

A China to Europe Corridor: A New Imperative for the Kazakhstan-NATO Partnership*

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The article examines the decade-long process through which Kazakhstan has deepened its partnership with NATO in the context of Kazakhstan's concomitant economic rise and emergence as an important railway corridor for China-Europe trade. The article suggests that the Kazakhstan-NATO partnership has evolved to a level of strategic cooperation and interoperability whereby it meets the Eurasian strategic imperative of ensuring a functional non-Russian, China-to-Europe transportation corridor alongside the already existing Russian routes. In this light, Kazakhstan's cooperation with NATO may be moving beyond the immediate concern of protecting Central Asia from the destabilizing effect of Islamic militancy. The article concludes by positing that NATO's most critical role in the future may be in facilitating stronger security cooperation between Kazakhstan and Azerbaijan in the Caspian Sea.



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The political terms that will characterize future economic and security cooperation across Eurasia will, in large measure, be determined by Kazakhstan. Spanning the western border of China and the eastern borders of European Russia and the Caspian Sea, Kazakhstan is the critical geographic link in the emerging commercial transportation corridor from western China to Western Europe. Because of its Caspian coast, Kazakhstan offers an alternative China-to-Europe overland trade route via Azerbaijan, bypassing Russia entirely. While Moscow regards Kazakhstan as a critical partner for its ambition to reassert Russian power through the establishment of a Eurasian Union, of which Kazakhstan is a founding member, Beijing has been building rail lines in Kazakhstan to ensure that its own burgeoning trade with the European Union (EU) will not remain at the mercy of Moscow's control of overland transit outlets to Europe. At the same time, Kazakhstan's abundant oil, natural gas, and uranium resources provide the potential for the EU to reduce its energy dependency on Russia.

However, whether Kazakhstan will be able to preserve a sufficient measure of autonomy in its foreign relations to become an alternative transportation and energy hub for Europe and China will depend on the extent to which Kazakhstan can offset the threat of Russian hard power. In this light, Kazakhstan's cooperation with the NATO may be developing beyond the immediate concern of protecting Central Asia from the destabilizing effect of Islamic militancy.

Kazakhstan as the New China-to-Europe Transit Corridor

The World Bank now designates Kazakhstan as an "upper-middle-income" country and its 2013 13,000 USD per capita income places Kazakhstan's economy on a par with the economies of EU members Poland and Hungary.

At the beginning of the new millennium, Kazakhstan witnessed an astounding rate of economic growth, which transformed the country into the dominant economic power in Central Asia. Driven initially by hydrocarbon exports, Kazakhstan experienced a ten-fold increase in per capita income over the first decade of its economic boom.¹ The World Bank now designates Kazakhstan as an "upper-middle-income" country and its 2013 13,000 USD per capita income places Kazakhstan's economy on a par with the economies of EU members Poland and Hungary.² In relation to its neighbors, Kazakhstan's GDP is more than double the four other Central Asian nations

1 James Brooke, 'Kazakhstan Faces Political Challenges Despite Economic Boom', 30 November 2010.

2 World Bank, 'Kazakhstan Overview', April 2014; The International Monetary Fund, 'World Economic Database April 2014 Edition', April 2014.

combined. According to World Bank estimates, Kazakhstan's prosperity has been "shared broadly" by the country's citizens, as economic growth continues to be accompanied by a concomitant growth in private domestic consumption.³ According to official calculations by the Kazakh government, from 2001 to 2012, the percentage of Kazakhstanis living in poverty dropped from 47 percent to 3.8 percent.⁴

Kazakhstan's sustained economic growth is linked with its relations with China. China-Kazakhstan bilateral trade accounts for approximately 25 percent of Kazakhstan's total annual trade volume. In line with its foreign policy principles of "pragmatism, consistency and balance," Kazakhstan's deepening economic ties with Beijing are counterbalanced by its extensive trade relationship with the EU and membership in the Russian-led Eurasian Customs Union.⁵ Kazakhstan's development success and economic growth have been the result of this carefully constructed, multidirectional foreign trade policy.⁶ With Kazakhstan's trade-driven dynamism, President Nursultan Nazarbayev now seeks to implement his ambitious 'Strategy Kazakhstan 2050', aimed at becoming a Europe-to-Asia transportation and energy hub, thereby catapulting Kazakhstan into the ranks of the world's thirty most developed nations.⁷

However, with the members of the Russian-led Eurasian Union project scheduled to establish the legal and regulatory framework to create a Single Economic Space (SES) by January 1, 2015,⁸ Kazakhstan has become increasingly apprehensive about the prospect of Russian political domination and the possibility that Moscow will use the economic union to bolster its own sagging economy at the expense of Kazakhstan's continued growth.

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3 Ilyas Sarsenov and Dorsati Madani, 'Kazakhstan: Solid Growth', Fall 2013.

4 These government figures parallel World Bank statistics measured according to the international poverty line. Adjusting for purchasing power parity, the World Bank estimates that the percentage of Kazakhstanis living in poverty fell "from from 41 percent in 2001 to 4 percent in 2009." World Bank, 'Kazakhstan Overview'.

