profit margins are more moderate.⁵ In the latter category, businesses operate more or less independent of politics. Admittedly, the smaller businesses face some challenges associated with bribes and government corruption, but on the whole many of these actors are now operating freely and under conditions not unlike those of a fully fledged market economy with fair and equal competition. This is especially true of businesses operating in larger cities like Astana and Almaty.

By contrast, within the category of big business and high profit margins, relationships with segments of the political elite are tight. We argue that the label symbiosis is an appropriate characteristic - where symbiosis is defined as: “a mutually beneficial partnership between... [entities] of different kinds”.⁶

⁴ In this way, from a European perspective, these political disputes appear as disagreements between groups that would in many party-based and democratic political systems have formed part of the same constituency for parties, e.g. the Conservative Party in the United Kingdom or the Popular Party (PP) in Spain.

⁵ Interview 12 October 2007, Almaty, deputy country director, deputy chief of party, consultants at Pragma Corporation.

⁶ Entry for “symbiosis” in *The Chambers Dictionary* (Edinburgh: Chambers Harrap Publishers, 1993).

To a considerable degree in Kazakhstan, big business is dependent on and vulnerable toward the top political elite. The success and survival of any given business enterprise will hinge on access to government “resources” like licenses for acquiring land and construction permits; sufficient electricity supply; favorable tax arrangements; and, for those businesses that were privatized in the 1990s, continued guarantees of ownership rights.

The institutional environment can easily become challenging for major business enterprises – but good government connections can mediate this. Beyond providing safeguards, close links with the government can also yield considerable benefits. Political connections can be used to produce favorable government regulations and government actions that work to the detriment of competitors (domestic or foreign), distorting market mechanisms to the advantage of the business entity with the most powerful political connections.⁷

For the political leadership there have been important advantages associated with the politics–business symbiosis. By letting big businesses be controlled by a few selected groups with close ties to high-level government officials, the top political leadership has secured for itself considerable indirect control over the economy and the actors in it.⁸ In this way, government interferences have not only been motivated by economic greed – they also stem from interests in maintaining maximum levels of political control over politics and the economy alike.

We may identify at least three types of political links that businesses can have to the top political elite.

First, there are companies that do not have any distinct “patron” or affiliation with groups in the government, but which nevertheless have various trusted contacts that on an ad hoc basis may defend the business interests of these companies – in other words, groups that rely on a form of extensive and sophisticated lobbying.

Second, some businesses have what is often referred to as a “roof” (*krysha* in Russian) within the government. This entails protection from one powerful person in the top political circle, someone who has a network of his “own people” in positions further down the government machinery and in a range of government sectors – particularly in tax inspection and the financial police. The business enterprise works closely

⁷ For an excellent account of the relevance of informal government connections in Kazakhstan and the serious effects of government measures on the commercial viability of an oil company, see Kimberly Marten, “Russian efforts to Control Kazakhstan’s Oil: the Kumkol case,” *Post-Soviet Affairs* 23, 1 (2007), pp. 18–37.

⁸ Interview, political analyst, Almaty, September 12 2006. Controversies around the Kazakhmys company illustrate the process of “managed privatization” and the deliberate efforts to ensure that owners of the new companies would be loyal to the top political leadership: see “Privatizatsiia Kazakhmysa mozhnet byt’ osporena,” [Disputed privatization of Kazakhmys] *RosInvest.Com*, October 17 2005, <www.rozinvest.com>.

with this “roof”, which also takes a considerable cut of the profits. In a few cases these “roofs” will also control several “raiders” – employees in the police or other power structures that can “attack” businesses through intense demands for tax payments or through other types of threats, including physical ones.

Third, a number of businesses belong directly to top-level bureaucrats and politicians, even if they are not formally registered as such. Many top figures have developed business activities as a sideline to their political activities. Moreover, quite a few mid-level government officials and politicians also seem to have been invited or encouraged by the top political leadership in the 1990s to acquire privatized enterprises. Needless to say, these political figures have had ample opportunities to create an institutional environment favorable to their business activities.

