Building Corporate Strategies in Kazakhstan: Local Meets Multinational

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Abstract

This article conducts an interesting case-study of an investment introduction/investment diversification strategy by a former socialist country, Kazakhstan, based on an in-depth field research. By creating an open door policy for varied types of foreign investment, Kazakhstan hopes to guard itself against the boom-and-burst cycles of a single sector—petroleum—that have been common to many third world countries. However, while Kazakh government advocates competition among foreign investors to diversify investment, it is far less eager to diversify such competitive options once they are internalized on the home front. Its future as a level playing field for both domestic and foreign investors is, therefore, open to question.

Key Words: foreign investment, transition economy, Kazakhstan, privatization, multinational corporations

I. Introduction

Situated between Europe and Asia, Kazakhstan provides a prismatic look into the often discordant trends of corporate development in the transition economies of the new Eurasian states, and perhaps developing socio-economies in general. Kazakhstan stands out as a relative success story among the CIS states, with a relatively liberal trade regime attracting one of the largest influxes of foreign investment in the region. It is second only to Hungary in per capita FDI (foreign direct investment) measurements, with capital inflow expanding from 1.7 billion in 2000, to 2.5. and 3.5 billion in 2001 and 2002. The successor state's macreconomic environment, one of the preconditions for increasing foreign investment inflow, has stabilized. An independent central bank, the National Bank of Kazakhstan, has succeeded to a great degree in fine-tuning money supply and controlling previously-galloping inflation rates. Yet foreign multinationals and domestic business interests still encounter each other warily on uncertain, shifting ground.

Large multinational firms, whether in consumer good or extractive industries, aim for

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new customer bases outside mature markets or means to fuel resource expansion. They seek to maximize profitability, while minimizing risk. Kazakhstan, for its part, is especially beholden to global integration as a small global economy, even if it boasts the ninth-largest territory in the world. By creating an open door policy for varied types of foreign investment, the Eurasian state hopes to guard itself against the boom-and-bust cycles of a single sector that have bedeviled many a sagging third-world economy, if lining the pockets of petro-states. Yet while Kazakhstan's government advocates competition among foreign investors to diversify international investment options, it is far less eager to diversify such competitive options once they enter in to, and are internalized on the home front. Thus while the state has pegged itself as an ideal "middle ground" for capital flow and foreign investment, a latter-day Silk Route for the 21st century, its future as a level playing field for both domestic and foreign investors is open to question.

Ⅱ. Defining a Market Identity of the State: Diversifying the Corporate Portfolio between Western and Asian Investors

As a member of the new array of nations—in-waiting that compete for investment from multinational giants, Kazakhstan and its leadership have quickly learned a lesson long known to its commercial clients; the necessity of creating corporate identity. One of the new state's strongest selling points has been its key location at the cusp of Europe and Asia, where Russia and China converge. Moreover, after the wave of terrorism diffusing from parts of the Islamic world to Central Asia, Kazakhstan has been able to add to its calling card the comparative advantage of being a relative oasis of calm. The Eurasian region is one where Muslims, Jews and Christians have lived together for decades and centuries, due to destiny or deportation: Stalin deemed it a "laboratory of peoples." Following the Soviet collapse, this homeland for over a hundred nationalities has been championed by Nazarbaev as indicative of the climate of toleration to be encountered by international business interests.

To the ends of appealing to foreign international corporate interests, in the late 1990s the government created a forum for "image enhancement" and a committee of foreign investors that meet regularly with Nazarbaev in an attempt to discuss, clarify and resolve interests of the foreign business community[1]. The state also has occasionally utilized international media outlets such as Wall Street Journal and International Herald Tribune to indicate its commitment to democratic principles during a controversial Presidential election or provide detailed commentary on new business developments of relevance to the in-

1) This was implemented in part through a weekly English-language news program (Khabar Evening News) run by the state television station.

ternational community.

Since the mid-1990s, the Kazakhstan government promoted a policy of attracting diverse corporate and national interests, which would aim at global pluralization of investment. Government and corporate interests, in league with foreign aid agencies, also aimed at a dual-growth developmental model that would lead to a balanced climate for both banking-led growth and capital markets financing. Institutionalizing of a corporate-growth model favored by Anglo-American laissez-faire principles (through a new stock exchange, listings process, and SEC-modeled regulatory body) was coupled with a model of strong banking-centered financial growth favored in Germany and Japan. In the late 1990s then-Deutsche Bank chief Grigory Marchenko, now head of the National Bank of Kazakhstan, was instrumental in launching a domestic capital market where the burgeoning system of domestic pension fund investment would find a choice of diversified financial instruments, including A-listed corporate bonds and municipal funds, in order to lower risk and create value for domestic market players.

As nascent business development looked to a balanced platform of international options for growth and regulation of corporate financing, the Nazarbaev government and then-Foreign Minister Tokaev in 1997-98 launched a multi-vectoral strategy aimed at diversifying capital flow from a variety of global multinationals based in Europe and Asia as well as the US. This trend, domestic investors and the government hoped, would help to counterbalance the troubling legacy of the Soviet period—dependence on Russia. At the same time the move was designed to keep at bay any "pretenders to the throne," namely, the US and its oil interests. Soviet infrastructural policies had previously consolidated Russia's stranglehold on Kazakhstan, culminating a colonialist trend on Kazakh territory begun in Tsarist times. The Kazakh S. S. R. was cut off from its own wealthy oil resources in the western part of the state, where pipelines led directly to Russia and its refineries. Meanwhile, the bulk of Kazakhstan's population in the east was dependent upon Russia (Siberia) for oil supplies. When the Soviet Union collapsed, the American oil multinational Chevron (now ChevronTexaco) gained access to a lucrative gas-and-oil deal that accrued to Kazakhstan. Initially the fledging state lauded the deal as a landfall to the state budget and a means to unlock hidden subsurface assets. Increasingly, however, the Kazakhstani government and public alike became alarmed at the presence of a looming multinational whose very budget dwarfed the state's own, thus wielding unfavorable terms over the fragile domestic marketplace.

In an attempt to balance off the singular power of the American oil giant, the new state led off a campaign to draw in a wide range of multinational firms in oil, gas, manufacturing and other industries through production-sharing agreements, management contracts and direct sales: Royal Dutch Shell, BP Amoco, British Gas, Elf Aquitaine (later TotalFinaElf) of France and Agip/ENI of Italy as European-based joint ventures; major Japanese conglomerates such as Mitsubishi, Mitsui, Sumitomo, Itochu and Marubeni

among others; giant Korean corporations such as Samsung and Daewoo; Malaysian and Indonesian oil companies. Last but not least, an ambitious cross-continental pipeline plan 'deal of a century' was cut with the China National Oil. While Russia continued to figure in to a number of contracts through domestic oil companies and financial-industrial groups, Kazakhstan had ceased to become singularly beholden to Russia for linkages in oil and gas[2)].