5 While no other country has a greater volume of bilateral trade with Kazakhstan than China, the European Union collectively is Kazakhstan's leading trade partner.

6 On January 29, 2014, Kazakhstan's President, Nursultan Nazarbayev promulgated Kazakhstan's new "foreign policy concept," the foreign policy component of "Strategy Kazakhstan 2050." The bulk of the foreign policy concept outlines a continuation of the "multi-vectored" strategy, which has been the hallmark of Nazarbayev's conduct of foreign relations. See Republic of Kazakhstan, 'Foreign Policy Concept for 2014-2020', 2014 <http://kazembassy.ca/kazakhstan/foreign-policy-concept-for-2014-2020/>

7 Nursultan Nazarbayev, 'Strategy Kazakhstan 2050 New Political Course of The Established State', 14 December 2012

8 The Eurasian Economic Commission, 'Eurasian Economic Integration: Facts and Figures', 2013, p. 7,

Although Kazakhstan's economy enjoys a growth rate approximately four times that of Russia's, Kazakhstan is politically constrained by the far superior military power of its northern neighbor, with whom it shares a 6,846 km border and upon whom it currently depends as its sole railway outlet to European markets. The new China-to-Europe transport corridor via Kazakhstan and Azerbaijan constitutes a geo-political breakthrough for Astana by providing the opportunity to eliminate Moscow's monopoly over Kazakh export routes to Europe.

While approximately 16 million tons of freight traverses Kazakhstan annually, Astana anticipates that the new route will create a ten-fold increase in the amount of freight transported through Kazakhstan by the end of the decade.

In his January 2012 address to the nation three months prior to the unveiling of his Strategy 2050, President Nazarbayev referred to the building of the western China to Western Europe transportation corridor as "the construction of the century."⁹ In December 2013, shortly after Kazakhstan's adoption of an infrastructure development plan to be implemented through 2020, then-Prime Minister Serik Akhmetov reiterated President Nazarbayev's goal to make Kazakhstan "a major logistics hub connecting Europe and Asia."¹⁰ While approximately 16 million tons of freight traverses Kazakhstan annually, Astana anticipates that the new route will create a ten-fold increase

in the amount of freight transported through Kazakhstan by the end of the decade. The 2020 infrastructure development plan, drafted with the assistance of the World Bank, seeks to build rail, road, and Caspian Sea transit facilities to accommodate the transportation of 170 million tons annually.¹¹ The plan includes the upgrade of all of Kazakhstan's 302 railway stations, over 8,000 km of track, 650 locomotives, and 20,000 freight cars.¹² To meet this need, the 2020 infrastructure plan commits Astana to spend approximately US\$30 billion in public and private investment funds on transportation infrastructure development over the seven-year period.¹³ The president of Kazakhstan's national railway company Kazakhstan Temir Zholy (KTZ) anticipates that the cost of freight transportation from China to Europe via

9 Nazarbayev was referring to both road and rail transportation, but particularly road construction in this speech. Due to limitations of space and scope this article will only discuss the rail component of the corridor. See Nursultan Nazarbayev, 'Socio-Economic Modernization as Main Vector of Development of Kazakhstan', 27 January 2012.

10 Rysty Alibekova, 'Kazakhstan's 2020 Transit Plan Helps Connect Europe and Asia', 4 December 2013. Serik Akhmetov resigned from his position on 2 April 2014 and was succeeded by his predecessor Karim Massimov. Akhmetov assumed the post Kazakhstan's Minister of Defense.

11 Olga Zolotykh, 'Aktau Port Increases Efficiency, Capacity', 23 November 2013.

12 Daniyar Mukhtarov, 'Kazakhstan presents draft state programme on transport infrastructure development by 2020', 28 November 2013.

13 Kazakh TV, 'Government adopts program on transport infrastructure development until 2020', 27 November 2013.

Kazakhstan will be 300 percent less than the cost of transportation by traditional maritime routes.¹⁴ As Astana unveiled its 2020 infrastructure development plan, the 49-car Chang'an cargo train made its first 5,027 km run from the Shaanxi provincial capital Xi'an to Zhem in Kazakhstan, close to Zhanazhol, site of the country's fourth largest hydrocarbon field.¹⁵ China's state-run China National Petroleum Corporation (CNPC) is the sole operator of the Zhanazhol field and the Chang'an line carried drilling rig equipment for CNPC's further development of the field.¹⁶ The freight line, named Chang'an ('Perpetual Peace'), after the medieval name of Xi'an when the city served as China's gateway to the Silk Road, has reduced transportation costs from China to Kazakhstan by 30 percent. China and Kazakhstan hope to expand this line from Kazakhstan to Western Europe.¹⁷ The maiden run of the Xi'an-Zhem line was a pointed illustration that Astana's enterprising endeavors to become the major Eurasian transportation hub are succeeding. This is thanks to Beijing's enthusiasm in making significant financial investments in transportation and energy development projects in Kazakhstan, as part of China's Silk Road Economic Belt initiative.

