

Kazakhstan

Status Index (Democracy: 2.0 / Market economy: 3.1)		5.1	Management Index		3.3
System of government	Autocracy		Population	14.9 mill.	
Voter turnout	62.6 % (Parliamentary elections 1999)		GDP p. c. (\$, PPP)	6,500	
Women in Parliament	10.4 % (mazhilis)		Unemployment rate	14.0 %	
	12.8 % (senate)		HDI	0.765	
Population growth^a	-0.4 %		UN Education Index	0.92	
Largest ethnic minority	34.7 % (Russians)		Gini Index	31.2	
Data for 2001 – if not indicated otherwise. ^{a)} Annual growth between 1975 and 2001. Source: UN Human Development Report 2003.					

1. Introduction

In the political transformation of the Republic of Kazakhstan, 1998 was not a turning point. The parliamentary and presidential elections of 1999 also failed to bring about any major changes. In hindsight, 1995 was the decisive year for Kazakhstan: President Nursultan Nazarbayev and his “family” began to expand their hold on political power. This autocratic expansion of power did encounter resistance, but, until very recently, Nazarbayev’s critics were no more democratically oriented than he was. Thus it can be concluded that the overall political development was negative and completely contrary to the issues raised by this evaluation.

In contrast, Kazakhstan’s economic development was positive during the reporting period. The primary reasons for this success are the marketing of the country’s oil resources, prudent financial policy, privatization and increasing interest on the part of foreign investors.

As a result, the report on the status of economic and political transformation in the Republic of Kazakhstan for the last five years comes to a mixed conclusion. On the one hand, developments in democratic transformation have continued to be negative, and the political system is becoming increasingly authoritarian. On the other hand, the transformation to a market economy has been successful, which is due to both effective oil resource marketing and management successes. There are now indications that the new economic elite is no longer willing to accept political disenfranchisement. It can be assumed that this conflict will intensify over the next few years. The ultimate outcome is not yet clear.

2. History and characteristics of transformation

The political and economic transformation process of the former Kazakh Socialist Soviet Republic began after the fall of the Soviet Union in December 1991. In contrast to some other Soviet republics, Kazakhstan's independence came about involuntarily, and the country was completely unprepared for it. The leading figure behind the changes in Kazakhstan, the former Communist Party chief Nursultan Nazarbayev, has remained in charge to this day. As president, he took initial steps in the early and mid-1990s that Western observers characterized as the beginning of a democratic transformation.

Starting in the mid-1990s, it became increasingly clear that staying in power, not introducing democracy, was the president's main policy objective. In the spring of 1995, he dismissed parliament on a pretext and ruled by decree until new elections were held nine months later. In the interim, he used a May referendum to extend his term in office. A second referendum in August approved a new constitution that made the country a presidential republic; Kazakhstan had been a parliamentary democracy under the first post-Soviet constitution adopted in 1993.

The 1998 financial crisis in Russia had an indirect effect on politics in Kazakhstan. Anticipating that Kazakhstan's economy would likely deteriorate as well and cause the president to lose support, the parliament decided in October 1998 to hold presidential elections in January 1999, two years ahead of schedule. Nazarbayev won the election, but the OSCE sharply criticized the electoral process. Reasons for criticism included the exclusion of serious opposition candidates at the earliest stages of the process. Since that time, Nazarbayev has used staffing policy as his primary means to consolidate his power and placed members of his family in key positions. This has caused increasing criticism and resistance.

However, this opposition was generally motivated by personal reasons of individuals; neither party platforms nor democratic concerns played a role. After a power struggle with Nazarbayev's son-in-law, Rachat Aliev, top government officials and leading business interests opposed the president for the first time at the end of 2001. Nazarbayev became nervous and fired the government officials. The domestic political climate has deteriorated significantly since then. Repression against those with differing opinions has increased, and pressure on the already restricted Kazakhstani press has only become stronger.

Kazakhstan's transformation to a market economy is one of the most successful by a former Soviet republic. The first few years after independence and the end of the Soviet planned economy were marked by a steep economic decline that did not reverse itself until 1995. The breakdown of the heavily integrated Soviet economy brought many enterprises, in sectors ranging from agricultural to heavy

metals, to a standstill. At times, inflation was over 2,000 %. A new domestic currency, the tenge, was introduced in November 1993.

