Kazakhstan’s achievements since its independence in 1991 have been quite remarkable. The past decade in particular has been a time of great prosperity and improving living standards, mainly due to increased production and high prices of commodities. Among post-Soviet states, Kazakhstan was on the leading edge of reforms in the late 1990s and early 2000s. Kazakhstan prudently invested some of its earnings from this period in a national fund that helped the country effectively navigate the aftermath of the 2008 global financial crisis. Now this growth model is being tested by a challenging global economic scenario and above all, a reduced outlook for revenues from oil and other commodities.

The authorities understand that achieving sustainable economic growth requires unleashing new drivers of growth. As Daniyar Akishev, Governor of the National Bank Of Kazakhstan points out: "the main challenges of diversifying the economy of Kazakhstan are the low participation of private capital in the innovation process, the weak interaction of science and production, the shortage of qualified personnel in high-tech industries, a small share of small and medium-sized businesses. At the moment, the government is taking strong and effective measures to overcome these difficulties through the implementation of various state programs."

In 2015, Kazakhstan started a long-term transformation program intended to have a lasting effect on local entrepreneurs, industry, and infrastructure. Under the “Nurly Zhol” plan --a state infrastructure development program for 2015-2019 that guarantees some US$16 billion from various sources, including the state budget, the National Fund and international financial institutions-- the government envisages more spending to support local entrepreneurs, the banking system, and infrastructure development.

Numerous sectors are currently testing modernizing strategies to decrease oil dependence, develop transport hub capacities, increase financial intermediation, and improve the business climate. The conditions for doing business have already improved considerably: in the World Bank “Doing Business” ratings, Kazakhstan now ranks 36th out of 190 states and, alongside Russia, has the best indicators among post-Soviet states.

According to the Minister of National Economy, Timur Suleimenov, Kazakhstan is striving to become one of the world’s top 30 most competitive economies by 2050, as described in the "Kazakhstan 2050" strategy. “To achieve this ambitious goal, we plan to grow by 5-6% annually in GDP, increase investments from 18% to 30% of GDP, increase labor productivity by 5 times, and increase the share of SMEs in GDP from 25% to 50%,” the Minister said.
ONE BELT ONE ROAD - INTEGRATING HIGH VALUE CHAINS

Few anticipated the resurgence of the ancient trade routes that once spanned the Eurasian continent. Trade on the Silk Road played a key role in the development of the civilizations of China, Japan, India, Iran/Persia, Europe, the Horn of Africa and Arabia, opening long-distance trade, economic and political relations between the civilizations. In the 16th century, the discovery of new sea routes all but eclipsed a network that at one point crossed all of Eurasia.

Fast forward to today, the Silk Road Economic Belt and the 21st-century Maritime Silk Road is a development plan proposed by the Chinese government that emphasizes connectivity and cooperation between Eurasian countries. The Belt and Road Initiative addresses an “infrastructure gap” and thus has potential to accelerate economic growth across the Asia Pacific area and Central and Eastern Europe.

The network connects Asia, Europe and Africa, and guarantees to further integrate its 4.4 billion population into a global network, enabling the exchange of goods and ideas. President Xi Jinping of China believes this is a long-term plan that promises more than US $1 trillion invested in infrastructure, will engage the current and future generations to drive economic growth globally and further develop the Eurasian Region.

Among countries in central Asia now turning their attention to the opportunities offered by China’s “Belt and Road (B&R) Initiative”, Kazakhstan has been particularly fast off the blocks.

As the largest landlocked country in the world, wedged between emerging powers Russia and China, sitting on a wealth of oil and mineral deposits, Kazakhstan’s location is unique.

As Minister of National Economy Sultanbekov revealed, “Kazakhstan is located in the heart of the Eurasian continent, which opens up huge opportunities for Kazakhstan to represent international transit routes between Europe and Asia. This initiative allows us to participate in a large-scale project for the construction of an international transit route -Western Europe - Western China. We expect that about 8% of the trade turnover between China and European countries will pass through this transport corridor by 2020.”

Multilateral institutions and development banks are investing billions of dollars in loans to fund an international corridor that will connect China to Western Europe. The corridor is projected to have a positive impact on the region’s trade, optimizing logistics costs, promoting new trade agreements and facilitating the development of new manufacturing export hubs outside China.