As a whole, China's considerable ongoing investments in Kazakhstan and Central Asia, stand in marked contrast to the lower level U.S. involvement in Central Asia's infrastructure development, despite Washington's once touted 'New Silk Road Initiative.' In her July 2011 speech in Chennai, India, then-U.S. Secretary of State Hillary Clinton first announced the idea of an American New Silk Road initiative. Exhorting her Indian audience, Clinton urged, "Let's work together to create a new Silk Road... [a] network of economic and transit connections. That means building more rail lines, highways, energy infrastructure..."¹⁸ Despite the fanfare, New Delhi's lack of enthusiasm to commit to Washington was matched by Washington's subsequent failure to commit substantial funds to the

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14 Rysty Alibekova, 'Kazakhstan's 2020 Transit Plan Helps Connect Europe and Asia', 4 December 2013, available at <http://www.astanatimes.com/2013/12/kazakhstan-2020-transit-plan-helps-connect-europe-asia/>

15 Xinhua News Agency, 'Xi'an-Almaty cargo train begins operation', 28 November 2013.

16 About the Zhanazhol field, see: Shamil Midkhatovich Yenikeyeff, *Kazakhstan's Gas: Export Markets and Export Routes*, 25 November 2008, p. 31.

17 'Xi'an-Almaty cargo train begins operation', November 2013, available at <http://www.globalpost.com/dispatch/news/xinhua-news-agency/131128/xian-almaty-cargo-train-begins-operation>

18 Hillary Rodham Clinton, 'Remarks on India and the United States: A Vision for the 21st Century', 20 July 2011.

initiative.¹⁹ From 2010-2012, the United States development aid to Central Asia was a meager 400 million USD.²⁰ By comparison, according to KTZ, Astana's 2012 completion of the 293km Khorgas-Zhetygen line running from the Chinese border town of Khorgas to Kazakhstan's Almaty region cost approximately one billion USD.²¹ Vitally important for the development of the Eurasian corridor, the Khorgas-Zhetygen line creates a second and shorter link for a more cost efficient China-to-Europe transit line traversing Kazakhstan, making the Russian bypass route more feasible.²²

As Kazakhstan and Russia develop closer economic integration through the formation of the Single Economic Space in 2015, Astana has become increasingly alarmed about Moscow's intentions, as Astana already perceives signs that Moscow will use the Eurasian Union's macroeconomic coordination mechanisms to enrich Russia at the expense of Kazakhstan's growth trajectory.

However, Moscow has no interest in seeing Kazakhstan, a country it considers a junior partner, emerge as a more dynamic and prosperous nation because of the new transit route. On the other hand, Moscow also fears the effect of inexpensive Chinese products on its weak economy as a result of greater volumes of unfettered China-to-Europe trade along the present transit route via Russian territory. As Kazakhstan and Russia develop closer economic integration through the formation of the Single Economic Space in 2015, Astana has become increasingly alarmed about Moscow's intentions, as Astana already perceives signs that Moscow will use the Eurasian Union's macroeconomic coordination mechanisms to enrich Russia at the expense of Kazakhstan's growth trajectory. At the Supreme Eurasian Economic Council meeting in late October 2013, President Nazarbayev accused Russia of using trade barriers within the already existing customs union to artificially engineer a trade imbalance in favor of Russia.²³ Complaining of a "clear politicization" of the integration process, the Kazakh president accused the Russian members of Eurasian Economic Commission (the entity responsible for the proper functioning of the customs union)

19 For India's role, see: Micha'el Tanchum, 'India's Not-So-Splendid Isolation in Central Asia: The Impact of Strategic Autonomy in the Emerging Asian Regional Architecture', Fall/Winter 2013.

20 Valdimir Fedorenko, 'The New Silk Road Initiatives in Central Asia', *Rethink Paper* 10, August 2013.

21 Kazakhstan Temir Zholy, 'Construction of the railway line Korgas-Zhetygen', available at <http://railways.kz/en/node/3413>

22 The first rail line between China and Kazakhstan runs from Urumqi in China's Xianjiang province to the Kazakh border town of Dosytk. Originally a Sino-Soviet friendship project, construction of the rail line was halted because of the Sino-Soviet split and subsequently completed with the disintegration of the Soviet Union in late 1990.

23 Since the establishment of the customs union in 2009, Kazakhstan's imports from the Common Economic Space jumped from 32 to 40 percent in 2012 without any commensurate rise in exports to Belarus and Russia. See Rufiya Ospanov, 'In Minsk, Nazarbayev Voices Benefits, Drawbacks of Customs Union', 29 October 2013.

of acting under directives from the Russian government for the deliberate benefit of Moscow, in violation of the terms of the customs union treaty.²⁴

One of Kazakhstan's greatest concerns is Russia's attempt to control various sectors of Kazakhstan's oil industry, aimed at ensuring its subordination to Russia's oil industry, the sector upon which both the Russian economy and the stability of the Putin government depend. In early 2013, Russia saturated the Kazakh market with refined petroleum products causing severe losses to Kazakhstan's own refineries, which were forced to cut production. In response, the Kazakh government imposed a ban on Russian petroleum products until January 1, 2014 in an attempt to rescue its domestic petroleum-refining sector.²⁵ Given this track record, Astana also fears that Moscow will use Russia's oil trade regulations to give Moscow a disproportionate level of control over Kazakh oil exports to Europe. Additionally, Russia's main objective is to use Kazakhstan's new infrastructure for the inexpensive transport its own oil to China. In February 2014, Russia's state oil company Rosneft concluded an agreement with Beijing to boost oil exports to China. Rosneft has committed to supply 360 million metric tons of crude oil to China for a period of twenty-five years, obtaining additional annual revenues worth to 2.5 billion USD.²⁶ Given Moscow's recent market manipulation to undermine Kazakhstan's refining industry, Astana should be concerned that Moscow will make similar attempts to promote Russian oil exports to China at Kazakhstan's expense.