Considerable degrees of trust underpin many of the networks and relationships that tie political and business spheres together in Kazakhstan. Kinship relations have been among the important assets that have enabled actors in business and political spheres to generate trust. Other assets utilized have included common educational background, old Soviet communist party or *Komsomol* membership, sport affiliations and army networks. Regarding kinship, even if this is a central feature in many networks, it is a mistake, as argued elsewhere, to see Kazakhstani business and politics as primarily driven by kinship and clan logics.⁹

Key Business Groups

The typology presented above becomes clearer from close examination at some of the most prominent business groups in Kazakhstan today. Below we assess the activities of some of these groups and highlight what kind of links they have with the government.

The Eurasian Natural Resources Corporation, ENRC (formerly the Eurasian Industrial Association, EIA), controls a large share of Kazakhstan’s metal and mining industries. Companies in the group’s portfolio include Pavlodar Aluminium and several chrome-extracting mines and processing sites. Informal estimates put the value of the group’s assets at US\$15 billion. The group was formed by Alexander Mashkevich, Patokh Chodiev and Alijan Ibragimov, and entered the mining and metal sector early in the privatization process of state assets launched under the premiership of Akezhan Kashegeldin in the mid-1990s. ENRC developed tight links with the top political leadership. Some newspapers reported that Alexander Mashkevich, originally a

⁹ See Leila Alieva and Stina Torjesen, “The insignificance of clan in Azerbaijan and Kazakhstan” forthcoming article 2008. For a similar argument see also Barbara Junisbai “Democratic choice of Kazakhstan. A case study in economic liberalization, intraelite cleavage and political opposition,” *Demokratizatsiya*, Summer 2005.

citizen of Kyrgyzstan, was known in the late 1990s in political elite circles as “the family cashier” (*semeinyi kassir*).¹⁰ The dense web of political connections enjoyed by the group became evident when ENRC in 1997 ensured that a foreign co-investor, the Trans World Group (TWG), was forced to leave Kazakhstan. TWG’s departure was mainly due to a set of targeted government measures that rendered the group unable to operate successfully in Kazakhstan. Once TWG was out of the way, ENRC was left with sole control over the joint investment projects.¹¹

ENRC seems to have relied on highly sophisticated lobbying efforts aimed at the top political leadership. Some political figures are also believed to have been close associates of ENRC, possibly even serving as “roofs” – although there is not enough information publicly available to back up such an assertion. These top political figures could include the former Governor of Pavlodar province (*oblast*) Danial Akhmetov, later Prime Minister (2003–07) and Minister of Defense (2007–), and, possibly, Nurtai Abykaev, former Head of the Presidential Administration (2002–04) and Chairman of the Senate (2004–2007). In 2000, Danial Akhmetov’s predecessor as Governor of Pavlodar and later leading opposition figure, Ghalymzhan Zhaqiyarov, demanded that there should be a reduction in tax privileges enjoyed by ENRC’s enterprises. At the same time, Kazakhstan’s Prosecutors Office argued for a need to check monetary transactions undertaken by the group since 1997. This campaign against ENRC was, however, never completed and Galymzhan Zhakiyanov was dismissed from his government positions not long after. The present chief executive of ENRC is Dr. Johannes Sittard.¹²

¹⁰ Andrei Grosin, *Kto est kto v sovremennom Kazakhstane. Zanimatel’no – o klanovykh gruppировkakh* [Identifying the persons in modern Kazakh clans] (Instituta Stran SNG Moscow, 2005) p. 3.

¹¹ TWG provided some of the initial financing to ENRC’s business initiatives. TWG and ENRC therefore appeared as joint owners of companies operating in Kazakhstan’s metal and mining sector. ENRC was involved in a major business dispute with TWG in 1997–1999, which was taken to the High Court of the British Virgin Islands, where some of the joint ENRC/TWG firms were registered. The legal case in 1998 concerned five metal plant facilities: the Aksu ferro-alloys plant, the Aktubinsk ferro-alloys plant, the Donskoi Mine, the Pavlodar Aluminium plant and the Sokolovsky iron ore mine and plant. The High Court issued a ruling largely supporting TWG, but the political leadership in Kazakhstan continued to assist ENRC. Resolutions in Kazakhstan anti-monopoly committee as well as rising transport prices for raw material transportation challenged the activities of TWG. ENRC in turn successfully removed TWG from Kazakhstan’s mineral and mining sector. See “It’s lawyers at dawn in the wild east,” *The Guardian*, March 1 2000.

