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From the Editors

Dear Readers, thank you for your interest in the first issue of information-analytical bulletin *The Kazakhstan insider*.

The purpose of our newspaper is to inform those who are interested in business cooperation with Kazakhstan about the political and social risks which they may encounter in the country. This issue of the bulletin was prepared by the analytical department of the *Open Dialog Foundation* (Lublin, Poland) and it is devoted to the subject of oil sector workers protests in Western Kazakhstan.

The strikes, unprecedented in their scale and duration, began in May this year, but up till present time it is not clear how this conflict is going to be resolved. At the same time, according to the data collected by the *Kazmunaigas* company (its subsidiary companies have become the epicenter of the strike), during the first 9 months of 2011 the company produced only 9.207 million tons of oil, which is by 7% less than in the corresponding period of 2010. For more detailed information about the causes and the context of the strikes, as well as their possible social consequences, please read the article "Strikes of oil sector workers in Kazakhstan: country's political risks are increasing".

We hope that our materials will help you make more informed decisions and will prompt you on the directions of further examination of the situation. We are open to your remarks and we will be grateful for your suggestions and ideas regarding the future themes of our publications.

OPEN DIALOG
FOUNDATION
3 Maja St. 18/4
20-078, Lublin
tel. +48 507 739 025

kz.insider@odfoundation.eu

Strikes of oil workers in Kazakhstan: country's political risks are increasing

Strikes of oil and gas industry workers in western regions of Kazakhstan have been continuing for over five months now. A deep legal and factual analysis of the situation has been conducted by Paul Murphy [1], MEP, who was in Kazakhstan with official visit, as well as by other independent experts, human rights defenders and social activists [2]. But for an external and unengaged observer, it is somewhat difficult to understand the multitude of facts and evaluations. It is even more difficult to understand the context of this situation and its possible economic, political and even geopolitical consequences.

Kazakhstan is the key country in Central Asia, which has very strong and influential neighbours (particularly Russia and China). Also, the presence of another strategic player – the United States of America – is strongly felt. However, over the past 20 years, during which the country has been ruled by President Nursultan Nazarbayev, Kazakhstan has managed to achieve some stability, even in such a competitive environment. Although at a considerable cost.

Internal stability was ensured by restricting the activity of independent civil society organizations and gaining control over the informational space. The external balance has been achieved by providing more or less uniform access to the extraction of raw materials to companies of the most influential countries in the region. But large-scale protests by Kazakh oil workers, of which the world first heard in May and which are lasting until now, have become a litmus test and shed light on the fragility of such stability.

The cause of the mass strikes of oil workers (with subsidiary companies of *Kazmunaigas* - *Karazhanbasmunai* and *Ozenmunaigas* - as epicenter of protests) were the demands of better working conditions (which do not always meet the standards of safety), obtaining fair payment for their work in adverse conditions and demand to equal their salaries with the salaries of foreign workers, which work with them side-by-side.

The administration of the oil company *Karazhanbasmunai* did not meet the demands of trade unions and even the oil industry did not want to carry out further negotiations. Instead, with the involvement of local authorities and security forces, the administration tried to break the strike several times, which resulted in massive clashes between protesters and security forces. The similar situation was observed with *Ozenmunaigas* and *Ersai Caspian Contractor* companies (Italian holding *ENI* is the co-owner of the last one), when workers of those companies decided to support their colleagues from *Karazhanbasmunai*.

In the context of understanding the causes and consequences of these developments, it is necessary to draw attention to two points. Firstly, it is the reaction of national and local authorities. Secondly, the reaction of citizens from other regions of Kazakhstan, recorded in the results of opinion polls and comments in the materials related to the strikes on information portals and social networks.

As for the reaction of the authorities, at first glance it can be surprising how rigid and bias their position was. Neither the government nor the federation of trade unions or *the Ministry of Oil and Gas*, or *the Ministry of Labor and Social Policy* did not try to act as a mediator in this conflict, by which they aggravated the situation in the region and exacerbated social tensions. It is even more strange that both the state and local government protected exclusively the interests of employers and completely ignored the opinion of the workers, who are also the most numerous voters.

But the situation is starting to be a little clearer, if you look at those whose interests are represented in the employing company. Since 2007, the co-owners *Karazhanbasmunai* have been the company *Kazmunaigas*, which is in 100% controlled by the *Kazakhstan Holding for Management of State Assets "SK"*, and China's state investment company *CITIC Group*. If we consider that China was one of the few sources of financing of Kazakhstani economy in the crisis year 2009, and that the activities

of local government bodies depend heavily on Chinese sponsorship and local investments (which form 30% to 50% of the regional budget) [3], then possible motives for the local and national governments are becoming clearer.

Probably an important role in suppressing conflict by security forces plays also reluctance on the part of President Nazarbayev and his son and a possible successor Timur Kulibayev (who is also the Chairman of the Board of Directors of *KazMunaiGas* and the Chairman of the Board of *SK*) to allow the creation of an environment in which this organized professional protest can be politicized and may contribute to the emergence of competing political forces. Given his advanced age, as well as the latest information about the deteriorating health of President Nursultan Nazarbayev (which provokes a revival among the potential candidates to replace him), this factor must also be considered.