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Kazakhstan-NATO Partnership: Creating a Counter-Balance?

Similar to its "multi-vectored" economic cooperation, Kazakhstan has attempted to balance its membership in the Russian-led Collective Security Treaty Organization (CSTO) by deepening its security cooperation with the United States and NATO. During his opening speech to the annual gathering of foreign diplomats and heads of international organizations in Kazakhstan, President Nazarbayev reasserted Kazakhstan's foreign policy principles of "pragmatism, consistency, and balance."²⁷ He went

24 Ibid.

25 Downstream Today, 'Kazakhstan Refineries Overstocked With Their Own Gasoline', 29 April 2013.

26 The Voice of Russia, 'Russia and China close oil deal', 6 February 2014.

27 Alibek Zhunussov, 'President Calls for Stronger Dialogue, Cooperation with Countries in Implementing Kazakhstan 2050', *Astana Times*, 7 February 2014, available at <http://www.>

on to enumerate the United States and the European Union along with China, Russia, and the other Central Asian nations as Kazakhstan's "traditional partners."²⁸ During his February 5, 2014 speech at the Akorda presidential palace, Nazarbayev identified Afghanistan as "the critical issue in Central Asia's regional security," and went on to praise NATO's role in the region, stating, "[i]nternational forces have played a historic role in the stabilization, not only of Afghanistan but also throughout Central Asia. For this, we greatly appreciate the contribution of the United States, Germany, United Kingdom, and many other countries."²⁹

Kazakhstan has been a member of NATO's Partnership for Peace (PfP) program since 1995. The PfP program is NATO's framework through which the alliance engages non-member states on a range of defense and security issues. Over the course of the past decade, Kazakhstan has consistently deepened its partnership with NATO as the country continued to grow economically. In 2002, Kazakhstan began participating in NATO's "Planning and Review Process" (PARP) and in NATO's "Operational Capabilities Concept" (OCC) since 2004.³⁰ In the same year, NATO designated Central Asia as a region of "special focus" with an agenda to "develop NATO assistance programs to modernize national military structures."³¹ As a sign of the deepening relationship between NATO and Kazakhstan, the alliance chose to station its liaison officer responsible for the Central Asian military modernization initiative in the Kazakh capital of Astana. In 2006, Kazakhstan began the implementation of an Individual Partnership Action Plan (IPAP), which aims to harmonize all aspects of cooperation with NATO.³² The IPAP framework requires democratic control of the armed forces and assists countries that want to create peacekeeping battalions for potential international deployment.³³ Between

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astanatimes.com/2014/02/president-calls-stronger-dialogue-cooperation-countries-implementing-kazakhstan-2050/; These principles also appear in President Nazarbayev's 2012 2050 Strategy speech.

28 Alibek Zhunussov, *ibid*

29 *Ibid*.

30 Marat Shaikhutdinov, 'The Trans-Atlantic vector of the Republic of Kazakhstan's foreign policy strategy: its state of affairs, problems, and prospects', 1 November 2013. Available at <http://eptoday.com/the-transatlantic-vector-of-the-republic-of-kazakhstans-foreign-policy-strategy-its-state-of-affairs-problems-and-prospects/>

31 'Kazakhstan's Strategic Significance', *European Dialogue*, 9 May 2014, available at <http://www.eureporter.co/magazine/2014/05/09/opinion-kazakhstans-importance-for-central-asia-the-eu-china-and-russia-relations-in-progress/>

32 Marat Shaikhutdinov, *ibid*

33 Jos Boonstra, Erica Marat, Vera Axyonova, 'Security Sector Reform in Kazakhstan, Kyrgyzstan, and Tajikistan: What Role for Europe?', *FRIDE Publication*, May 2013. Available at: http://www.fride.org/download/EUCAM_WP14_SSR_Kazakhstan_Kyrgyzstan_Tajikistan.pdf

1998 and 2011, Kazakhstan participated eleven times in "Combined Endeavor," a U.S. - European Command-sponsored interoperability exercise conducted within the NATO PfP program.³⁴ The exercise focuses on preparing NATO and PfP countries to collaborate, plan, and execute 'C4' (command, control, communications, and computer) systems in crisis response and combat operations.³⁵ Similarly, Kazakhstan participated in the NATO PfP peacekeeping exercises "Cooperative Nugget" and "Cooperative Osprey" along with Uzbekistan and Kyrgyzstan from 1995 to 2002.³⁶