Large state-run enterprises in the oil, natural gas, and electricity sectors were privatized beginning in the mid-1990s. Kazakhstan was able to achieve economic growth for the first time in 1996, but it was drawn into the Russian financial crisis in 1998. Low prices for raw materials put added pressure on the Kazakh economy, but devaluation of the tenge in April 1999 and increasing oil prices in 1999–2000 helped it recover. The exchange rate has since remained stable. A steady increase in oil production and foreign investment has further spurred economic growth. Because Kazakhstan is extremely vulnerable to price swings on the world markets, a national fund for stabilizing state income was established in January 2001. This fund will shore up the national budget if oil prices fall below a set level.

At the same time, the government is focusing on diversifying the economy. It has sufficient confidence to exert pressure on foreign investors to utilize more and more domestic goods and services. Despite the government's many successes, the population still has a low standard of living. Over the reporting period, the average monthly wage was only around \$120. Corruption is a serious problem. Foreign investors bemoan a lack of transparency and report difficulties getting the Kazakhstani to adhere to contract terms.

3. Examination of criteria for democracy and a market economy

3.1 Democracy

Even in 1995, one could not have said that a democracy existed in the Republic of Kazakhstan. Since then, the country has only regressed with regard to the transformation of its political regime. The primary setbacks involved the tolerance of political opposition and freedom of speech and the press. However, these setbacks do not threaten the stability of the state.

3.1.1 Political regime

(1) *Stateness*: There is no interference to speak of with the government's monopoly on the use of force. The increasing influence of clans and widespread corruption pose an increasing threat to this monopoly, however.

The constitution grants all citizens the same civic rights, and the vast majority accepts the constitution in principle. Kazakhstan is a multinational state with a problematic population structure, but there have never been any significant transnational conflicts. In reality, the group for whom Kazakhstan is named, the

Kazakhs, has increasingly been receiving preferential treatment. According to its constitution, Kazakhstan is a secular state, and religion has no discernible influence on politics.

The Republic of Kazakhstan inherited a relatively good infrastructure (transportation, education, healthcare) from the Soviet era, but corruption and a lack of funds have caused it to deteriorate, particularly in rural areas. The same is true of the administration.

(2) *Political participation:* The constitution guarantees free, fair and secret general elections, but irregularities were observed in the last presidential election in January 1999. The only true challenger to the incumbent president Nursultan Nazarbayev was prevented from running for office as the result of a politically motivated court judgment. The sudden decision to move the election up two years also prevented other possible candidates from entering the race. The parliamentary elections in October 1999 also drew criticism. Because the constitution declares Kazakhstan to be a presidential republic, Nazarbayev as the elected president is the de facto ruler. The government and Parliament cannot go against his wishes.

Political activity and freedom of assembly are guaranteed by the constitution, but, in reality, the state registration required for political parties to operate legally and participate in elections is used to exert pressure. The government reacted to the increasing opposition by passing a new and controversial law on political parties in July 2002. The law requires all parties to re-register with the government and raises the minimum number of party members from 3,000 to 50,000. The parties now also have to be represented in all the regions of Kazakhstan. By October 2002, only one party was able to meet the new requirement—Ak Zhol (Bright Road), the party of former senior government officials and entrepreneurs.

The “man on the street” does enjoy freedom of speech, but freedom of the press is disappearing. There were severe attacks on the opposition press in 2002, up to and including complete bans, as well as attempts to intimidate journalists, some of which involved physical force. Criticizing the president is considered a personal attack on his honor and is immediately prosecuted.

(3) *Rule of law:* The 1995 constitution places the president above the three branches of government, allowing him to exercise his influence over them. He has the authority to decide on government domestic and foreign policy, which limits the executive and legislative branches. He can dissolve Parliament and appoint and dismiss the prime minister (and thus the government). Furthermore, the prime minister is accountable to the president, not to Parliament. This makes the government the executive body for the president. Parliamentary opposition to the president’s directives has no effect. The president influences the judiciary because he decides who will hold the highest offices.