To strengthen its critical role in the new One Belt One Road initiative, Kazakhstan has contracted with the Dubai-based logistics group DP World to develop its free economic zone, “Khorgos—Eastern Gate,” which processed 350,500 loads of TEU (twenty-foot equivalent unit) between 2015 and 2017. Kazakhstan proposes transport links and logistics support reducing the cost and time of cargo transportation from north to south and from east to west.

Sultan Ahmed Bin Sulayem, Group Chairman and CEO, DP World, said: “Kazakhstan is an important link in the New Silk Route and in the development of the Belt and Road Initiative. Focusing on soft and hard infrastructure development that supports multimodal transport links will be key in realizing its potential as a transit corridor as well as boosting its own economy.”

Energy integration is also part of the initiative. Bakytzhan Kazykhanov, Chairman of The Management Board of KEGOC, Kazakhstan’s largest utility company noted, “As a part of the development strategy KEGOC actively develops cooperations with domestic and foreign partners in the electric power industry: GE, SIEMENS, ABB, NREL DigSilent and others. Looking ahead, in the longer term we will have to integrate the national energy systems on a global scale. This will be a natural development of the global power industry and such initiatives are already voiced at the international level. With the globally integrated energy network and large-scale development of renewables, the green energy has the potential to cover the future global energy demand.”

INCREASING FINANCIAL INTERMEDIATION AND RELAUNCHING A PRIVATIZATION WAVE

Although Kazakhstan’s economy is growing steadily, the challenges facing the country’s banking and financial sectors have not yet been overcome. Back in the 2000s, the financial sector was successful and banking assets amounted to almost 100 percent of GDP—but these achievements were tarnished by the economic crises of 2007-08 and then 2014.

To address this issue, the Astana International Financial Center (AIFC) was launched on January 1, 2018. The launch of the AIFC is part of the President’s “100 Concrete Steps”, a detailed roadmap which aims to bring Kazakhstan into the world’s 30 most developed countries by 2050.

The AIFC is supported by an ambitious objective to become the financial hub for Central Asia, the Caucasus, Eurasian Economic Union, the Middle East, and Europe. The new financial centre is positioning itself to attract US$40 billion of investments by 2025 and guarantee about 1 per cent growth in the carbonless GDP of Kazakhstan.

The AIFC is a unique institution offering straightforward tax, visa and labor regimes, including tax exemptions until 2065, free flow of capital, ultra-modern infrastructure, and a special visa program for foreign citizens. Based on the extraterritoriality principle, the AIFC abides to the norms of British law, with legal proceedings in English. Such a move, however, is not a panacea for Kazakhstan’s delicate investment climate as it has to take institutional and legislative steps if it is to build greater economic partnerships and diversify its investments.

As Kairat Kelimbetov, Governor of AIFC explains, “It is obvious that each investment decision, especially when made abroad, is driven not only by its financial attractiveness, but also by the economic stability of country, fair and transparent market, effective legal systems, favorable environment, and availability of infrastructure, among others. In other words, an international investor needs long-term confidence in the recipient country and that is exactly what is being built in Kazakhstan by the country’s support and AIFC’s efforts, in particular. To earn the global community’s confidence, AIFC has invested a significant amount of time in building its fundamental blocks, which will guarantee the resilience, security and efficiency of its underlying systems.”

The Astana International Financial Center and the Astana International Exchange (AIX) will become the main stages for privatization. One of main objectives of President Nazarbayev’s recent address to the nation - “New development opportunities under the Fourth industrial revolution” - is the acceleration of the implementation of the privatization plan. Kazakhstan’s $67 billion worth sovereign wealth fund Samruk-Kazyna has sold over 120 small and mid-sized assets and is preparing larger assets for IPO under its privatization program.
THE LEGACY OF EXPO 2017: RENEWABLES POTENTIAL

During the Expo 2017 Astana, President Nazarbayev announced an economic transformation centered on sustainable development, greater foreign investment, and a move toward renewable energy. This was an important announcement given the fact that since independence Kazakhstan's economy has been driven by the extractive industry, with oil accounting for 50 percent of the country's GDP in 2017. Sitting on the 11th-largest oil reserves in the world, Kazakhstan's abundant natural resource wealth has been the key to rapid economic development.

In 2013, Kazakhstan created the “National Concept for Transition to a Green Economy up to 2050” outlining a future development path guided by green energy policies. The plan aims to expand the share of renewable energy in electric power generation to 30 percent by 2030 and 50 percent by 2050. Nowadays, renewable sources (excluding hydropower) represent less than 1 percent of power produced in Kazakhstan. Both the government and independent observers corroborate that the potential for renewables is high. Foreign investors, such as the European Bank for Reconstruction and Development, are funding several high-profile pilot projects throughout the country.