However, his authoritarian style of government, as well as inherent censorship and limitations of any independent social activity, can have dire consequences, which are not always immediately apparent and even more so – are not always predictable. In particular, we are talking about strengthening the split in the non-monolithic Kazakh society in the area of regional, ethnic and social discrimination, as illustrated by the response of citizens from other parts of the country to the events in western Kazakhstan.

Thus, according to a study conducted in major cities of Kazakhstan by the *Institute for Policy-making* (July 2011) [4], about 30% of respondents reported indifference to the question of how they relate to strikes of oil workers. And nearly 30% said that the salaries of oil workers and so are quite high and their protests are groundless, and 20.5% of respondents believe the protests are a "dangerous precedent that could serve as a role model." The most skeptical toward the protesters were residents of the eastern regions and the capital of Kazakhstan, while the most supportive were those from the western regions.

At the same time, according to the analysis of critical reviews of protesters in the featured articles on the Internet, most critics did not even know / do

not take into account the fact that the western region of Kazakhstan, which is the most conservative, religious, and has its own specifics. Most of the families have many children, the wives in these families do not work, and the father has to provide for 3-5 other family member. Also, in the western part of Kazakhstan, where industry is more developed, the products are significantly more expensive than in the eastern part of the country (where agriculture is more developed).

The lack of understanding between different regions of Kazakhstan widens the gap between them and contributes to the radicalization of their western part. This year there have been two explosions near government buildings (one - in the western city of Aktobe [5], where a suicide bomber blew up, the second one - at the building of the National Security Committee in Astana [6]). Such trends in the long term may threaten the growth of terrorism and separatism, which were not typical for Kazakhstan.

The protests of Kazakh oil industry workers, when considered in the context of regional specifics as well as political and economic processes in the country, speak for themselves. But the more so, they pose questions to anyone who wants to live in this country, whether to invest in it and cooperate with it.

References:

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Protests of the oil sector workers: NGOs and mass media under increased level of pressure

The protests of the oil sector workers did not leave other residents of Western Kazakhstan indifferent; they fueled tension between the authorities, NGOs and independent media. The culmination of the conflict was the arrest and conviction of the labour union activist, Natalia Sokolova, who was sentenced to six years' imprisonment on charges of inciting social discord.

Natalia Sokolova worked as a lawyer in the labour union of the employees of the *Karazhanbasmunai* company. Prior to passing the sentence on the 8th of August, she had been fined twice for organizing an unsanctioned meeting on 17th and 21st of May. Since the night of the 25th of May, she had been initially kept in administrative custody for 8 days, and since the 1st of June – due to a preliminary investigation in criminal case for inciting social discord, which was initiated by law enforcement agencies on the request of Yuan Mu, the president of *Karazhanbasmunai*, a citizen of China.

At the same time, according to Natalia Sokolova's husband, Basil Chepurnov, the union's first demands to increase the level of pay for oil sector workers were put forward as early as in 2009, and during the trial some documents and records emerged, proving that his wife demanded from the employer to reopen the arbitration on controversial issues in April, 2011. These facts confirm that Natalia Sokolova has complied with all formal standards of non-conflictual resolution of the situation, but they were not taken into consideration in the court, which sparked new unrest among the protesting oil sector workers.

Freedom House, an international human rights organization, demanded to immediately release Natalia Sokolova, and a famous British singer Sting

decided to cancel his concert in Kazakhstan after receiving the information about the repressions of the protesting oil sector workers, which was passed to him by *Amnesty International* organization.

Arresting of Natalia Sokolova was followed by detentions of other representatives of the labour union movement and civil initiatives of solidarity with the protesting oil sector workers. On the 17th of August, Akzhanat Aminov, an activist of the strike of the oil sector workers employed in *OzenMunaiGaz* was convicted to one year of suspended imprisonment with a 2-year trial period. A day earlier, on the 16th of August, Zhanbolat Mamay, the leader of the youth organization *Rukh Pen Til* was arrested for ten days. On that day he had just returned from Moscow, where he participated in a mass meeting and a press conference in support of the striking oil sector workers of Mangistau.

As of today, the following persons are under pressure from federal authorities: Kuanysh Sisenbaev, one of the leaders of the labour union of the *Karazhanbasmunai* (driven to a suicidal attempt, later admitted at hospital); Natalia Azhigalieva, an activist of the strikers of the *Ozenmunaigaz*; Nuryash Abdreymova, a politician (fined for participating in an unsanctioned rally, beaten by unknown delinquents in front of the *Department of Internal Affairs* in the city of Zhanaozen); Dmitry Tikhonov and Armand Ozhaubaev, participants of the rally in support of Natalia Sokolova (they were arrested for 5 days), Zhanna Baytelova, a journalist of the newspaper "*Voice of the Respublic*" (she was arrested for 14 days).

The events that fanned the flames of social discontent are, in particular, a murder of Zhansaule Karabalaeva, a 18-year-old daughter of an oil sector

worker and Zhaksylyk Turbaev, a 28-year-old labour union activist. The protesters link their assassination to their participation in the strikes. A very recent dramatic event is the death of Abay Abenov, a 30-year-old former worker of *Ozenenergoneft*, which took place at night on October 3, 2011. The striking workers explain the tragedy as a consequence of a desperate situation in which most of them find themselves, since they have not received their salary for the last four months.

In total, during the strike at least two and a half thousand employees of the oil companies were dismissed. Most of them may face serious problems with employment because of the reason and the procedure of their dismissal. The situation may significantly increase the social tension in the cities of Zhanaozen and Aktau.