



The U.S.-Kazakhstan Relationship

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DEPUTY ASSISTANT SECRETARY FEIGENBAUM: Thanks for coming. Maybe I'll just say one or two things at the outset, and then we can have a conversation.

First, it's a pleasure to be back in Kazakhstan and it's a pleasure to meet the press again. To be honest, it's been a while since I've been here so it was a good time to come out, meet with counterparts in the government here, talk a little bit about the U.S.-Kazakhstan relationship in all of its dimensions, to explore the many things that we do together but also to talk a little bit about some new ideas for the relationship.

So I've had a good couple of days of meetings. I just came from a meeting with Prime Minister Massimov. I met with Marat Tazhin, the Foreign Minister; with Mr. Zhaksybekov from the Presidential Administration; with the State Secretary, Mr. Saudabayev; and also with your WTO negotiator, Zhanar Aytzhanova. So with all of these people we've talked a little bit about the U.S.-Kazakhstan relationship.

It's a relationship that we're very proud of. We always say it's a strategic partnership, but we sometimes forget what it means to be strategic partners. But to us what it means in the first instance is that we have a truly multi-dimensional relationship. We do a lot of things together. We cooperate on security, on economics and trade and investment, on energy, on political development, on non-proliferation and increasingly within the region. So we have a robust relationship but we also have a multi-dimensional relationship and it's one that we're very proud of.

Again, this was an opportunity to come here and talk to counterparts a little bit about where we are and where we're going, and I'm happy to talk about anything you'd like to talk about. Please.

QUESTION: We'll start with your last phrase, what you said about the current status and the future direction of the relationship. So what is the current status and what is the future direction of the relationship based on your meetings?

DEPUTY ASSISTANT SECRETARY FEIGENBAUM: As I said, I think the current status is that we have a very strong and productive relationship. To be honest, it's a unique relationship because in sixteen years we've come a very long way. But as I look around the region, the U.S.-Kazakhstan partnership is one of the few that has not just bilateral but also regional and global implications. But more than that, it's developing in some new directions. This used to be principally a relationship between governments, but increasingly I think the key players that drive U.S.-Kazakhstan relationships are the private sector -- individuals, students, scholars, business people. That's really a big and important change over the last few years.

I was just talking to the Prime Minister about the U.S.-Central Asia Trade and Investment Framework Agreement of which Kazakhstan is a member. This is a dialogue we have with governments, but this year for the first time we got the private sector involved. And one of the things that was most interesting about it was how much enthusiasm the private sector brought to it. And most of those companies that participated were companies that are very heavily involved in Kazakhstan.

So in short to answer your question I'd say we have a strong and strategic relationship, but what's most interesting about it to me is that the players that drive it are increasingly diverse and in many ways are from outside government. That, I think, is a very exciting development.

In terms of future development, we'd like to do a lot more with Kazakhstan in the region. We think Kazakhstan has a lot of potential, particularly within the economic area within the region but also in places like Afghanistan and beyond. We'd like to see Kazakhstan continue on a trajectory of political development and reform, and that's something we always talk about.

So all of these things are part of the future direction of the relationship as well.

QUESTION: Last time Mr. Boucher* came to Kazakhstan that was the exact day when the President was making a speech to the people of Kazakhstan, the State of the Nation speech. When talking to journalists he said that he decided to stay longer specifically to listen to this address and to be able to track and monitor the progress in the area of democratic reforms. I know there are problems of Central and South Asia which he is probably following very closely, monitoring very closely the progress in the area of democratic reform. So what kind of progress in your opinion did we make in this year that went by since that speech by the President until now? What kind of progress we made in the area of democratic reforms?

DEPUTY ASSISTANT SECRETARY FEIGENBAUM: I think about it as a process. It's not something you can look at Monday, Tuesday, Wednesday. You have to look at it over a period of weeks and years. So we always ask ourselves, what is the trajectory? There are a couple of areas that are important to the trajectory. One is institutional development. So, for instance, there was a package of constitutional reforms that was introduced during this one year period that you're talking about. There were some elements of the package that we thought were intriguing. For instance, elements of the package that shifted more powers to the Parliament. Partly because of our own experience, we Americans are great believers in balance of power between branches of government. So any package of measures that creates some institutional balance we think is a positive thing.

Of course there is always the question of how these institutions function in practice, but as I said, this is not something you can measure from one day to two days. It's something that you have to see develop over time. But institutional development is one example. There are other areas that are very interesting to us, for instance legal development; areas, for instance, like election law. I mean, the United States and the international community have had a lot to say about that and it's a subject of discussion between Kazakhstan and many other partners.