With the coup of the 'deal of a century' with China National Oil in the fall of 1998, American policymakers as well as private investors took note: Kazakhstan was suddenly seen to be a more formidable player rather than a weak appendage of Russia, and an independent bargaining power in its own right. The US government hosted a gala for Nazarbaev, cabinet ministers and key business leaders, setting in motion a whole series of pipeline agreements and mutual cooperation proposals. Meanwhile, Kazakhstan was consolidating its position in line to join the ranks of the 'Asian tigers' as the so-called "snow leopard."

However, by the late 1990s, the Kazakhstan government's plan to create a balanced investment-targeting strategy by positioning itself between Asian and Western business interests began to unravel almost as soon as it had begun. East Asian and Southeast Asian economies faltered in the wake of the Asian financial crisis in 1999, and long-term investors and short-term speculators alike fled in droves. Moreover, flat economic growth in Japan became entrenched, and several government loan projects set to restructure a large metallurgical complex soured[3)]. Daewoo withdrew from a major telecom project, where it had been slated to become the strategic investor for the state telecom company Kaztelecom. The Indonesian Sedtco which had acquired 60 percent of the Mangestau oil fields in western Kazakhstan, encountered difficulties in management, financing, and poor

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2) Gas, telecom and other utility networks were not necessarily based upon Russia, but a series of infrastructural linkages set in place during the Soviet period tended to be maintained, such as a water-power sharing system and gas linkages between southern Kazakhstan, Uzbekistan and Kyrgyzstan, not to mention several regional utility-sharing networks between northern and northeastern Kazakhstan and Russia (hydropower and gas). Into the late 1990s and early 2000s, debate continued over the degree to which it would be better to maintain national control, or whether it would be too costly to unbundle all of these utilities (many of which lay in energy-sharing circuits that cut across Kazakhstan, Kyrgyzstan and Uzbekistan in the south and Kazakhstan and Russia in the north. In either case, the foreign concession of the Belgian—based multinational Tractabel, which arranged for gas transport and utilities distribution in southern Kazakhstan, was eventually pressured out of the country in 2000 due to what the public and government often thought were exorbitantly high rates of utilities access.

3) Japanese investors (Itochu, along with other unspecified parties) and ODA learned a difficult lesson by lending to the rehabilitation of the state Karaganda steel works. Unbeknownst to their Japanese partners, the Kazakhstan government secretly privatized the steel works, in a move according to one USAID lawyer was illegal asset stripping. These negated the terms of the loans that the Japanese government had The Anglo-Indian venture that acquired it, Ispat, now oversees an operation in steel export that has become highly lucrative. (Interviews with Marubeni representative (Tokyo 1999), Itochu representative (Almaty 2000) and USAID attorney (Almaty 1999).

quality crude (Delay 1998). For most international investors, the country positioned between 'Asian contagion' and the 'Russian flu' in the late 1990s-early 2000s was perceived as a double risk.

Ⅲ. Local Business Interests and Domestic Corporate Groups

With the unpredictability of drawing in a "balanced portfolio" of Asian and Western investment, and the difficulty of pinning down reliable capital flows in a wobbly commodities-market for oil, Kazakhstan's government and entrepreneurs turned within to establish local businesses rather than depending solely on external commercial ventures and manage capital flow[4]. Moreover, by the late 1990s, the Kazakhstani public as well as members of its government had become profoundly disillusioned with foreign investment, international advisors, and fly-in consultants; one Kazakh journalist called the resulting spectacle a "Faustian environment." "Democracy," many felt, was little more than a guise to boost corporate earnings and line private coffers. At the same time, the need to generate growth from within, in addition to creating diversity as well as domestic products, was demanded by the public. Indeed, some studies of foreign direct investment in the CIS (Commonwealth of Independent States) concur that the rate of creation of new enterprises may be more of an indicator of scope than FDI influx per se for predicting enhancement of productivity (Dyker 1999).

As foreign corporations became increasingly emblematic of intrusion and dependence in the late 1990s, local businesses and national corporations were valorized as a means to reclaim national identity and support viable growth. By the late 1990s-early 2000s, in addition to numbers of small privatized kiosks and services, several major businesses and holding companies emerged to dominate the local economic climate. In 1998-2001, the most prominent commercial groups included Astana Holdings, the Kazkommerts Group, Eurasia Bank, Butya and the Rahat Group, among others. Some of them, such as Butya, had gained high visibility soon after the collapse of the Soviet Union. This commercial group drew

4) Kazakhstan's initial privatization policy of strategic resources differed sharply from Russia's (Pauline Luong-Jones, pers. comm.). Even as as late as 1997, Kazakhstan was electing to sell off 60-90 percent of shares of oil fields and other property entities. By the late 1990s, however, such a policy was reversed in favor of either management contracts or postponed privatization of blue-chip enterprises (oil, gas, utilities). According to Luong-Jones, such rapid at an early phase was necessary to placate various competing interest groups through redistribution of cash-flow yielding resources and other assets. However, management contracts did not necessarily 'solve' the question of keeping assets in the hand of the national interest, much less clarifying property rights. Often such terms of contract were not specified, and so it was unclear how long certain management groups would have control over ownership and or distribution rights (see USAID records of management contracts, 1998).

its moniker from the childhood diminutive of entrepreneur Bolat Abilov, reputedly a relative of Nazarbaev through his wife. In the early 1990s, Butya quickly gained access to European luxury car dealerships, retail goods stores and other ventures. In the late 1990s, Butya was primarily identified as the joint venture partner with Ramstore, the Turkish supermarket which had partnerships in Russia. Other ventures, such as Kramdsbank (which also was affiliated with several ventures including publishing companies) became bankrupt by the mid-1990s.

In the late 1990s, one of the major developments in the private banking sector and commercial ventures in general was the creation of integrated financial groups, which consisted of holding structures centered around a bank or other company (Duhimova 1999). However, the center for different groups varied. For instance, Kazkommerts Group has primarily been affiliated with banking, while it also identified with a securities house of the same name and a pension fund. TuranAlem Bank was part of the general structure of Astana Holdings (ibid.), which has gained investments and affiliates in real estate, commercial vehicle companies (Astana Motors), and food processing industries. The Eurasia Bank group was associated with the metallurgical industry as well as banking: it was one of the few groups that had preferential access to metals trade with Russia. The Rahat Group was linked to diverse holdings, from a monopoly in the sugar-refining industry, liquor production and distribution, to a wide array of media interests, several television stations, and oil interests among other affiliations.

One rationale behind the trend for integration of diverse industries, according to a domestic analyst, included tightening competition for scarce domestic capital (Dushimova 1999). The era of large proceeds from privatization had ended, being reevaluated as a compromise of national interests; moreover, with lower commodity prices in the late 1990s and the twin impact of the Asian and Russian crises, strategic foreign investors were unwilling to pay the premiums for market entry as they might have earlier. Stronger integration of domestic commercial industries could provide greater impetus to the local economy. Integrated banks and industries would allow access to capital that banks could lend only on an overpriced and short-term basis to local corporations (ibid.).