NATO's most important engagement with Kazakhstan is the annual joint military exercise known as "Steppe Eagle." This program began in 2003 as a trilateral exercise involving American, British, and Kazakh troops.³⁷ The annual Steppe Eagle exercise has been run by NATO's PfP program since Kazakhstan signed an IPAP with NATO in 2006. The two-week long Steppe Eagle 2013 exercise was the largest exercise of its kind to date. Kazakhstan's NATO-trained and equipped airmobile forces brigade KAZBRIG (formerly KAZBAT) as well as Kazakh army and air force units participated in the exercise.³⁸ KAZBRIG is being trained by the Alliance for deployment in support of NATO peace-keeping operations and is therefore trained for a high degree of professionalism as well as interoperability with NATO forces.³⁹ As such, KAZBRIG constitutes an important conduit for the development of interoperability between NATO and the rest of Kazakhstan's armed forces. In March 2013, the U.S. provided KAZCENT, KAZBRIG's NATO PfP training center in Almaty, with mobile training kits to enable KAZCENT to provide training for other Kazakhstani forces anywhere in the country. According the U.S. Consulate General in Almaty, "[t]he equipment will enable KAZCENT to exponentially increase their access to members of the [Kazakhstani] mili-

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[fride.org/download/EUCAM_WP14_SSR_Kazakhstan_Kyrgyzstan_Tajikistan.pdf](http://www.fride.org/download/EUCAM_WP14_SSR_Kazakhstan_Kyrgyzstan_Tajikistan.pdf)

34 Matthew Stein, 'Compendium of Central Asian Military and Security Activity', 3 October 2012, p. 12

35 *Ibid*.

36 "Cooperative Nugget" exercises were held in 1995, 1997, 2000, and 2002 and the "Cooperative Osprey" exercises were held in 1996, 1998, and 2001. *Ibid*, pp. 13-14.

37 Leslie Adkins, 'U.S. Steppe Eagle exercise in Kazakhstan', 15 August 2013.

38 Farida Ahmetov, 'NATO experts praised Kazakhstan's military servants', *Kazakhstanskaya Pravda*, 4 September 2013.

39 A team from the then Kazakhstan Peacekeeping Battalion (KAZBAT) supported NATO forces during the American-led Iraq war, training Iraqi security forces, eliminating explosive devices and ammunition, providing medical assistance to Iraqi civilians. Ambassade de la Republique du Kazakhstan, 'Kazakhstan-NATO', n.d.

tary for training.⁷⁴⁰ The fact that the annual Steppe Eagle exercise continues to expand in scope as NATO is drawing down its forces in Afghanistan is a sign that both Kazakhstan and NATO perceive the critical need to strengthen their relationship for future challenges.

NATO's Strategic Value for Kazakhstan: UK-India Contrast

For Kazakhstan, the U.S. and NATO play a vital role in safeguarding the independence of Astana's foreign policy. This is illustrated by the contrast between Kazakhstan's strategic and economic cooperation with India and the United Kingdom. Because India has maintained a strategic distance from the United States and NATO, India's value for Kazakhstan as an additional counterbalance to Russia is greatly limited and has contributed to the failure of India's *Connect Central Asia* policy.⁴¹ Indeed, the most embarrassing setback to New Delhi's *Connect Central Asia* policy has been India's loss of ConocoPhillips' 8.4% stake in Kazakhstan's massive Kashagan oil field to China's CNPC in September 2013.

New Delhi launched its *Connect Central Asia* policy in an attempt to shore up India's position in Central Asia, following the strategic setback it suffered in December 2010 with the loss of Tajikistan's Ayni airbase to Russia. New Delhi convened the first meeting of its India-Central Asia Dialogue in the Kyrgyz capital Bishkek in June 2012. In his keynote address, India's Minister of External Affairs unveiled New Delhi's *Connect Central Asia* policy. The declared objectives for "deep engagement" with the Central Asian republics included strengthened strategic and security cooperation and long-term partnerships in energy development. In late November 2012, ONGC Videsh Limited (OVL), the international arm of India's Oil and Natural Gas Corporation, concluded an agreement to purchase ConocoPhillips' 8.4% interest in Kashagan, pending Astana's approval. Considered the largest oil discovery in the last thirty years, the 5 billion USD stake in Kashagan was perceived by New Delhi as a significant foothold in Kazakhstan's oil industry.

The second round of New Delhi's India-Central Asia Dialogue was held in Almaty in June 2013. In addition to being held in Ka-

40 Consulate General of the United States, Almaty – Kazakhstan, 'The Office of Military Cooperation delivers technical equipment to Kazakhstan's Partnership for Peace Training Center KAZCENT', March 2013.