¹² Dr Johannes Sittard is former chief operating officer of Ispat International owned by ArcelorMittal Steel (now Arcelor Steel) and was in charge of the acquisition of the Karaganda Metallurgical Works (Kermet). In an interview for the BBC programme “Money” (broadcast July 24, 2002) Sittard seemed to confirm that Ispat had paid an intermediary company linked to the ENRC group a considerable sum of money “because it was very important to get help with the local authorities and the tax issues”. Dr Sittard

ENRC, like many of the other larger industrial groups in Kazakhstan that emerged in the 1990s, is in a vulnerable position due to the lack of transparency that surrounded its acquisition of key assets in the privatization process. This makes the group dependent on political support from the country's top leadership, backed up by continued informal political (rather than institutionalized and legal) guarantees that the privatization deals will not be re-assessed. ENRC therefore has an interest in preserving the political status quo, and has taken considerable measures to support President Nazarbaev. In November 1999, Alexander Mashkevich founded a pro-presidential party, the Civic Party, which later merged with the Agrarian Party to become the Agrarian Party-Civic Party Bloc. In December 2006 the Agrarian Party-Civic Party Bloc merged with President Nazarbaev's party Nur-Otan.¹³

The business holdings of *Timur Kulibaev* constitute another major economic cluster in Kazakhstan. Kulibaev has, according to *Forbes Magazine*, a personal fortune of US\$2.1 billion, and he is strongly associated with Kazakhstan's fourth largest bank "Halyk" (estimated assets US\$7 billion).¹⁴ He has a close relationship to the President of Kazakhstan through his marriage to one of Nazarbaev's daughters, Dinara, and this gives him a unique and privileged position among the top business figures in Kazakhstan. Kulibaev has not held political posts in the government, but has occupied several important economic positions. Recent posts include deputy CEO of the major state holding firm Samruk and chairman of the board in the state oil company KazMunaiGas. Kulibaev is believed to have pursued a strategy of deliberately, strategically and successfully placing loyal individuals in the state apparatus, development institutes, oil industry and private businesses. Various private companies have also, periodically, informally aligned themselves with Kulibaev.¹⁵ This gives him a position similar to that of a "roof", although he does not have the same dense network of contacts in the law enforcement structures that other "roofs" may have and he does not formally belong to the top political leadership of the country. Kulibaev was removed by President Nazarbaev as head of Samruk in August 2007, but Kulibaev still maintains a considerable reputation and status in Kazakhstan's business and policy circles. He now serves as the chairman of the KazEnergy Association – an association

later left Ispat in favour of the job as Chief Executive of ENRC, see <<http://news.bbc.co.uk/2/hi/business/2146757.stm>> (April 14 2008).

¹³ Ryan Kennedy, "Consolidation of political parties strengthens president's hand," *Central Asia-Caucasus Analyst*, January 24 2007.

¹⁴ See: *Forbes* website, <http://www.forbes.com/lists/2007/10/07billionaires_Timur-Kulibaev_9QF5.html> (April 14 2008).

¹⁵ Interview, Almaty, October 15 2007, with representative of a Kazakhstani oil industry interest group.

consisting of the major foreign and local oil companies operating in Kazakhstan.