Moreover, domestic commercial enterprises sought to improve their competitive positions by strengthening financial affiliates, including insurance companies, brokerage houses, pension funds and pension asset management companies. Pension funds had become one of the largest sources of domestic capital, since all registered employees were required to invest 10% of their salaries in the government accumulation fund as well as a choice of private pension funds. Thus, a solid core of integrated companies, engaged in diverse industries to strengthen competitive advantage, would bolster the national economy. In addition, some political strategists advocated the creation of powerful national companies, both state-run and private, that could compete with foreign multinationals on their own turf[5].

In some cases, affiliations of these commercial-financial groups were publicly recognized and documented, and information disclosure was a priority. In the late 1990s, the Kazkommerts Group was affiliated with Kazkommerts Bank, the most prominent securities house in the state, pension funds, and other industries including the Chimkent Oil Refinery (ShNOS), jointly operated and owned with the Canadian oil company Hurricane Oil), and the airline industry[6]. Kazkommerts Bank itself has gained a solid reputation in both domestic and international banking circles. It successfully attracted several syndicated loans and issued several series of eurobonds. In the late 1990s and early 2000s, the financial institution received recognition from *Euromoney* and *Global Finance*[7], lauded for being one of the small core of domestic banks in Eastern Europe and the CIS that met internationally recognized standards in capital adequacy, asset quality, professionalism in personnel, accounting systems, and information disclosure. It also arranged for the creation of an SPV (special purpose vehicle) to act as holding entity for shares of the partially privatized state telecom, as the bank sought for new strategic investors (Dushimova, pers. comm.).

In an interview in 2000, the chief researcher of Kazkommerts Securities, the bank's affiliate, made it a point to stress openness and accountability: "Particularly in the aftermath of the Asian and Russian financial crises, we realize that international counterparts such as investment banks and strategic investors are reluctant to engage in business, much less seek out portfolio investment. But we want to be there when there is a turnaround in the global economy, and good information disclosure is the place to begin."[8] One of the ways that Kazkommerts utilized to transfer capital through intermediate ownership creation of SPVs (special purpose vehicles) before strategic investors could be found in large-scale utilities privatizations, in cooperation with commercial banks or EBRD (European Bank of Reconstruction and Development). One way in which the securities house managed to hedge against risk in overexposed or uncertain sectors such as non-ferrous metal industries (to which Kazakhstan was overexposed) was through commodities arbitrage.

However, even as the banking industry, on both first and second tier levels (public and private banking) worked towards greater degrees of information disclosure, many commercial groups have continued to prefer more opaque arrangements to consolidating ownership and capital flow. While management contracts were designed in the mid-late 1990s to prevent massive sell-off of state property at fire sale prices, many of the contract terms were

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5) Karin (2000).

6) Not all of the affiliations of the Kazkommerts Group were broadly publicized, however. Much of this information was gained by interviews in Kazakhstan (1999-2001).

7) *Global Finance* "Best Emerging Market Banks: Annual Survey" (May 2001); *Euromoney* Awards for Excellence (July 2001).

8) Interview in Almaty (2000) with Madina Dushimova, Chief Analyst, Kazkommerts Securities. Consequently most large international banks such as Citibank and ABN Amro dealt mostly with trade finance, interview, Maqzhan Auezov, ABN Amro bank, Almaty 1999.

unknown except to the few who were allowed in closed-door meetings with the government. Some large industrial groups, such as metals trading companies identified with the Eurasia Bank Group, a quasi-foreign, quasi-domestic holding company, gained what amounted to controlling shares of various ferrous and non-ferrous metal industries and a gas pipeline venture. Opaque company subsidiaries or affiliates of a related company, TransWorld Group, linked to Russia and registered in Britain, were accused by veiled media attacks of enriching private coffers while depleting domestic productivity[9].

In the early 2000s, gradual consolidation of the independent media by the Rakhat group also gained attention and sparked underground controversy which gradually simmered to the public. The commercial monopoly, closely linked to government-owned media, was known by rumor but seldom discussed openly because the nature of the private affiliation. Rakhat Aliev, the conglomerate's head, was son-in-law of Nazarbaev and functioned as chief of the tax police, and later head of the government security bureau (the national successor to the KGB). In the latter capacity, government sanction issued an open ticket for Aliev's minions to harass less powerful companies and block media channels that failed to follow the government line[10]. Tax "audits" (conducted during ad hoc visits), confiscations and closings and (last but not least) physical threats were among the tactics used. Another strategy was to pressure successful companies to "give up" majority shareholdings so that those close to the President could gain control. Private business was conditioned by its degree of access to the main spheres of government power, directly or indirectly President Nazarbaev himself. Independent entrants, not to mention small businesses (despite the government's injunction to support small and medium enterprises), found it very difficult to enter into, much less compete in such a stultifying environment.

Ⅲ. Consumer-Good Multinationals Seek Market Entry and Expansion

In the often unclear environment of Kazakhstan investment policy as alternately favoring or inhibiting foreign investors, consumer-good multinationals found the new market of Kazakhstan relatively less constraining than did many foreign corporations investing in natural resources or other industries involving land ownership and subsurface land usage. Because they were less subject to the constraints and controversy of licensing arrangements, production-sharing agreements and exploration rights, multinationals dealing in retail products were relatively free to conduct trade or establish business ventures in

9) "Warring factions" of Transworld Group and Kazakhstan Mineral Resources each cast aspersions on the other through veiled threats in the local press and attacks that appeared on at least one occasion in the international press (*Global Finance*) (Eitzen 1999).

10) Interview, Inter-fax News Agency (Almaty 2000), as well as other reports from independent press.

Kazakhstan's developing market. Large international consumer-good firms did not guarantee an intrinsic public good, like technology transfer, that would build up country infrastructure. At the same time they avoided charges of asset-stripping that would compromise national worth, and they also could theoretically set in place distribution linkages that could be utilized by local business networks at a later date. Because multinationals that sold consumer goods were less subject to the constraints, obligations and uncertainty of FDI, they had easier market entry and exit than companies that set up long-term extractive interests.

Consequently foreign consumer-good corporations such as Unilever, Bristol-Myers, Colgate-Palmolive, Procter and Gamble, L'Oreal, Coca-Cola, Johnson and Johnson, Nabisco, RJ Reynolds and others were able to establish a presence in Kazakhstan without the degree of controversy attached to the oil and gas behemoths. Since consumer goods were rare in the Soviet era, foreign companies that produced household products, prepackaged foods, cosmetics, sanitary goods, personal care items, and pet food were all quickly welcomed. Soviet manufacturing had concentrated its productive needs on the heavy industrial sector, at the expense of light manufacturing, and consumer goods purchased from the West functioned as both second-tier "luxury goods" and, increasingly, as utilitarian items among the growing middle class. Thus they quickly became indispensable, and the companies that produced them vied for presence on supermarket shelves. Moreover, new supermarkets gave these products higher marketability and visibility than had the smaller shops and kiosks of the early post-Soviet era.