But I think the key issue we need to ask ourselves is what kind of trajectory is Kazakhstan on. As we look at it over sixteen years there's been a lot of progress here in terms of social development, in terms of economic development, and we'd like to see political development on a trajectory that Kazakhstan and the international community can be proud of as well. So we'll continue to watch these things with interest. Things like legal development, institutional development, judicial development, media, elections.

QUESTION: But you still haven't answered the question. You talked about the trajectory and the overall direction, but the progress could be quicker, could be slower. So what I'm interested in is your assessment on how much progress has been made.

DEPUTY ASSISTANT SECRETARY FEIGENBAUM: I think Kazakhstan ultimately is going to have to work out many of these things for itself. It's not for us Americans to impose our system on others. We have ideas, we have recommendations, we have suggestions, we have comments, we make these very publicly. The United States

has had a lot to say about political development in this country. I think we've been very clear in the things that we say, both from the U.S. government, but also in the kinds of commentary that we've made about the areas where we think Kazakhstan has been very successful, but other areas where we think there can be some improvements.

But I want to emphasize that we're going to be very interested in how some of these reforms function in practice. For instance shifting powers to the Parliament is very interesting, but the question will be how does Parliament perform its functions in practice? That's just something we're just going to have to see.

QUESTION: According to a credible source, Interfax reported that, it was suggested to Kazakhstan by Exxon-Mobil to become operator in the Kashagan project and thereby replacing ENI, the Italian oil company. What do you have to say about that?

DEPUTY ASSISTANT SECRETARY FEIGENBAUM: I don't work for Exxon-Mobil, so I think I'd ask you to talk to them. I do think we'd like to see the situation in Kashagan sorted out in a way that's productive for everybody. This is a sector that's very important for Kazakhstan's development but also for international energy. But I can't speak for Exxon-Mobil so I don't know what they may or may not have said privately.

QUESTION: The U.S. position, what is the U.S. position about Kazakhstan's chairmanship in the OSCE in 2009?

DEPUTY ASSISTANT SECRETARY FEIGENBAUM: Well, this is the subject of a lot of discussion not just between the United States and Kazakhstan, but among all of the members of the OSCE. We're now less than two weeks away from the Madrid Ministerial meeting. I think, to be candid, that discussion is going to continue right up until we're all in Madrid. So I guess what I would say is everybody is trying to determine their positions, but it will depend a lot on Kazakhstan.

I think part of the issue is everybody is asking a lot of questions about Kazakhstan's vision as chairman. What does it want to do? What does it want to achieve? How does it envision the OSCE? So I think there's going to be a lot of discussion of those things among all of the members of the OSCE between now and Madrid, and then at the Ministerial itself.

I know that's not a very definitive answer, but I think we're going to continue to ask those kinds of questions.

QUESTION: Has the United States decided on its point of view?

DEPUTY ASSISTANT SECRETARY FEIGENBAUM: No, I think we're asking questions and we want to see what Kazakhstan says and does. That's been consistent with our position for a long time. That's all I really have to say about it.

QUESTION: So you haven't decided? You're not certain?

DEPUTY ASSISTANT SECRETARY FEIGENBAUM: We've always had a very consistent position which is we think any chairman of the OSCE needs to reflect the principles and standards of the OSCE. That's a generic position. It would apply to any aspirant to be chairman of the OSCE. So as I said, there's a lot of --

QUESTION: What does Kazakhstan lack currently? What doesn't allow Kazakhstan to become a chair? What is missing?

QUESTION: This is a very well-meaning question. It's not a tense question. We want to basically learn of the U.S. position.

DEPUTY ASSISTANT SECRETARY FEIGENBAUM: The U.S. position is that we're asking the question, as we would of any perspective chairman, about Kazakhstan's vision of the OSCE. So if you have a Spanish or British or Russian Deputy Assistant Secretary sitting here they'd probably tell you the same thing.

So all I can really say about that issue is there's going to be a lot of conversation about it, as I said.

QUESTION: You mentioned that you're asking questions and then it may mean that the answers that you are getting, you're not fully comfortable.

DEPUTY ASSISTANT SECRETARY FEIGENBAUM: I didn't say that.

QUESTION: Otherwise the decision would be made.

DEPUTY ASSISTANT SECRETARY FEIGENBAUM: I didn't say that. I said there's been a process of conversation over several years within the OSCE about the future direction of the organization. That's a conversation not between Kazakhstan and the United States but between all of the members of the OSCE.

QUESTION: The questions of reforming the OSCE and things like that, right? That's the process you're referring to?

DEPUTY ASSISTANT SECRETARY FEIGENBAUM: Well, there's discussion within the OSCE about the future of the organization. Every country has a particular view on that, so everybody is interested in the vision that different members of the OSCE bring to it. Kazakhstan is one of those countries, so I'm sure Kazakhstan will have its own ideas about it.