There is an institutionally separate judiciary branch, but its ability to make decisions and set doctrine is actually subordinate to political channels and sharply limited by functional deficiencies. No one expects the courts to be just, because justice has been undermined by political influence and corruption. Corruption is part of the political system at all levels. The Republic of Kazakhstan ranks 88th on the 2002 Transparency International corruption index, making it one of the most corrupt countries in the world. Corrupt elected officials are prosecuted only if it is politically convenient to do so; that is, if someone wishes to remove the official from office.

There are accusations of corruption against the president himself, but anyone mentioning such allegations in the press is severely punished. Nazarbayev allegedly received millions of dollars from American oil companies for oil licenses and deposited this money in private Swiss accounts through an intermediary. There are partial and/or temporary violations of civil rights. In rural areas, some civil rights are not granted at all.

3.1.2 Political patterns of behavior and attitudes

(1) *Institutional stability*: The institutions provided for in the constitution are stable, but not democratic in actual practice. The constitutionally strong position of the president means that activities occur in accordance with instructions from the top. Ministries do not act independently. The frequent rotation of ministers results in a lack of continuity.

(2) *Political and social integration*: An organizationally stable, socially anchored party system failed to establish itself during the 1998–2003 reporting period. The party system is in constant flux. In July 2002, before the new law on political parties was passed, nineteen parties were registered. As a rule, new parties form around people, not around platforms. The platforms of the various parties do not differ significantly from each other. The capacity to create party platforms is low, as is their degree of organizational stability. Parties do not form as a result of grass-roots efforts, nor do they have any real significance in day-to-day politics. Thus, they attract little interest among the general population. People do not identify with any political party.

There are no civic traditions in Kazakhstan. Self-help initiatives are traditionally confined to family groups by Kazakh tradition. Small, generally short-lived NGOs do form. However, they are often active solely because they receive financial support from foreign governments—particularly the American government—or international organizations. The most influential interest group is “the family,” meaning the president’s family and their closest associates.

Using the given framework, it is not possible to determine whether the population agrees to democratic norms. Most people have only the vaguest notions of what democracy really means and how it works. The rare mass political protests target individual events and/or people, not the political system itself or demands for change. The generally high voter turnout (more than 80 %) and the high number of votes cast for the president (80 %) should not be considered an expression of support for the current system.

Civic initiatives are confined to the large cities, and they are often initiated and financed with foreign funds. The rural regions remain nearly untouched by such initiatives. Civic involvement has a negative taint due to people's earlier experiences with the Soviet regime. When such action is necessary, it seems to make more sense to work within family structures rather than in new issue-specific groups.

3.2 Market economy

Kazakhstan has made great strides in transforming its economy. The main transformation deficits lie in the legal system and the assurance of justice.

3.2.1 Level of socioeconomic development

There are clear qualitative and quantitative instances of social exclusion, some of which are entrenched in the country's social and economic structures. There has been little change in this area over the reporting period. The country's level of development provides its citizens with a limited freedom of choice. Fundamental social exclusion through poverty and education, not present during the Soviet era, now exists. There are also large discrepancies in the distribution of income. The transformation process has led to the formation of a new elite and the impoverishment of the old intelligentsia. Except for schools, nearly all educational institutions now charge tuition, making higher education inaccessible to some. Diplomas can be purchased. Gender-specific discrimination is relatively uncommon, but clan-specific discrimination does occur.

3.2.2 Market structures and competition

The fundamental aspects of free-market competition are present. The Kazakhstani government is trying to encourage the growth of small and medium-sized enterprises, but corruption at the local level often makes it difficult for such companies to operate (e.g., visits from tax officials, harassment in the guise of fire safety and hygiene inspections). The tenge is freely convertible.

An antimonopoly committee is responsible for consumer protection and regulates prices in sectors controlled by monopolies, such as electricity and water suppliers. Kazakhstan is attempting to join the World Trade Organization and hopes to become a member at the same time Russia is admitted. The government is in the process of adjusting national law to conform to the rules of the organization.

The institutional fundamentals exist for a stable banking system oriented to international standards (Basel Capital Accord) with functioning bank supervision, minimum equity requirements and market discipline. The number of banks was reduced from about 200 to less than 50 in the process of creating these fundamentals. The capital market is well differentiated and oriented to international standards in principle, but it is weak overall due to the small number of companies traded on the stock exchange. The government's program for developing a capital market was originally very ambitious, but it was never fully implemented. There was a list of blue-chip companies to be traded on the stock market, but the program was suspended.