Timur Kulibaev's considerable standing at the time of writing this article (autumn/winter 2007) contrasts sharply with the recent fate of another presidential son-in-law: *Rakhat Aliev*. Previously married to Nazarbaev's eldest daughter Dariga Nazarbaeva, he served as Deputy Head of the National Security Council 2000 to 2001 and later Deputy Foreign Minister.¹⁶ While heading the National Security Council Aliev established a sophisticated network of loyalists in the law enforcement structures and is believed to have had links with a number of "raiders".¹⁷ When Aliev was at the peak of his power in the early 2000s he seems to have been one of the central "roofs" in Kazakhstan, with substantial influence in security branches of the government and in key business sectors. Following a complex set of political intrigues and his divorce from Dariga Nazarbaeva in 2007, Rakhat Aliev has fallen out of favor with President Nazarbaev. Employees loyal to him in the law enforcement have been removed; he is wanted by Kazakhstani police; and his economic assets have dwindled.¹⁸ Nurbank (valued at US\$700 million) with which Aliev had been closely associated, experienced (temporary) moves by major clients to terminate their accounts in efforts to distance themselves from Aliev.¹⁹ The severe economic consequences that Aliev's political downfall have entailed for him personally stand as powerful testimony to the way informal political arrangements underpin economic activity in Kazakhstan. In 2008 Aliev was convicted in absentia for allegedly having "stolen from the state" and "led an organized criminal group" while serving as a high ranking government official.²⁰

The above groups are characterized primarily by a mix of two types of government-business relations mentioned earlier: "roofs", and government officials owning businesses directly. The two final groups we will highlight in the following are, by contrast, best described as relying on the third type of government-business relationships: sophisticated lobbying. The patron of one of Kazakhstan's largest banks Kazkomertsbank, *Nurzhan Subkhanberdin*, was previously linked with Timur Kulibaev, but is now thought to be operating more independently. Kazkomertsbank, valued at US\$7 billion, is a central financial institution

¹⁶ For a discussion of Aliev's performance and political agenda while in the National Security council see IWPR "Rakhat Aliev – crime fighter," RCA no 15, August 11 2000.

¹⁷ Muhamedjan Adilov, "The criminal network of Rakhat Aliev," *Respublica* (newspaper), June 15 2007.

¹⁸ Iskander Amanjol, "Division of empire of former son-in-law," *Svoboda slova* (newspaper), May 24 2007.

¹⁹ "What happened with the banking system of Kazakhstan?" <www.Kub.kz>, May 16 2007.

²⁰ Bruce Pannier, "Kazakh President's Ex-Son-In-Law found guilty of coup plot," RFE/RL March 28 2008.

and large-scale investor in major business enterprises not only in Kazakhstan but also increasingly elsewhere in the Commonwealth of Independent States. In Kazakhstan, its extensive investment portfolio has ensured that the bank serves as one of the cornerstones of the national economy.

In the 1990s several close affiliates of Subkhanberdin in the government, in addition to Timur Kulibaev, might have offered “roof-like” protection for Kazkomertsbank’s activities – although Kazakhstani observers consider the banking sector to be the most transparent and best regulated sectors in Kazakhstan, thereby reducing the potential scope, role and need for “roofs”.²¹ Former Deputy Prime Minister Oraz Zhandosov and former Minister of Labour and Social Protection Alikhan Baimenov were among Subkhanberdin’s close associates, but these withdrew from the government and formed the opposition party Ak Zhol in 2002.²² This left Kazkomertsbank with less firm backing from central personalities and cliques within the government. Today, Kazkomertsbank’s relations with the government elite are most appropriately labeled as sophisticated and ad hoc lobbying. Interestingly, the bank’s success has also given it considerable independent power and leverage vis-à-vis the government. Its central position in the national economy means that the country’s economic well-being is dependent on Kazkomertsbank performing well – and this reduces the scope for the political elite to put pressure on the bank.

The second group that relies predominantly on lobbying is Bank TuranAlem (estimated value US\$7 billion) and its patron *Mukhtar Ablyazov*. Ablyazov was Minister of Energy, Industry and Trade in 1998–99, but then left the government structures and actively supported the political opposition. Ablyazov was imprisoned briefly in 2003 on charges that seemed politically motivated, possibly stemming from his membership (2001–03) in the “politsoviet” of the opposition party Democratic Choice of Kazakhstan and his alleged financial support to anti-government political groups in Kazakhstan. Head of the board of directors of Bank TuranAlem since May 2005, he has been closely involved with the bank ever since it was founded. There have been persistent rumors in Kazakhstan that Bank TuranAlem has continued to serve as a source of funding for anti-government NGOs and political parties.²³ The anti-government profile of the Bank TuranAlem group makes any close ties to the top political elite within the government difficult, so it seems unlikely that the group relies on “roofs” within the government. In this respect, TuranAlem shows that some large business

²¹ Interview, political analyst, Almaty, October 11 2007.