41 Micha'el Tanchum, 'India's Not-So-Splendid Isolation in Central Asia', Harvard Asia Quarterly, Fall 2013, Vol. XV, No. ¾, pp.66-73.

zakhstan's commercial center, the India-Central Asia Dialogue II featured a special session focused on India - Kazakhstan bilateral relations. About one month prior to this second round of New Delhi's India-Central Asia Dialogue, the Indian government announced it had received positive indications from Astana that it would approve the sale to OVL.⁴² However, one month after the Almaty round, ConocoPhillips was notified that the Kazakhstan Ministry of Oil and Gas would invoke Kazakhstan's Subsoil Law to pre-empt the proposed sale to OVL.⁴³ Instead, Kazakhstan's state-owned energy company KazMunaiGas bought ConocoPhillips' 8.4% stake in the Kashagan field and then sold an 8.33% stake in Kashagan to China's CNPC for an equivalent five billion. The head of KazMunaiGas informed the press that CNPC also promised up to 3 billion USD to cover half the cost of Kazakhstan's financing of Kashagan's second phase of development.⁴⁴ In a public display of China's diplomatic triumph, Chinese President Xi Jinping visited Astana in early September to sign the acquisition agreement with President Nazarbayev, one of 22 agreements concluded between China and Kazakhstan worth 30 billion USD. It was during this trip, in his speech at Kazakhstan's Nazarbayev University, that President Xi proposed that China and Kazakhstan should partner in building what Beijing now refers to as the "Silk Road Economic Belt."

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India's strategic distance from Washington and NATO has not served New Delhi well in its relations with Kazakhstan. The volume of Indian-Kazakhstan bilateral trade is twenty-five times less than Kazakhstan's trade volume with China.⁴⁵ With such a delivery deficit in economic cooperation, India's lack of a strategic partnership with the U.S. and NATO in Central Asia has left India struggling to become a significant player in Kazakhstan. India was not even invited to participate in NATO's Steppe Eagle exercises as an observer. Thus Kazakhstan can deepen its economic cooperation with China at India's expense without incurring any significant cost to its own security relationships with NATO.

42 Sandeep Dikshit, 'Kazakhstan positive to India's hydrocarbons quest', The Hindi, 28 April 2013, available at <http://www.thehindu.com/todays-paper/tp-national/kazakhstan-positive-to-indias-hydrocarbons-quest/article4662187.ece>

43 ConocoPhillips News Release. 'ConocoPhillips Notified of Republic of Kazakhstan's Intent to Pre-empt ConocoPhillips' Sale of Kashagan Interest', 2 July 2013.

44 Mariya Gordeyeva, 'UPDATE 4-China buys into giant Kazakh oilfield for \$5 bln', 7 September 2013.

45 Indian-Kazakhstan bilateral trade accounted for 0.4% Kazakhstan's total trade in 2012. According to the Indian Ministry of External Affairs, the bilateral trade between India and Kazakhstan in 2012 totaled USD 525.15 million, Ministry of External Affairs, 'India-Kazakhstan Relations', July 2013.

India's failure stands in marked contrast to the security and economic cooperation that the United Kingdom enjoys with Kazakhstan. As one of the initiators of the Steppe Eagle annual exercise even before it was a NATO PfP program, the UK has a significant track record in providing vital security training to Kazakhstan's armed forces. Kazakhstani officers and soldiers regularly receive advanced training at British military institutions, including President Nazarbayev's own grandson, who graduated from Britain's famous Sandhurst Military Academy in 2009. At the same time that Kazakhstan's Ministry of Oil and Gas announced the cancellation of its sale to India of an 8.4% stake in the Kashagan field, British Prime Minister David Cameron and President Nazabayev presided over the unveiling of the Bolashak on-shore oil and gas processing plant at the Kashagan field.⁴⁶ The plant is operated in part by the Anglo-Dutch energy conglomerate Royal Dutch Shell, one of the seven companies in the consortium developing the Kashagan field, now including China's CNPC. Cameron's visit was the first official visit to Kazakhstan by an incumbent British Prime Minister. While Britain's bilateral trade with Kazakhstan is greater than India's, the volume of UK-Kazakhstan bilateral trade is ten times smaller than the volume of China-Kazakhstan bilateral trade. Bolstered by Britain's strong security partnership with Kazakhstan, Astana and London signed business contracts during Cameron's visit worth over 1 billion USD.⁴⁷

Azerbaijan: Kazakhstan's Critical Russian Bypass

Aside from the recent entry of CNPC, all the companies in the consortium developing the Kashagan field are from NATO member states, along with Japan, which enjoys its own close security cooperation with the United States. Collectively, the member states of the European Union conduct more bilateral trade with Kazakhstan than China. The European Union is looking to Kazakhstan to diversify its hydrocarbon imports and reduce Europe's energy dependency on Russia. Both China and Europe are keen to develop a Eurasian transport corridor beyond the scope of Russian interference. When the Baku-Tbilisi-Kars (BTK) railway becomes operational in 2014, it will provide the final link of a China-to-Europe overland transport route that entirely bypasses Russia, breaking Moscow's monopoly over Eurasian commercial transport. While capable of carrying both passengers and commercial goods, the BTK line

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⁴⁶ TengriNews, 'Cameron unveils oil and gas plant in Kazakhstan', 1 July 2013.