3.2.3 Stability of currency and prices

Inflation has fallen steadily over the past few years. The exchange rate is stable. The central bank took preventive measures before devaluing the currency to ensure that no bank customers lost their savings. There is a governmental "culture" of stability—of sorts. However, there are no institutional measures in place to ensure that this attitude will endure in the future. Populist changes in the political climate could threaten this culture. Fiscal stability is tied to some degree to one person and largely attributed to the prudent policies of Grigoriy Marchenko, chairman of the National Bank.

3.2.4 Private property

Property rights and acquisition of property are sufficiently defined. Privatization of big state enterprises came largely to a standstill at the beginning of 1998. As the country's economic situation gradually improved, the government became unwilling to sell off state property, particularly in the oil industry, to foreign investors. In principle, private companies can act freely. State-run enterprises and oligopolies that are tolerated by the state continue to exist alongside private companies.

3.2.5 Welfare regime

Social networks are well developed in some respects, but they do not cover all risks for all strata of the population. A significant percentage of the population is

still at risk of living in poverty. According to estimates by the national statistics agency, around 30 % of the population was considered to be poor during the reporting period. The state does not have enough money to protect its citizens adequately against poverty due to old age, illness, unemployment or disability—although the appropriate institutions exist. The only significant change during the reporting period was the successful reform of the pension system in January 1998. By mid-1999, pension payments into private investment funds outstripped those made to state pension funds.

The society is heterogeneous to some extent. There are very few institutions to compensate for glaring social differences. Women have generally equal access to higher education, but less access to public office. Career prospects often depend on family relationships and whether someone's relatives are already in high positions. According to Kazakh tradition, one cannot refuse a relative's request for help—and that includes requests for a job.

3.2.6 Strength of the economy

Per capita GDP growth is relatively high. This is primarily due to the jump in oil production, which nearly doubled between 1998 and 2002. Production of consumer goods also increased during this period as a consequence of the 1998 Russian financial crisis. Several months after the ruble collapsed, the Kazakhstani government was compelled to place an import freeze on many Russian consumer goods. Cheap Russian products had flooded the market and displaced other goods. The resulting gap was filled by domestically produced goods, some of which came from new companies set up for this specific purpose.

3.2.7 Sustainability

Ecologically sustainable growth is given due consideration in important areas of economic life, but it tends to be subordinate to the push for growth. Environmental protection is an important concern with respect to the issuance of oil licenses. Prospecting and drilling for oil, especially in the Caspian Sea, is subject to strict environmental codes. On several occasions, regional authorities have used supposed violations of environmental protection statutes as an excuse to demand additional payments from foreign oil companies.

Educational institutions, as well as the teachers and professors, vary widely in terms of quality; the differences are especially pronounced between the major cities and rural areas. Low salaries have caused many good scientists to leave teaching for other careers. The education system is also undermined by corruption. As a result, the previously high level of education and knowledge has fallen considerably.

4. Trend

(1) *Democracy*: Even before the beginning of this reporting period, the transformation process in Kazakhstan had changed direction, moving away from democracy and toward authoritarianism. This tendency has only become more marked in the last five years, having its strongest effects on political participation (legislation on political parties, elections), freedom of the press, and the rule of law. Those who criticize the president and his policies face increasing persecution. However, the country's political stability has never been seriously challenged. This is due to the low level of political activity among the population, the insignificance of the political parties themselves and the very few individuals who truly oppose the government.

(2) *Market Economy*: The basic development indicators for the reporting period show a definite improvement over the rock-bottom figures initially measured in 1993. The institutional framework has slightly improved. Small and medium-size business, for example, are now better protected by the law. However, in practice, they are still not shielded against interference by the authorities and individual officials, who seek extra income. Overall economic development has improved dramatically, both qualitatively and quantitatively, as a result of the states's successful economic policy. However, this improvement has not led to a reduction in income disparity.