²² Grosin, *Kto est kto v sovremennom Kazakhstane.*, p. 5.

²³ Zamir Karajanov, “The prospects of the Kazakh opposition,” *Svoboda slova* (newspaper), August 3 2006.

actors can operate in Kazakhstan without “protection” or indirect ownership by government bureaucrats – and instead rely predominantly on ad hoc lobbying on specific issues. Like Kazkomertsbank, the sheer size and centrality of this bank in the national economy provide protection against overly destructive government interference and grant it some measure of independence.

An End to the Business–Politics Symbiosis?

The typical perception among political observers in Kazakhstan has been that President Nazarbaev has carefully managed a complex system of competing groups, where his key aim has been to ensure that no one player becomes too big or too threatening politically. He is seen as an arbitrator who has skillfully ensured a balance of power between the major business groupings.²⁴

Nevertheless, in a booming economy the structure is becoming increasingly complex – with intense and changing dynamics and new players constantly emerging. Some observers see President Nazarbaev now as reactive rather than pro-active in maintaining and manipulating the balances among the big groupings. This raises the question of whether the system of symbiotic business/politics groupings has become impossible to govern.

Moreover, the certainty that the ageing President Nazarbaev will have to be replaced sometime in the foreseeable future introduces profound uncertainty to the system – since having good links to the top political officials may no longer be a sufficient guarantee for economic safety in the long run. When Nazarbaev leaves, new key political figures will emerge – and none of the business groups can really be sure of whether their political contacts will remain well-placed. In fact, there are indications that most businesses would actually prefer *not* to have a system based on informal political contacts and networking.²⁵ It is now perceived to be safer and preferable simply to run a clean and legitimate business that does not require large-scale political engagement. Business actors today seem to want more transparency and clearer rules of the game.

Barbara Junisbai (2005) has highlighted how in the autumn of 2001 the controversy over the privatization of Halyk Savings Bank and government pressure on Mukhtar Ablyazov’s business activities triggered a political mobilization of some segments of the business elite. The demands put forward by this mobilized group included calls for better economic governance and a halt to the unchecked actions of law

²⁴ Interview, political analyst, Almaty, October 16 2007.

²⁵ Risks Assessment Group, “Business, society and political elite.”

enforcement agencies.²⁶ Junisbai notes that the challengers, “sought to restructure the political game in such a way that fair, more transparent rules would govern to protect their business interests and curtail the presidential family’s ability to monopolize the country’s banking and business sectors.”²⁷ This mobilization resulted in the formation of two political parties: the Democratic Choice of Kazakhstan (DCK), the more radical of the two, and Ak Zhol. The two parties attracted prominent businessmen and high-level government officials sympathetic to the reform agenda. The two parties were forceful political players in the immediate years after 2001, but government pressure and internal splits ensured that the two movements eventually lost their momentum. Nevertheless, this mobilization – albeit temporary – of reform-friendly segments of the Kazakhstani business elite is strong evidence of the underlying tensions in the country’s business and politics. As Junisbai asserts: “...economic liberalization, escalating competition among economic elites for their share of the economic pie and their growing instrumental commitment to the rule of law seem to be the source of genuine political change.” For the time being, the Nazarbaev presidency has weathered the storm caused by the challenger Ak Zhol and DCK, but there is no guarantee that similar intra-elite struggles will not erupt in the future.