As foreign products grew more plentiful, consumer-good multinationals found themselves competing against one another, finding it necessary to market their products more aggressively or imaginatively. Coca-Cola was at an initial disadvantage in Kazakhstan, since Pepsi had had exclusive rights for distribution and sale in the Soviet Union (some post-Soviet retail businesses continued carry Pepsi products exclusively). Coca-Cola had grappled with its own marketing image dilemma in how to "go global" by "thinking local." In post-Soviet Eurasia, it engaged a solution that managed to assert universal brand appeal even as it tapped a diverse audience. It expanded its product line, gaining an edge over Pepsi by adding orange and lemon-flavored "Fanta" beverages but also green-apple, a flavor found in market surveys to appeal to the residents of the "place of apples."[11]

Coca-Cola managed to solve the problem of creating a "universal language" while going local in several ways. Language usage in the Eurasian republic was an especially sensitive issue: while Russian was the language most often utilized in urban areas, the Turkic Kazakh

11) Procter and Gamble (interview, Almaty 1999) found from their marketing surveys that "green apple" detergents and shampoos sold especially well. "Place of apples" was the Kazakh translation of Almaty; ethnic Russians know the city as "father of apples" (a Russified distortion of the Kazakh name.)

language was increasingly the "politically correct" choice[12]. Thus use of Russian could brand the foreign firm as buying into a colonialist predisposition. The use of branding image, then, could evoke more suggestively without the sometimes divisive issue of language. The nostalgic icon of a 1950s Santa Claus drinking Coke appealed to post-Soviets as well as American consumers: Lenin had coopted the pre-Christian icons of the Christmas tree and "Grandfather Frost" (*Dede Moroza* in Russian, *Qara Baba* in Kazakh, the close cousin of St. Nick) in endearing new Soviet citizens to the New Year Holiday. The Soviet Union collapsed, but its secular New Year holidays was retained with all its celebratory trappings. The commercial and sacred holiday expanded to nearly a month, augmented by Western Christmas, Russian Orthodox Christmas, and Old Russian New Year in mid-January.

In one television commercial, Coca-Cola simultaneously targeted ethnic Kazakh, Russian and other local audiences in Kazakhstan while cutting costs. While most television commercials are aired in Russian as the language of inter-ethnic communication[13], many companies were increasingly faced with pressure to advertise consumer goods in Kazakh as well as Russian[14]. Coca-Cola carefully avoided the language problem by choosing universal body language: showing a woman's half-puckered lips and the word "Coke" after a significant pause. The viewer could subscribe individualized interpretations, since much was left to the imagination, except for gender: language, ethnicity, and event.

The use of spectacle and entertainment to market products was the means by which one giant multinational, Procter and Gamble, attempted to edge out the competition. In early 2000, P & G had fumbled its marketing share in East Asia; now it was attempting to gain consumers in Central Asia by gaining an audience. P & G edged more aggressively into the transition marketplace by sponsoring events which displayed its products in a more high-profile, yet contextualized way. Branding image was not connected to a single product or even an entire array of goods, but an entire setting, a kinesthetic experience, something contemporary service industry is adept at creating. The consumer goods firm P & G tapped into this approach readily, since it was selling products on a variety of fronts, from deodorant to detergent, from Pringles (potato chips) to Pampers (diapers). P & G took over the wide ampitheatre-like, multi-storied center stage Ramstore, the sprawling Kazakh-Turkish mall. The ice-skating rink with vaulted banners in the center of the mall held featured emcees presiding over contest for prizes, a big band orchestration, and the intro-

12) Most urban Kazakhs know Russian better than their own native tongue, but Kazakh is increasingly required for government jobs, if not commercial ones.

13) Phillip Morris was one company that made the possibly strategic choice to air commercials primarily in Kazakh, since most rural tobacco growers were of Kazakh ethnicity. The commercials appealed to images of the rehabilitation of agricultural productivity and rural growth.

14) Consumer goods sold in Kazakhstan are now all required by law to be labeled in both Russian and Kazakh.

duction of Miss Kazakhstan to promote its products and an invitation to join the P & G "family" through club affiliation.

Other multinationals involved in retail trading tried out a variety of other tactics to engage consumers. Toyota capitalized on the fact that "exotic" luxury cars had already saturated the market. Its service station Tokyo Zhetisu was written up as a detailed infomercial in a local newspaper and internet news-zine, where careful attention to detail was favored over high gloss hype. Toyota's serviceability and professionalism was outlined, along with details for servicing options from repair to monitoring. In the advertising essay in the Kazakhstan *Globe* Newspaper (October 2001), "Is Toyota Problematic?" the readers were assured by Sergei Smirnov that quite the opposite was the case, as follows:

Surely, there are many different service centers in Kazakhstan. But why do people prefer Toyota Zhetysu? The answer is very simple: it offers Japanese cars adapted to our region. Japanese obligation and meticulousness are well-known in [our] country. Before starting shipments to this or that country, the company Toyota Motor Corporation carefully studies consumers' climatic and road conditions and even the quality of local trade marks of gasoline. Kazakhstan did not become an exception in this regard[15].

Another foreign company profited in quite another way its close identification with the market, so much so that an American brand could for all practical purposes masquerade as a local Kazakhstani brand. This enhanced its market value at a time when consumers were weary of the domination of foreign goods in the local marketplace. In point of fact, the company president of Food Master, a dairy-products company, continued to be an ethnic Kazakh and had devised many of the main marketing schemes. But the largest proportion of shares had, in fact, reverted to American majority ownership (nearly 90 percent) when the strategic shareholders were dissatisfied with company profits[16]. According to the CFO, "It's to our advantage that the public thinks we are a domestic company. It helps marketing, and it also prevents the tax police from harassing us" (ibid.).

If foreign multinationals did have an unfair advantage in the marketplace for retail goods, they nevertheless set the stage for a certain degree of competition among new local entrants, who filled in the niches left by larger corporations. Food Master company helped to set in place a supply chain so that local farmers, who often lacked distribution outlets, could deliver their milk to be sterilized and weighed at milk stations. Although Food Master continued to dominate the market in its guise as a "local company," other domestic consumer good companies rushed to provide their own variants of milk products as well as fruit juices. In fact, when the predominantly American company attempted to expand its line of juice products, it was forced to limit its offerings because of the strong competition (ibid.) by several local firms (RG, Randy, and others) which had quickly diversified their

15) Smirnov (2001).
16) Interview with American CFO of Food Master (Almaty, 2001).

offerings into nearly 30 varieties of juices.