Table: Development of socioeconomic indicators of modernization

	HDI	GDI	GDP index	Gini index	UN Education Index	Political representation of women^a	PPP per capita (\$, PPP)
1995	0.754	n. a.	0.63	35.4 (1996)	0.92	n. a.	4,663
2000	0.750	79. rank	0.68	31.2 (2001)	0.91	10.4 % (mashilis)	5,871

^a Percentage of women delegates in parliament after 1996 and 1999 elections.

Sources: UNDP, Human Development Report, 2002; World Development Indicators

Table: Development of macroeconomic fundamentals (1998–2002)

	1998	1999	2000	2001	2002*
Growth of GDP in % ^a	-1.9	2.7	9.8	13.2	n. a.
Export growth in % ^b	-16.33	2.98	63.02	-5.25	n. a.
Import growth in % ^b	1.13	-15.25	37.01	25.98	n. a.
Inflation in % (CPI) ^c	7.3	8.4	13.4	8.4	6.0
Official unemployment in % ^c	3.9	3.9	14.0	2.9	8.8
Budget deficit in % of GDP (cons.) ^c	-4.1	-3.5	-0.1	-0.4	-0.7
Current account balance in millions of \$ ^c	-1,224.9	-171.0	675.5	-1,415.5	n. a.

* Prognosis. Sources: ^a World Development Indicators Database; ^b Calculations based on data from the Asian Development Bank (ADB), http://www.adb.org/Documents/Books/Key_Indicators/2002/KAZ.pdf, accessed July 04, 2003; ^c Datastream.

5. Transformation management

5.1 Level of difficulty

Originating conditions for the continuation of the transformation are considered to be average to poor for 1998. The level of education in the country is still relatively high—according to UNDP, the Human Development Indicators Education Index was at 0.91 in 2000—but the lack of civic traditions, combined with an increasingly disillusioned and passive population, are hardly fertile ground for democratic protest against Nazarbayev’s policies.

In contrast, Kazakhstan had relatively good economic baseline conditions, thanks to its abundant oil reserves. The oil transport problem was solved in 2001 with the opening of Kazakhstan’s first new export pipeline since gaining independence. It runs from the Tengiz oil field in western Kazakhstan to the Russian Black Sea port of Novorossiisk and was financed by international oil companies. However, the first signs that Kazakhstan may fall victim to “Dutch disease” due to its concentration on the oil sector have been noted. The negative consequences of clientelism and corruption cannot be overstressed.

5.2 Reliable pursuit of goals

In addition to political management of current problems, the government also pursues long-term goals, but they are often pushed aside in favor of short-term

political gain. An example of this is the “Kazakhstan 2030” program approved at the end of 1997. This program outlined the country’s vision of its long-term policy priorities: national security, domestic political stability, economic growth, health, education, energy resources, and infrastructure. Its division into five-year segments and proclamations of their fulfillment recalls the days of the Soviet planned economy.

The government’s announced reforms do not always take the form of concrete measures because different parts of the government sometimes work against each other. Although the banking and pension reforms were successful, the ambitious “blue chip” project, which raised considerable international interest, failed to get off the ground. Marchenko, the chairman of the National Bank, acts as a guarantor that reforms will be developed and implemented in the financial sector. Despite corruption and some legal uncertainty, there is a fundamental reliance on the part of the economic actors that expectations will be met, but not on the part of the citizens or non-governmental organizations. Beginning in 1996, the Belgian company Tractebel was responsible for supplying electricity and gas to the former capital Almaty. The company also bought Kazakhstan’s gas pipeline network in 1997. After protracted conflicts with the government, Tractebel utilized a buy-out to pull out of the Kazakhstani market.

5.3 Effective use of resources

The government uses only a few of the available resources effectively. There are competitive recruitment practices for the hiring of public employees, but these practices are not immune to political influences. Government bureaucracy does not work efficiently. Kazakhstan has a small budget deficit and low foreign debt. In April 2002, Prime Minister Imangali Tasmagambetov surprised parliament with the admission that one billion dollars had been transferred to a private Swiss bank account created by the president in 1996. He claimed this money was earmarked as a reserve for periods of economic crisis in Kazakhstan, and that it was used, among other things, for making outstanding pension payments in 1997 and absorbing the shock of the devaluation of the tenge in 1999.