At present, however, Kazakhstan is trapped: On the one hand a significant cohort of the business elite wants to push for greater transparency, less informal dealings and less meddling in business by politics and vice versa. But, given the repercussions suffered by DCK and Ak Zhol supporters, these players are well aware of the difficulties they will encounter in the short run if they advocate “open rules”. This might be interpreted as a challenge towards the government, and may jeopardize the required short-term political favors and positions now needed by specific businesses to operate. In turn, many business actors continue to nurture their symbiotic relations with government insiders – although the prospect of political reshuffling when President Nazarbaev leaves the political scene has introduced a new degree of uncertainty into these relations.

Moreover, smaller-scale, more moderate challenges to the informal dealings in politics and businesses in Kazakhstan have persisted. A recent example is the activities of the Association of Oil and Gas Contractors of Kazakhstan. This is an organization that, aside from protecting the interests of local contractors vis-à-vis multinational oil companies, advocates better regulation and greater transparency by the government. In October 2007 the organization voiced open criticism against the

²⁶ Junisbai, “Democratic choice of Kazakhstan”, p. 5.

²⁷ *Ibid.*, p. 6.

government for its management of the oil industry.²⁸ Many of the over 100 members were hesitant as to whether “going public” with their criticism was the right strategy, since it might endanger their informal contracts with government officials. In the end, however, the leaders of the association decided they were strong and independent enough to put forward the criticism.²⁹ Such small-scale and issue-specific challenges seem set to continue in Kazakhstan. Moreover, the prospect of WTO membership for Kazakhstan could also provide an impetus for limited and gradual reform in certain economic sectors.

Conclusion

Political arrangements in today’s Kazakhstan are unsustainable, and changes can be expected in the informal approach to doing politics and big business, from the next five to ten years and onwards. On the other hand, the present consensus among the elite now seems to focus on change through evolution – and this makes it unlikely that alterations in the mode of operation of the top political and economic elite will be a factor that triggers large-scale popular mobilization and political upheaval. We have in recent years witnessed different kinds of power transfers unfolding in different parts of the post-Soviet space, ranging from, among others, the relatively orderly change of guards in Turkmenistan after President Saparmurat Niyazov’s death to revolutionary change in Ukraine. Business groups are likely to have played prominent parts in these power transfers – and the business sector certainly seem poised to do so in Kazakhstan as well when the time comes. While prediction is impossible, for Kazakhstan a relatively orderly succession by a chosen “heir”, seems, at present at least, to constitute the most likely scenario.

Nevertheless, the situation in Kazakhstan does raise the overarching question as to whether the post-soviet managed democracies can continue being “managed” when the economy is booming. New economic players constantly emerge – how can these be accommodated, let alone controlled, politically? Lilia Shevtsova offers an interpretation of Vladimir Putin’s presidency, which shares a number of features with common characterizations of President Nazarbaev’s rule, Shevtsova notes: “[Putin] has created a ‘spider-web’ of various clans and interest groups...Putin creatively used the infighting between these groups to prevent any one clan from being able to monopolize power”.³⁰

²⁸ “Agip kochevriazhitcia, a KMG besdeistvuyet,” *Zona Kz*, October 8 2007 <www.zonakz.net>

²⁹ Interview, Almaty, October 15 2007, with representative of a Kazakhstani oil industry interest group.

³⁰ Lilia Shevtsova, “Vladimir Putin” *Foreign Policy*, 164 (January-February 2008).

Azerbaijan also offers an interesting parallel to the situation in Kazakhstan: the Azerbaijani economy is dominated by a small number of oligarchs and their patronage network. These oligarchs have considerable personal loyalties to President Ilham Aliev and the president bases in large parts his political power on informal ties to these strongmen.³¹ Yet, Azerbaijani politics and the economy are becoming increasingly complex in conditions of double digit growth figures. An increasing plurality of economic players may result in a plurality of political players.

The informal “spider webs” of power and interest groups in the post-soviet managed democracies seem, when put under close scrutiny, fragile and difficult to administer over the long term. Managed democracies, in other words, may not be as stable as their carefully constructed facades indicate.

³¹ Alieva and Torjesen, “The insignificance of clan in Azerbaijan and Kazakhstan,” forthcoming article 2008, p. 36.