Last but not least, local service industries from restaurants to gourmet food chains quickly gained popularity with local customers. Whether or not such industries received help or special consideration from government patrons[17], many local establishments grew to vie in popularity with the large-scale shopping mall. Shop-cafes such as "Semei" featured free samples and seasonal specials (including clerks dressed as Santa Claus and Snow Maiden). In stores such as the gourmet food chain "Dastarkhan," expanded service hours, an outdoor skating rink for children, local homemade delicacies served hot (lamb plov) or cold (fermented camel's milk) were packaged and "served with a smile." Local Kazakh restaurants repackaged homely traditional dishes as exotica, while nomadic song, dance and costume provided an alternative to other theme restaurants featuring fishtanks with live pirhanas or "Latin" floor shows. Even magnate Rahat Aliev, whose business conglomerate could invariably rely on government connections for allocation of capital, was sometimes forced to get in on the act by airing television commercials for the "Sugar Center" monopoly, relentlessly plugging raffle prizes of trips to Paris, Egypt, and Thailand. Thus both powerful and smaller sized local consumer enterprises were arguably better positioned to compete in the domestic marketplace due to the expansion of consumer tastes and the rising middle class in urban areas, even if rural impoverishment and urban underemployed still eroded living still threatened the even dispersal of a rising GDP.

IV. Uneasy Encounters: Extractive Multinationals and Local Communities

While consumer goods have enjoyed public success in Kazakhstan, in some cases allowing for a competitive environment to emerge, the economy continues to be largely driven by foreign direct investment of large multinationals in the primary sector: oil, gas and to a lesser extent minerals. Not surprisingly, these formidable investors are also the ones that attract the most controversy. In 2000, 50 percent of FDI was from the US, primarily in the oil and gas sector. The percentage of US investment had decreased to 30 percent in the following year[18]. But top-heavy investment in the primary products sector, the unpredictability of cash flows relating to the volatility of oil prices, and the changing needs of the world energy market prices make the future of even economic development in Kazakhstan uncertain. In the early 2000s, however, relatively high prices in oil and the greater accessi-

17) According to interview (Almaty 1999) with executive from small-and-medium enterprise consultancy funded by USAID and helping with small business advice: "I don't know how many people come here with money that they've gotten through government connections. But if I'd keep all those people who've gotten their money from dubious sources out of our offices, it would be a fair number."

18) IMF Country Report, 2001; see also Saudabayev (2001).

bility of resources due to developing infrastructure sent Kazakhstan's GDP soaring while much of the rest of the world's industrialized economies sunk into the doldrums.

Still, only the largest corporations have been willing to take on the long-term risks identified with these sectors, particularly in a transition economy[19]. At the same time their large budgets, often surpassing the national GDPs of the resource-rich countries they entered, increased the stakes, the influence and also the amount of capital they commanded. This was particularly the case with the creation of mega-mergers, with the joining of Exxon and Mobil in 1999 surpassing even industry giants such as Royal Dutch Shell in size. The merging of Chevron and Texaco in 2001 meant that important interests in the Caspian could be consolidated. Such linkages enabled corporations to deal better with increased costs and advanced competition. While the giant BP Amoco left Kazakhstan to concentrate on other emerging market regions, ChevronTexaco held major stakes in Kazakhstan's largest onshore oil field (the Tengizchevron joint-venture), the Karachaganak gas fields in northwestern Kazakhstan and the Caspian Pipeline Consortium. ExxonMobil, meanwhile, had acquired stakes in three major oil concessions in Kazakhstan. In addition to the Tengiz field and the Caspian Pipeline Consortium, the company gained partial ownership and exploration rights of the new Kashagan oil fields in the northern quadrant of the Caspian. These offshore Caspian reserves, with percentages also held by Phillips (US), Anglo-Dutch Shell, British Gas, Inpex (Japan), TotalFinaElf (France) and Agip (Italy), have purportedly been the most significant oil discovery since the Alaskan Prudoe Bay, more than thirty years ago[20].

One way in which the government of Kazakhstan attempted to utilize the presence of these oil behemoths for the good of the state was to enlist them in regional infrastructure projects and community rehabilitation programs, in addition to environmental initiatives. These measures were secured as clauses in production-sharing agreements and licensing arrangements. Oil-and-gas companies were perceived to have secured very beneficial contract terms and looked to reap great rewards. Thus they were expected to distribute some of the proceeds and benefits to the home country. Moreover, as pressures to downsize the welfare state mounted globally in the 1990s, the indebted Soviet successor states were in a particularly poor position to take over financing and management of regional and community rehabilitation and infrastructure. By default, private corporations as well as international organizations were expected to help make up the shortfall.

Multinational corporations investing in the former Soviet Union found themselves face-to-face with a formidable legacy of crumbling ex-company towns as well as high expectations. For all its ills[21], the Soviet era had set in place well-integrated community infrastructures that also provided cradle-to-grave security. State collectives and industrial

19) Interview with Atyrau businessman (Atyrau 2000) about USAID program matching a range of US businesses with companies in Kstan, "most were not interested in any sector beyond oil or gas."

20) Robinson (2001).

centers provided kindergartens, schools and hospitals; flour mills and bakeries, clubhouses and cafes. Conversely, the new encounter between foreign multinational and local community, however, carried with it a fundamental incompatibility: the goal of the corporation was to maximize profit, while the role of the community was to increase social welfare. Even international organizations such as European Bank for Reconstruction and Development, were, like private corporations, under increasing pressure to increase efficiency by engaging in social projects that would maximize the rate of return at a predetermined percentage rate[22]. Still, oil companies and other sprawling multinationals in the extractive industry in particular were under critique as contributing to the ills of globalization, therefore pressured to take on environmental and social responsibilities as part of their overall business strategies.

In accordance with the terms of its production - sharing agreement signed with Kazakhstan's government, Chevron launched projects to revitalize the western desert communities and install infrastructural and social rehabilitation projects where it was making inroads: building health clinics, a bakery, housing for flood victims, a boiler plant, bridge rehabilitation, and refurbishment of Atyrau University through the five-year, $ 50 million Atyrau Bonus Plan and Egelik ("Benefit") Program[23]. Meanwhile, other large multinationals that made large scale inroads in Kazakhstan, such as Procter and Gamble and Nabisco, sponsored community gatherings and celebratory events. The Chevron-sponsored "100 Years of Oil" gala in western Kazakhstan in 1999 recalled Soviet-era spectacles[24], but with a decidedly different twist: corporate sponsorship. Large consumer good multinationals, while not obligated to take on production costs or conduct technology transfer, also contributed to local causes in efforts at image-polishing in the eyes of the local community by sponsoring local celebrations or rehabilitations of the medieval city of Turkestan.

Tackling social obligations projects and community rehabilitation projects is antithetical

21) Soviets had invested heavily in social services and had succeeded in raising the standard of living throughout much of Eurasia, increasing life expectancy and literacy. By the same token, forced collectivization and imposed agrarianism displaced and eroded much of the remaining indigenous network of economic production and social welfare. Stalinist collectivization was blamed for one-third to one-half of indigenous (ethnic Kazakh) population loss. (In the post-Soviet era, this Kazakh population loss has since reversed, with out-migration particularly among ethnic Russians and Germans, and in-migration of Kazakhs from neighboring and nearby diaspora states (including Uzbekistan, Mongolia and Iran).

22) Interview (Almaty, 1999) with chief consultant of GIMV Post-Privatization Fund (a joint venture with EBRD, TACIS and private Belgian company): "We can only afford to make investments in those infrastructure projects that bring back a certain rate of return. That rate I can't reveal."