Government reforms are not aimed at creating a democracy. With respect to economic reforms, major reforms have been implemented, particularly in the area of financial policy. However, full implementation of these reforms, especially in rural areas, often fails as a result of corruption and incompetence on the part of local officials. Thus, the announced reform measures can be considered to be only partially realized. The state has not always been able to conform to its own plans. Property rights can be considered secure. Functioning markets should be ensured through the work of the antimonopoly committee, among others, yet corruption has had a negative impact on efforts in this area as well.

Despite positive economic development, public infrastructure outside the major cities continues to deteriorate. The level of healthcare and education has gotten worse rather than better over the last five years, especially in provinces lacking oil reserves. Poor transportation networks, poorly educated public officials, and the poor health of many recruits, among other factors, are significantly hampering the country's development.

In contrast, significant amounts of money are being invested in the construction of Astana, which became the new capital of Kazakhstan in December 1997. The total costs of moving the capital from Almaty to Astana are estimated at several hundred million dollars. Corruption is a key feature of the national and administrative culture as well as business life in Kazakhstan.

The issue of the use of cultural heritage cannot be addressed with any of the suggested answers because suitable historical monuments do not exist. As was mentioned previously, the Kazakhs have no civic traditions to fall back on. There were claims in the early 1990s that the Kazakh nomad society was traditionally democratic, but that was historically inaccurate and no longer in the interest of the government during the reporting period. Today, it is often pointed out that the Kazakhs have historically been fixated on strong leaders.

5.4 Governance capability

The actors (Nazarbayev and his family) were extremely successful in achieving their goals and have shown their ability to learn—but in the sense of retaining and expanding their power, not in the sense of implementing democratic reforms. Nazarbayev's success so far has been due to the fact that he was able to balance the interests of several powerful economic groups (stakeholders). Domestic political problems have only cropped up since his son-in-law disrupted this balance and upset the system at the end of 2001. The government has reacted very harshly to these problems. Reforms are taken up at the initiative of the president. The government is the executive body. Implementation of reforms is often superficial.

5.5 Consensus-building

There are almost no actors in Kazakhstan who would pursue democracy as a political goal. The policies of the president and his "family" in the broader sense of the word aim at retaining power, while many of his critics seek to attain power. There is no serious parliamentary opposition. Nazarbayev has usually been successful in integrating his critics or eliminating them altogether while maintaining a balance between economic groups, clans and interest groups. The young business elite has only recently formed a confident opposing force that

demands a greater political voice. To date, Nazarbayev has reacted to such demands with harshness rather than the willingness to discuss matters.

In contrast, there is little or no resistance to free-market reforms and no noteworthy opposition to the goal of economic transformation, although some dislike the means.

There are a number of structural conflicts brewing in Kazakhstani society, including multi-nationality problems, city-country conflicts, growing social gaps, and in particular, the increasing importance of clans as well as the growing confidence of the oil-producing regions in western Kazakhstan vis-à-vis the rest of the country. These conflicts have not yet erupted into open hostility, but the government is not working to resolve them.

Families in Kazakhstani society are very willing to engage in acts of intra-family solidarity. Social relations would be much worse if the government did not take advantage of this characteristic. However, the current modernization of society and greater contact with the outside world, among other things, must inevitably lead to a gradual erosion of this traditional solidarity. The euphoria and solidarity toward the newly independent state of Kazakhstan that portions of the population felt at the beginning of the 1990s already began to fade in 1995. This tendency has continued during the reporting period.

Kazakhstani society is not overly concerned with coming to terms with its past. Despite the fact that many current leaders held high offices during the Soviet era, the general opinion is that the perpetrators can be found in Moscow, while the victims are in Kazakhstan.

5.6 International cooperation

In the first half of the 1990s, the Kazakhstani government was very willing to learn from outsiders and accept criticism and suggestions. However, this willingness has dwindled to a very low level during the reporting period. The country's newfound economic strength has greatly increased its confidence. This new attitude applies in particular to criticism of Kazakhstan's political transformation voiced by various institutions ranging from the OSCE to representatives of the American Congress. The increased significance of Central Asia since the terrorist attacks of September 11, 2001, and the presence of American troops subsequently stationed in neighboring Uzbekistan and Kyrgyzstan have also contributed to Kazakhstan's new self-confidence. Kazakhstan also offered the American government access to military bases within its borders.