⁴⁷ BBC News, 'David Cameron making historic Kazakhstan visit', 30 June 2013.

is intended first and foremost to transport oil from Baku to Turkey via Georgia.⁴⁸ Costing more than 613 million USD, the line's initial capacity will be 6.5 million tons of cargo and one million passengers, with an expected expanded capacity of 17 million tons of cargo and about three million passengers by 2030.⁴⁹ The 826-kilometer rail line is also expected to boost the total trade volume between Azerbaijan, Georgia, and Turkey to more than 10 billion USD per year.⁵⁰

Despite construction delays on the Georgian section of the railway, both China and Kazakhstan have already made commitments to ship goods via the BTK line. According to Azerbaijan's Transportation Minister Ziya Mammadov, the Chinese Ministry of Railway Transport has guaranteed that China will transport of 10 million tons of cargo by the Baku-Tbilisi-Kars railway annually.⁵¹ One month after Mammadov's announcement, in a December 2013 press conference in Baku, Kazakhstan's Ambassador to Azerbaijan Amangeldy Zhumabayev conveyed Astana's strong interest in transporting its own products via the BTK line. Stating that the BTK line will provide "ample opportunities" for the transport of key Kazakhstani exports, Mammadov stated that "the volume of cargo transported via this [Baku-Tbilisi-Kars] railroad will amount to 16 million tons, and we want to make sure we can be a part of that."⁵²

The BTK railway constitutes a rail route that bypasses Russian territory and can interlink with the European rail system via Turkey through the Kars-Edirne line, a high-speed rail line being constructed from Kars to Turkey's easternmost city Edirne, situated near Turkey's borders with EU members Bulgaria and Greece. When operational, the line will utilize Turkey's recently completed Marmaray underwater rail line connecting the Asian and European sides of the Bosphorus strait. The most ambitious railway construction project in Turkey, the Kars-Edirne line is expected to reduce the transit time across Turkey from 36 hours to 12 hours.⁵³ China's eagerness for an alternative overland export route that will not be subject to Russian interference has prompted Beijing to fund most of the project. Under an agree-

⁴⁸ Railway-Technology.Com, 'Baku-Tbilisi-Kars (BTK) Rail Line, Azerbaijan, Georgia, Turkey', n.d.

⁴⁹ New Europe Online, 'Tbilisi, Baku see railway completed in late 2014', 2 August 2013.

⁵⁰ Jamila Babayeva, 'Azerbaijan allocates over \$460 million to BTK railway project', AzerNews, 31 January 2014.

⁵¹ 'China guarantees cargo for Baku-Tbilisi-Kars railway', AzerNews, 18 November 2013.

⁵² 'Kazakhstan to increase export via Baku-Tbilisi-Kars railroad', TengriNews, 6 January 2014.

⁵³ Cameron Gordon, 'Asia on the fast train to growth', East Asia Forum, 4 January 2014.

ment signed between China and Turkey in October 2010, Beijing has agreed to provide 28 million USD in financing to cover two-thirds of the estimated constructions cost.⁵⁴

A critical component for the viability of the China-Europe route bypassing Russia is the tanker and cargo traffic between Kazakhstan's main Caspian port Aktau, and Baku. In December 2012, KazMunaiGas and its Azerbaijani counterpart, the State Oil Company of Azerbaijan (SOCAR), initiated talks on how to expand capacity at their respective Caspian ports to accommodate the transport of significantly higher volumes of oil.

A critical component for the viability of the China-Europe route bypassing Russia is the tanker and cargo traffic between Kazakhstan's main Caspian port Aktau, and Baku. In December 2012, KazMunaiGas and its Azerbaijani counterpart, the State Oil Company of Azerbaijan (SOCAR), initiated talks on how to expand capacity at their respective Caspian ports to accommodate the transport of significantly higher volumes of oil.⁵⁵ In August 2013, Kazakhstan's Joint Stock Company for the Special Economic Zone 'Seaport Aktau' signed a memorandum of understanding with Azerbaijan's Azersun Holding and the Azerbaijan Export and Investment Promotion Foundation (AZPROMO), for the construction of a large, state-of-the-art logistics center near Aktau.⁵⁶ The main focus of Kazakhstani-Azerbaijani economic cooperation has been Kazakhstan's oil exports through the Baku-Tbilisi-Ceyhan (BTC) pipeline. Azerbaijan's Energy Ministry estimates that four million tons of Kazakhstani oil will be transported through Azerbaijan in 2014.⁵⁷ The volume of oil that Kazakhstan will export through Azerbaijan is expected to increase significantly after the second phase

of development of Kazakhstan's Kashagan field becomes operational in 2018-2019.