23) ChevronTexaco Kazakhstan Fact Sheet (company website); Interview with local Chevron PR Representative (Almaty, 2001).

24) For Soviet-era ceremonials as a means of social engineering and orchestration, see Binns (1979-80) and Lane (1981).

to the grain of most multinationals looking to maximize profits and cut costs, particularly in times of economic downturn. One firm, however, arose from the ranks of the struggling East Asian conglomerates to combine corporate profitability with social programs. Unwieldy Asian conglomerates such as the Korean chaebol were critiqued by the IMF and other international lenders for soft budgetary problems and unwieldy monopolies. Samsung, on the other hand, managed in the early 2000s to enjoy cutting edge innovation (liquid crystal displays, new digital technology) and profitability in the electronic sector, boosting sales in Kazakhstan and elsewhere in Asia and Europe. Meanwhile its metallurgy subsidiary also managed take on the immense project of rehabilitating the languishing technical and social infrastructure of sprawling copper mining towns dysfunctional since the Soviet Union collapsed.

This is not to say that the Korean company was welcomed with open arms by Kazakhstani workers and government. Samsung had been criticized by a local securities house[25] for unclear ownership rights and non-preferential treatment to minority shareholders in the late 1990s. It also periodically came under fire in Kazakhstan for its gradual consolidation of circuits of supporting industries (smelters, mines, heating and power plants, industrial railways and refineries) into a single large monopoly. The South Korean company argued for efficiency; in its favor was the boosting of copper production in the early 2000s, raising 2001 output to 418, 400 tons from 394, 700 despite a general downturn in world metal prices[26]. A powerful advantage was also the fact that the joint venture Kazakhmys gave joint holdings to both its strategic investor Samsung (32. 4%) and the Kazakh government 25%, at 2001 figures). Thus the state was not edged out of ownership in the natural resource sector, as it had been during earlier sell-offs which gave as much as 90 percent to foreign firms. Last but not least, a Samsung's trump card was Kazakhmys chief Vladimir Kim. As a Soviet ethnic Korean, he was able to negotiate between the complex needs of both "home" and "abroad," understanding the mindset of his colleagues and compatriots in the post-Soviet leadership while representing the South Korean counterpart[27].

The Korean-Kazakh joint venture was one of the few that took on the formidable task of reviving the vast network of company-town social services, from kindergartens, schools,

25) According to analyst Dushimova of Kazkommerts Securities (interview in Almaty, 2000), Samsung barred minority shareholders (other international investors) from entering the annual Kazakhmys shareholders' meeting. She also said that at that time, the company was unable to get a precisely clear answer (in terms of percentages) of Samsung's stake in Kazakhmys. Figures published subsequently, however, seem to indicate precise figures for Samsung's shareholdings in the Kazakh-Korean joint-venture.

26) Reuters (RFE/L Reports, 15 Jan. 2002, Vol. 2, No. 2) In Jan.-Aug. 2001, Kazakhmys produced 273, 000 tons of refined copper, beating the output of 2000 by nearly 80, 000 tons. (U. S. Dept. of Commerce Business Information for the Newly Independent States (BISNIS), Kazakhstan Economic and Energy Update, Sept. 3-14, 2001.

hospitals and other projects that languished during the Soviet era. A company representatives told me that its employment policy attempted to avoid large cuts in the labor force, but to reform it from within by utilizing peer group counseling and negotiation[28], a practice also used in microfinance teams to raise morale and increase earning power as a community. Still in August 2002, the Samsung-joint venture Kazakhmys closed an unsuccessful affiliate, a loss-making copper-smelter in East Kazakhstan, dismissing 800 metallurgists who began an open-ended hunger strike in mid-December (Kim 2002).

The difficulty of assessing the success of social rehabilitation and infrastructure projects, as well as the fine line between corporate "gift giving" and social obligation, continues to be problematic for corporations that risk expansion into the Kazakhstani market. The initial terms of Chevron's PSA have been fulfilled, but the company continues to seek out new projects to fulfill this renewable obligation. Other forms of payments see less ascertainable ends. According to a representative of the offshore Caspian consortium (formerly OKIOC) of oil companies: "It is common practice [for oil companies] to give five percent bonuses to governments up front. But we have no further say on how these funds are being used or where they go."[29] Since 1999, European judicial officials and the FBI have been investigating the role of an American oil consultancy, led by James Giffen, in the transfer of millions of dollars of oil bonus money from ExxonMobil, BP, and other oil companies to private pockets, including those of Giffen himself. Millions of dollars have allegedly been diverted from the funds earmarked for public state management into private pockets, chiefly of Nazarbaev, but also several other government officials and family members. The Swiss bank account funds are currently frozen, while Nazarbaev continued to deny that he has bank accounts abroad.

V. Closed Coalition or Competition?

With the dwindling receipts from privatization, in spring 2002 Kazakhstan's government by its own admission surprised foreign investors by creating its own national heavyweight that could compete with prizefighters in the extractive oil-and-gas sector. By merging the national oil and gas giant with the state-owned distributor Transneftgas, a new national monopoly, Kazmunaygas emerged. As the new company's assets are estimated at more than 2 billion, it was deemed to greatly enhance the nations investment capacity and be a-

27) Janine Wedel has discussed "transactorship," in which one party can take on the affiliation or allegiance of different institutions simultaneously, depending on profitibility or prognosis. In this case, the role of informal transactor was beneficial for both parties, but often such situations provide moral hazard.

28) Interview with chief representative of Samsung Heavy Industries in Kazakhstan.

29) Interview with representative of the offshore Caspian consortium (OKIOC), Almaty (1999).

ble to compete with global petroleum companies. Government stakes in Kazakhoil, (formerly run by ex-premier and former oil executive Balgimbaev) would be automatically transferred to "ownership or management" of the new national company, a sponsored section in the International Herald Tribune stated in spring 2002[30]. The new giant domestic multinational would avail itself of a controlling 51 percent of new ventures; interests in holdings or affiliates of domestic fields or projects Uzenmunaigas, Kazakhoil-Emba and others; and a 86 percent share of Atyrau Refinery (being refurbished under joint international loans and technical assistance).

The new domestic multinational would also be able to avail itself the refinery and oil products distribution in Ukraine; this acquisition formerly under Kazakhoil and its chief Balgimbaev, had been loudly critiqued by the government as overextending the rights of Kazakhoil. The merger, it was stated, was "in line with international trends, including the mergers of Chevron and Texaco and of Mobil and Exxon." Moreover, according to the same report, a large company with solid assets was poised to receive a greater credit rating than its constituent parts. Kaztransnoil, the former oil transport network monopoly of Kazakhstan, had placed a 150 million Eurobond in 2001, while Kazakhoil itself had launched a 5 year, 125 million bond shortly before the merger. The giant new multinational Kazmunaygas, the new domestic mega-player, announced that a higher credit rating would reduce the cost of borrowing to support ambitious expansion plans[31].