The point is there's going to be a lot of conversation between now and Madrid and I don't want to characterize the conversation. I don't want to tell you what the conversation is going to be like. But we'll keep talking about this issue until the Ministerial.

QUESTION: To follow that logic, the countries whose proposed vision of the OSCE is the most interesting one or the best one would be the chair. Is that logic?

DEPUTY ASSISTANT SECRETARY FEIGENBAUM: I have nothing more to add to what I've said.

QUESTION: What happened to the mortgages in the U.S. because the money is now not available to the banks in Kazakhstan? Will the situation ever change? Will Kazakhstani banks be able to borrow again?

DEPUTY ASSISTANT SECRETARY FEIGENBAUM: I'm not an expert on banking, but I can tell you just one thing that happened in the United States. A lot of mortgage lenders lent money to people who were not really credit-worthy. That's why these were called sub-prime mortgages. So what happens in market economies is that there's a correction by the market and that's exactly what's happening. Fortunately my wife and I bought our house before the market had this kind of -- [Laughter].

What's interesting about it, your question is interesting because it shows how interconnected the global economy is. So Kazakhstan is not immune from trends that happen in the global economy any more than the United States or any other country is. So smart macro-economic policies are the key.

It's interesting, because Kazakhstan has had a lot of success in that area. But the global economy really is interconnected in a lot of ways. But I don't know what will happen with Kazakhstani banks. I'm more worried about American banks. [Laughter].

QUESTION: If you give the money things are going to be fine here. [Laughter].

QUESTION: Sorry for being late. I was in a great hurry, but I ended up being late. And maybe I'll repeat previous questions because I was late.

The question is about the amendments to the laws on sub-soil use and more specifically the amendment is that if a subsoil user, a company, behaves itself unfavorably in terms of the situation in Kazakhstan, then Kazakhstan has a right to unilaterally terminate the contract with that subsoil user. So how do you see the situation in relation to the investment climate in Kazakhstan given the recent events involving ENI, the contractor or the operating company in the Kashagan project in Kazakhstan?

DEPUTY ASSISTANT SECRETARY FEIGENBAUM: There are a lot of issues that go into investment climate and investment risk. People have often said there are issues of investment climate in Kazakhstan but what's interesting to me is how many American and other multinational companies do business here.

The easiest way to weigh the investment climate is to look at the behavior of private companies who respond to market logic. A lot of companies are coming here and a lot of companies are making money here. So there's something in the investment climate that's right.

But you're right, that people have raised questions about the subsoil law and so I think the question that we're going to watch is what happens to that law in implementation. But you should ask that question to companies too, because it will be interesting to see how companies respond.

QUESTION: As a follow-up question, as you mentioned the foreign capital, the foreign investment is mostly present in extractive industries and in the energy sector. What other industries or what other sectors could be attractive to foreign companies? More specifically American companies in addition to the extractive industries and raw materials? Do you think it's possible that in the near future there will be other big companies, foreign companies coming to Kazakhstan to engage in processing? More processing industries with higher added value rather than raw materials?

DEPUTY ASSISTANT SECRETARY FEIGENBAUM: I think the U.S.-Kazakhstan economic relationship is one of the most exciting areas of our relationship. It's exciting first because it's large and growing. I think, if I'm not mistaken, that we're the number one foreign investor in Kazakhstan. I read somewhere that in 2005 as much as 30 percent of FDI, foreign direct investment here, was from American companies. So the U.S.-Kazakhstan business and economic relationship is exciting in the first instance because it's big and growing; but it's exciting in the second instance because it's diversified in precisely the way you described.

You're right, it's mostly oil and gas companies and extractive industries but it's diversifying in two ways. One is the mix of industries. General Electric is going to build locomotives here. Federal Express is opening a regional hub here. There's an electricity company called AES that's involved in power generation here. There's a company called Access Industries that I think is in the coal business here. And there are a very large number of service companies -- banks, law firms. So first, the relationship is diversifying in terms of sector; but second, there's a lot more involvement not just of large companies but of small and medium-sized American business as well.

What's interesting is this is happening at precisely the time when the government of Kazakhstan is thinking about how to diversify sectors of emphasis within the economy and also putting some emphasis on small and medium-sized enterprise.

So these are very exciting developments, and it comes back to the question you asked me at the beginning which is who is driving the U.S.-Kazakhstan relationship forward. And increasingly it's not just government, it's these kinds of private sector companies. I'm glad you asked that question because we think it's one of the most exciting areas of the relationship.

I talked to the Prime Minister a little bit about the idea of public-private partnership, things that business and government can do jointly to move the economic relationship forward in a whole variety of areas. There's a lot of potential, but a lot is happening in precisely the way that you described.

Thanks.

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