With the increasing convergence of their strategic interests, Kazakhstan and Azerbaijan will need to deepen their security cooperation in the Caspian Sea to protect what may be regarded as the most vulnerable link in the non-Russian, China-to-Europe transit route. The framework of cooperation provided by the two nations' respective NATO partnerships offers the means to accomplish this strategic objective. Azerbaijan's partnership with NATO is well-established, and Azerbaijani peacekeeping troops are currently part of NATO's ISAF forces in Afghanistan. On January 15, 2014, Azerbaijani President Ilham Aliyev made his fifth visit to NATO headquarters and reaffirmed Azerbaijan's strong

strategic partnership with NATO.⁵⁸ Russia and Iran have already successfully challenged efforts by Kazakhstan and Azerbaijan to promote the construction of Trans-Caspian Pipeline via Turkmenistan for the transport of Central Asian oil and natural gas to Europe. Moscow and Tehran will also attempt to thwart the recently proposed undersea pipeline from Kashagan to Baku.⁵⁹ NATO has played a central role in upgrading Azerbaijan's Navy in accordance with the IPAP Azerbaijan signed with NATO. NATO has been also involved in Kazakhstan's efforts to build up its naval forces in the Caspian since it established a navy in 2003. With support from Western states, Azerbaijan's Special Warfare Naval Unit and Kazakhstan's Naval Special Forces cooperate in the Caspian Sea Maritime Proliferation Prevention Projects, the goal of which is to increase maritime surveillance, WMD detection, and interdiction capabilities.⁶⁰ Despite possessing the largest naval force in the Caspian Sea, Russia already considers Western naval assistance to the fledgling naval forces of Kazakhstan and Azerbaijan to be an "ongoing militarization of the Caspian region".⁶¹

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Conclusion

For the continuation of its economic growth as well as the achievement of its ambitious development goals, Kazakhstan needs to preserve and deepen its multidirectional foreign trade policy. Astana must endeavor to ensure that its participation in the 'Single Economic Space' of Moscow's Eurasian Union project will not hamper Kazakhstan's trade-driven dynamism. The operation of a non-Russian, China-to-Europe commercial transportation route through Kazakhstan will accomplish this objective. For both China and the EU, the establishment of a Eurasian transportation corridor safe from Russian interference is of vital economic and strategic importance. The completion of the Baku-Tbilisi-Kars rail line, in combination with Kazakhstan's own rail infrastructure development and the Chinese-funded Kars-Edirne line will create a cost-efficient Kazakh trade route to Europe via Azerbaijan that bypasses Russia. This route will also enable the EU to diversify its hydrocarbon imports with energy from Kazakhstan, thereby reducing Europe's energy dependency on Russia.

⁵⁴ 'Silk Railway from Edirne to Kars to be constructed by Chinese loan', *Today's Zaman*, 15 October 2010.

⁵⁵ E. Kosolapova, 'Azerbaijan, Kazakhstan negotiate to create infrastructure to transport Kashagan oil', 25 December 2012.

⁵⁶ Aynur Jafarova, 'Azerbaijan, Kazakhstan seek to boost energy co-op', *AzerNews*, 11 December 2013.

⁵⁷ Ibid.

⁵⁸ Saeed Isayev, 'Ilham Aliyev: Azerbaijan-NATO relations elevated to level of strategic cooperation', 15 January 2014.

⁵⁹ "Kazakhstan Caspian Transport System," *KazMunaiGas*, 26 September 2011.

⁶⁰ Ibid.

⁶¹ 'Caspian militarization not conducive to gas cooperation', *Voice of Russia*, 8 November 2011.

Kazakhstan's partnership with NATO can help ensure that Kazakhstan emerges as an energy and transportation hub for Europe and China. Concurrent with its economic rise over the past twelve years, Kazakhstan has continued to deepen its ties with NATO, particularly following its IPAP in 2006. The partnership has produced KAZBRIG, Kazakhstan's NATO trained and equipped airmobile forces brigade capable of a high degree of interoperability with NATO forces. The Kazakhstan-NATO partnership has continued to expand the PfP-sponsored, annual Steppe Eagle joint exercises, with Steppe Eagle 2013 witnessing the largest participation of other Kazakhstani army and air force units to date. Since March 2013, KAZCENT (KAZBRIG'S NATO PfP training center in Almaty) has been using mobile training kits to provide training to Kazakhstani military forces in other parts of the country. Through the continued expansion of NATO cooperation with a wider segment of the Kazakh armed forces, Kazakhstan has achieved an unprecedented level of interoperability with the alliance.

With this deeper cooperation, the Kazakhstan-NATO partnership may now be able to contribute to the Eurasian strategic imperative of guaranteeing the functioning of a Kazakh commercial transportation route to Europe via Azerbaijan. Astana's expanding partnership with NATO forms a significant limiting factor in Moscow's ability to interfere with development of this route. Given that the route's most vulnerable segment is the tanker and cargo traffic across the Caspian Sea from Aktau to Baku, NATO's critical future role may be in providing the framework for enhanced naval cooperation between Kazakhstan and Azerbaijan. NATO's involvement in upgrading the naval forces of each country as well as the Caspian Sea Maritime Proliferation Prevention Projects conducted under Western auspices provide a solid foundation for this role.

Given the European Union's vital economic and strategic interests in the cost-efficient transportation of Chinese products and Central Asian energy from Kazakhstan to Europe, NATO assistance to Kazakhstan and Azerbaijan will likely assume greater significance for the alliance.

By helping to preserve both countries' autonomy and economic access to Europe, NATO assistance will promote freer trade in the region that may lay the groundwork for the emergence of a more liberal order in the new Eurasia.