In Fall 2002, Kazakhstan was thrust into the limelight not because of because of ambitious oil projects, but far more private concerns. The state government found itself thrust into the middle of international critique and controversy, as National Public Radio, New York Times and other major news sources reported the jailing and subsequent hunger strike of independent journalist Sergei Duvanov in October and early November 2002. What many suspected were dubious charges of rape of an underage woman occurred on the eve of his plans to go to the US to discuss the dearth of journalistic freedom in Kazakhstan. The journalist defended his innocence through a long hunger strike that attracted media attention and also rallied domestic supporters. Several months earlier, Duvanov had been attacked and beaten a day short of his scheduling to attend a European human rights conference to discuss the case of transfer of public oil funds to from public to private Swiss bank accounts of Nazarbaev. The appearance of an article on this subject entitled "Silence of the Lambs" on an independent website raised the ire of Nazarbaev, breaking the law of assault-

30) "Kazmunaygas Takes Industry By Surprise—Profile: Birth of a National Energy Giant," International Herald Tribune Sponsored Section, April 24, 2002).

31) Another rationale of the new domestic mega-firm was due to the fact that BB unsecured debt rating of Kaztransoil had been placed on positive ratings watch, while the BB unsecured debt rating of Kazakhoil had been placed on negative watch. Whether this was due to external concerns, or observations that the company "CEOs" included Nazarbaev's son-in-law, a more "stable" bet than the out-of-the-loop Balgimbaev of Kazakhoil, is unclear.

ing the "honor and the dignity of the Kazakh president." The *New York Times* also reported the annoyance of Nazarbaev in being implicated in events that he clearly considered were only the business of his state and no one else's (Gerth 2002). Other sinister events surrounding media included the following: the appearance of a funeral wreath, a beheaded dog and later the firebombing of the newspaper offices of one of the popular independent newspapers "Respublika"; the mysterious disappearance and death of the daughter under police custody of an opposition journalist who agreed to meet with European reporters, and periodic "warnings" by masked thugs not to engage in overt criticism of the government[32].

Such events had culminated the previous period in fall 2001-spring 2002, when a large coalition of new business elite, opposition groups, and journalists, joined by a large groundswell of public support and interest, formed a democratic coalition. For nearly six months, they managed to challenge and even defy the stronghold of the Nazarbaev family and close associates, who held the purse strings of many important enterprises. Nazarbaev son-in-law Rakhat Aliev came under the most severe critique for his myriad of widespread holdings—including public and private media companies with Nazarbaev's daughter—and strong-armed tactics to often literally wrest control of other businesses. The President publicly pressured to remove him from office. Several months later, however, several of the business leaders and regional ex-officials that were at the forefront of the democratic coalition have been sentenced to hard labor. Aliev is safely removed from the domestic public eye, as an ambassador abroad. But the new year has also seen a promotion of the President's second son-in-law, Timur Kulibaev, to relatively greater prominence than before, as a chief executive, if second in standing, to Kazakhstan's new oil mega-merger, which would be "owner or manager" of new pipelines, properties and foreign subsidia-ries[33]. The lack of clarity between ownership and management allows room for the government officials to wield a great degree of leverage that may overstep arms-length bounds.

Who or what is the state or the State is of course at stake here. But the question of who owns the State, much less manages it, has always been a conceptual gap. But this is not a peculiarity of Kazakhstan and post-Soviet questions of unclear property rights. Issues that overextend the boundaries of management into ownership have certainly not been contained by the "Chinese walls" of the US business ventures, those supposedly impenetrable boundaries thought to keep corporate conflicts of interest in check. Certainly, in Kazakhstan, the unclear boundaries between ownership and management, heretofore unresolved in the most industrialized and "laissez faire" nation of the West, are certainly not about to be resolved in Kazakhstan. Rather, they remain to be exploited.

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32) Lara Baisetova, who reportedly also lost an eye to physical intimidation from thuggery threatening her to silence, was awarded "Journalist of the Year" award by the Economist in late 2002 for courage in reporting.

33) In Soviet times, the various governmental offices, position of second-in-command was generally the most powerful position, with the head of the organization often being largely ceremonial.

Certainly other boundary issues were foremost in the minds of the US state interests in fall 1002-winter 2003. Shortly after human rights agencies and even the US state department expressed concern of the Kazakhstan government's intrusion on private rights, US military officials met with heads of Kazakhstan's security forces to discuss joint concerns on terrorism. Both vowed to keep the boundaries of terrorism in check; even though no one is actually sure actually where to place and seal those boundaries and how to set up stakes that claim terrorist-free territory. In either case, Kazakhstan has a ready calling card, when the US mission comes to call, for the jointly linked aims of simultaneously controlling terrorism while betting on oil futures.

Ⅵ. Conclusion

In the early 2000s, Kazakhstan's corporate sector manifests looming incongruities that remain to be resolved not only on the domestic front, but arguably from the larger perspective of global corporate dynamics. Because of its previous marginalization as the edge of empires (Russia, but also in earlier stages China, and some argued the US as early as the mid-1990s), Kazakhstan's government has justifiably sought for internal autonomy, along with the building of strong national companies and capture of capital to assert to reverse the ills of centuries of peripheralization that preceded the Soviet era. First, in both Tsarist and Soviet eras, the republic was claimed and groomed as complicit supplier, adjunct and second-status protector from possibly unruly Central Asian states. Although the Kazakhs were considered to be "key and gateway of the Orient," in words of Peter the Great, the republic was destined to be incorporated at the end of a long line of military forts reaching towards and expanding the Great Game of Western superpowers in 19th century central Asia.

From the perspective of Kazakhstan, not much has changed. A game with old rules and new players has simply been revisited, with the US as the new grand orchestrator. The former role of Russia was replicated by US military interests and multinationals, with European firms and Asian companies sometimes offering welcome alternatives, but often simply handmaidens to US domination, signaled by oil industry expansion. In efforts to mitigate this emerging trend, Nazarbaev, in cooperation with government think-tanks, in the 1990s attempted to create a common Eurasian Union. This was modeled to some extent on EU and the previous Soviet region, but it was based as well on the preexisting "space of the steppe" which loosely linked Eurasian nations and quasi-nations in trade, culture and linguistics from primordial history. However, such ambitious plans of Eurasian integration (coupled with diversification) did not materialize to the degree hoped. Arguably, the state has succeeded in making steps towards integration, hopefully to be culminated in its accepted in WTO.

But beneath these steps towards integration, continuing and in some cases intensifying incongruities do not necessarily point to even benefits from being incorporated into a larger global network of corporatizing and trade. Kazakhstan continues to present disharmonies that suggest divergent development: the gap between competitive small and medium enterprises and large multinationals (first foreign and now domestic); a rising GDP coupled with uneven pockets of poverty within and between regions; divergent sources of investment that only to some extent mitigate the preponderant interests of the US in the oil-and-gas sector; a stabilizing and growing macroeconomic basis countered by indications of growing political interference in both government and private lives; increased transparency in the macroeconomic environment coupled with greater obfuscation in the dimension of business and industry.