The government attempts to present itself internationally as a predictable partner, but its credibility in the West has declined during the reporting period. Kazakhstan is very aware of its position as a buffer state between Russia and China and is making every effort to become a member of as many international organizations as possible. The country strives for constructive and peaceful cooperation with its neighbors. As a result, the problematic border agreements (with Uzbekistan in particular) have been brought to a successful conclusion since 1998.

6. Overall evaluation

In view of the originating conditions, current status and evolution achieved, as well as the actors' political achievements (management), this assessment comes to the following concluding evaluations:

(1) Starting Conditions: The starting conditions for transformation can be rated as average to poor overall. There were neither civil nor free-market traditions on which to build a new system. The Soviet Union's isolation ensured that these ideas were not even known as hypothetical possibilities. Multi-nationality, an unclear state identity, economic crisis, and inexperience on the international stage were additional impediments. Thus, in its first few years of independence, the Kazakhstani government was extremely interested in Western aid, suggestions and examples. The failure of this aid to bring about the desired result is only partly due to Nazarbayev's desire for power; the failure of Western suggestions and Western advisors' lack of local knowledge were also to blame.

(2) Current Status and Evolution

The political conditions in Kazakhstan corresponded more closely to democratic norms at the end of 1994 than they did at the beginning of the current reporting period in 1998. Today, the country has retreated even further from a democratic system. As a result, the road to democracy is a great deal longer than it once was. This applies not only to the previously discussed defects involving parties and elections, freedom of the press and freedom of speech, but also to the powerful position the constitution assigns the president and the complete disillusionment and indifference of the population.

The transformation towards a market economy covered a good deal of ground. After the 1998 financial crisis in Russia, the government successfully stabilized the tenge and the economy. The government's handling of this crisis sparked the establishment of small and medium-sized enterprises. The banking system is the best-developed system in Central Asia. In 2001, Kazakhstan received more foreign investment than Russia (Kazakhstan: \$2.76 billion, Russia: \$2.47 billion). In autumn 2002, Moody's gave Kazakhstan a credit rating of "investment grade."

Kazakhstan is the first former Soviet republic to achieve this rating. However, the transformation process is still in progress.

(3) *Management*: Evaluating Kazakhstan's management of democratic reforms is not possible because the observed developments have been anti-democratic. The economic transformation process has made significant progress during the observation period. In comparison to the previous period, reforms have both picked up speed and improved their prospects for success, but widespread corruption permeates the management achievement of the participants.

7. Outlook

For the time being, the perspective for a democratic transformation in Kazakhstan is a negative one. Several times, new political movements and opposition parties have appeared on the scene and given Western observers reason to hope for democratization. Each time, these hopes have been dashed. For the first time, however, the new opposition is economically powerful and includes individuals who previously held political power. This will probably further increase internal political tension and lead to even tighter restrictions on freedom of the press, freedom of speech, political party activity and future elections. Assuming further positive development occurs, the tension between the autocratic regime and the new economic elite will continue to increase over the long term. Other parties, such as the general population and the military, are not expected to play any role in this process.

The government's economic plans are characterized by tremendous confidence: these plans envision Kazakhstan as the "regional economic tiger" of Central Asia. At a December 2002 forum of the Eurasian Economic Community in Moscow, Nazarbayev declared that Kazakhstan is planning to double its GDP by 2010. Oil production will increase from 47 million tons in 2002 to 150 million to 170 million tons a year by 2015. A total of \$11 billion will be invested into Kazakhstan's oil industry between 2003 and 2005, and more than \$21 billion will be invested between 2006 and 2010. Kazakhstan's plans to join the World Trade Organization (WTO) at the same time Russia is admitted, if possible, were already mentioned. This would bode well for Kazakhstan's economic development. China, the country's other large neighbor, is already a member of the WTO.

On the other hand, the economy is concentrating too heavily on the raw materials sector, despite lip service to the contrary. Oil and gas, metals and other minerals constitute 80 % of the country's exports. This makes Kazakhstan's economy too dependent on world market prices over which it has no control. If the government is unable to quell corruption and create an atmosphere of greater legal security for foreign investors, Kazakhstan's oil resources will not be enough to attract investment over the long term.