The decentralization designed to make for competitive regional enterprise—and one that has worked to the advantage China, where Shanghai and Beijing municipalities compete to attract the inflow of foreign business and capital—has not manifested the same results as in China. Investment in gloriously large buildings of the new capital of Astana stands like an anomaly on the windblown steppe. The small businesses and infrastructural projects multiply in the western region of Atyrau, half a continent away from the largest city of Almaty. Examples of a nexus of competitive industries and supportive commercial ventures, such as those evidenced in examples as disparate as the Italian textile industry (Porter 1998) or Silicon Valley, may emerge. But these businesses continue to depend on the key-oil extractive region as its main raison d'etre. Moreover, whether they are able to set in place backward linkages and self-supporting industries, or remain divorced from the technological transfer they ideally provide, remains to be seen.

Many residents have complained that these small and medium business enterprises, ideally designed to diversify the economy and provide grassroot support, primarily serve the interests of largely foreign oil company executives and upper management[34]. Such imbalanced decentralization has not laid the ground work for even-handed development both within and between regions. On the other hand, it has provided a certain degree of leverage for some independent entrepreneurs and opposition politicians to more confidently assert their rights against the "state leviathon."—This apparatus, in turn, attempts to protect itself by constantly playing games of musical chairs among and between various upper level and mid-level government executives, moving them from region to region, from pillar to post, collapsing agencies or creating them.

Even as Kazakhstan's rising GDP defies world economic downturn and production of raw materials expands in the early 2000s, one of the largest internal inconsistencies to drive the state's own leadership agenda is as follows: whether to clarify or obscure the rights and ownership of the state. As in the western corporate sphere, so in the Kazakhstan gov-

34) Interview with associate of ChevronTexaco in-country staff, summer 2001.

ernment: management rights spill over into property rights. As in the international arena, Kazakhstan exhibits and arguably internalizes disparities in capital flow and corporate consolidation in an era marked by the fall of Enron, waves of terrorism, and uncertainty in various quadrants of the Middle East. The unresolved corporate environment of the early 2000s attests to polarizing dimensions of capital flow and global security alike: the loosening of international borders to accommodate global capital transactions, coupled with the tightening of national borders to increase domestic security.

Increasingly, "nomadic capital" defies the "striated state," to borrow the terms of Deleuze and Guattari (1987). In other words the smooth circuits of capital flow, like the migratory patterns of nomadism, are antithetical to the bounded, gridlike state which seeks to control and circumscribe territory. Yet whether this boundless sphere of transactions that increasingly seeks to remove property impediments can be openly bargained and contained across tiers of management and ownership is another question.

Public ownership too thinly and widely dispersed, despite the ideal of making public shares available to all, emerged a failure, to which voucher programs as from Czech Republic to Kazakhstan attest[35]. Yet the question is has "strong ownership," promoted by agencies such USAID to project profitability to greater heights—while allowing the strong manager to emerge as qualified owner—been much more effective in leading to profitability and efficiency? In either case, the notion of bundled and unbundled units of property as inherent to cycles of migration[36] rather than fixed capital or landed property was interred in the Soviet state. Along with the demise of nomadism came the triumph of fixed and landed property. Decades later, "capital in motion" was disinterred with the demise of the Soviet era. But its sudden and erratic integration into the international marketplace has not offered an alternative to state gridlock.

One of the most confounding puzzles in this Eurasian state is the clash between the intractable "fixed" capital, locked by subsurface constraints and land-locked infrastructure, coupled with the ease of capital flow and flight to offshore havens and back again. The Swiss accounts of Nazarbaev and other leaders are temporarily captured in motion—in their slippery flow from public to private accounts—frozen by and European judicial authorities.

In this Eurasian capital's locus on top of intractable resource base, locked by subsurface constraints, coupled with the easy transactions of liquid capital that seek tax havens in capital flight. Due to a banking insurance system and anonymity some of the capital has been recalled to the home front, and an oil fund provides a trust against future capital fluctuation.

Although it is a mistake to easily conflate nomadic cycles of movement with capital flow,

35) See Walser (1999: 42, 154) for discussion of the problems of ownership dispersal and conflict of interest problems the voucher privatization and investment funds of the Czech republic.

36) See Ruggie 1993.

it is also a mistake to assume that securely clarified property rights are a given in "advanced" civil societies. Moreover, it is a misnomer to assume that fixing these boundaries, in the march towards greater clarification of personal and public rights, leads to unambiguity. Inconsistent and often contradictory notions of property rights, either adhering to ever-fixed notions of collateral or to stipulations of value, remain contested in agencies as diverse as World Bank and international corporations (Maurer 1999). The most tenacious development of democracies is generally predicated on clear delineation and valuation of property rights, along with contract concentration, accessible and definitive on both the corporate and personal domain (Olsen 2000).

At the same time, the corporatization of advanced industrial economies calls for the abandonment of the property construct because of restrictions on securities transfer and capitalist expansion (Maurer 1999). Under these terms the delineation of property rights, in terms of securities flow and market liquidity, has been criticized by corporate culture as an ossification that inhibits rather than revitalizes capital markets. "Securitization and securities clearance allow the convertibility of objects of property into objects of capital and back again. Such convertibility is integral to capital mobility" (ibid.)[37]. With gains in public and private savings, at least for some segments of society, the challenge of financial diversification will compound the difficulties of economic diversification (see EBRD, October 2002).

For now, the solution in Kazakhstan's government to the "problems of capital movement"—among them the necessity of accumulating fixed capital while also acquiring liquidity and diversification—seems to be the "stationary bandit" model (Olsen 2000). In the words of one Kazakh national, "better a known thief than an unknown bandit," in other words a new leader who has not yet enjoyed the fruits of new access to untold wealth. According to Olsen, the long-term autocrat has a better chance of dividing the spoils of the state than the "roving bandit" (ibid.). Meanwhile, the Kazakhstan government's attempts to divert from a single-long term state interest have been partially successful, but the deeper plurality that comes from a well-balanced economy, wealth and regional disparities aside, still eludes the state. This is not to say however, that the hidden competition and shifting coalitions beneath the fragile symbol of "Presidential dignity and honor" translate into the monolithic voice of authority. Still, as a front line in the bulwark against terrorism, where security concerns meet oil interests, Nazarbaev's growingly restrictive government does not need to rely on image-polishing to attract the US to its back door. Whether

37) Maurer (1999) notes, "Contemporary securities clearance hinges on the principle of "negotiability" of paper shares. The fact that shares have been pieces of paper leads to troubling distinctions in the law of negotiability between the symbolic and the real, distinctions contemporary securities lawyers seek to move beyond. A negotiable instrument is any instrument that can be transferred to another party by "endorsement" or "delivery": by either signing it over (a "symbolic" transfer) or actually moving it (a "physical" transfer) to the other party."

Kazakhstan can adequate untangle the Gordian knot of public and private properties are to some extent dependent on the US's willingness to expose, clarify and expose its own conflicts of interests.

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