Kazakhstan has committed to a 15-25% carbon dioxide reduction target compared with 1990 levels under the COP21 Paris agreement. This, coupled with feed-in tariffs linked to US dollars for renewables, should help the business case for renewables.

An Interview With Mr. Todd Levy, President of Chevron Europe, Eurasia and Middle East Exploration and Production Company

In 1993, Chevron signed the foundation agreement with the Republic of Kazakhstan that created the joint-venture company Tengizchevroil. What role has Chevron played in making the country what it is today, and how do you measure its success as a transformative influence?

Chevron is proud to be one of the first foreign investors in Kazakhstan and has been successfully working in Kazakhstan for 25 years. The Tengizchevroil joint venture (TCO) is a bellwether partnership not only in the region but globally, showcasing how a successful partnership can provide mutual benefits for shareholders as well as long lasting benefits for the people of Kazakhstan.

In April of this year we celebrated the 25th anniversary of TCO. Along the way, TCO delivered impressive results in safety, production and revenue, and in the process, created thousands of jobs, provided specialized training, established a supplier base, supported the growth of local businesses, and actively invested in the development of the local communities. Through 2017 TCO contributed over $125 billion into the Kazakh economy.

Success can of course be measured in many ways. Last summer, Tengiz produced its 3 billionth barrel of crude. This milestone wouldn't have been possible without the collective efforts of the many thousands of TCO team members and support from the Republic of Kazakhstan leadership over the decades.

On top of which, TCO has invested more than $25 billion on Kazakhstani goods and services since 1993.

What would you say are the highlights of your operations as well as your growth strategy in the region?

Chevron is Kazakhstan’s largest private oil producer, holding important stakes in two of the nation’s biggest oil-producing fields – Tengiz and Kashagan.

The Tengiz Field is one of the world’s deepest operating super-giant oil fields, with the top of the reservoir at about 12,000 feet (3,657 m) below ground. Alongside, Tengiz, TCO is also developing the nearby Korolev Field. Additionally, Chevron holds an 18 percent interest in the Karachaganak Field, one of Kazakhstan’s largest petroleum producing reserves.

In 2008, we successfully completed a major expansion of the Tengiz Field and began piloting high pressure gas injection into the reservoir utilizing cutting edge technology. The injection pilot proved highly successful and is a foundation to our current major expansion of the Tengiz Field, which will increase crude oil production to about 850,000 barrels per day, with peak rates exceeding 900,000 barrels of crude oil per day. Chevron has continued to bring advanced technologies to bear in the development and operation of the Tengiz Field. These technologies include revolutionary seismic techniques which have enabled optimized well placement, state of the art reservoir modeling and advances in data application to increase production.

Chevron also has important oil production investments in Azerbaijan and, therefore, strong ties to the nation’s economy.

Our work in Azerbaijan began in 1994, when the company obtained an interest in the Azerbaijan International Operating Company (AIOC), which produces and develops offshore crude oil reserves from the Azeri-Chirag-Guneshli (ACG) project in the Caspian Sea.

Chevron is also a partner in the Baku-Tbilisi-Ceyhan (BTC) Pipeline, which transports oil from Baku, Azerbaijan, through Georgia to deep-water port facilities at Ceyhan, Turkey, on the Mediterranean Sea.

Last year, the Government of Azerbaijan and AIOC partners including Chevron agreed terms of the PSA Extension Agreement of the giant ACG oil field, operated by BP.

A consortium of international oil majors led by Chevron has approved a $36.8-billion expansion plan for the giant Tengiz oilfield in Kazakhstan. Plans are to bolster production to approximately 1 million barrels a day. This is a historic event not just for the oil and gas sector but for the whole country. Challenges and opportunities for the years to come?

People often ask, what’s next for this super giant oil field? Well, the next stage of expansion, the Future Growth Project-Wellhead Pressure Management Project (FGP-WPMP), is designed to further increase TCO’s production (by approximately 260,000 barrels per day), increase the ultimate recovery of the field, extend the field’s production plateau and keep the existing plants producing at full capacity. The final investment decision was given for this expansion in July 2016.

Executing this project will have a positive effect on Kazakhstan’s investment climate. The success of FGP-WPMP will establish a strong foundation for more projects to come. This next phase of Tengiz expansion will benefit the country and generations of Kazakhstan further.

Since 2010 alone, FGP-WPMP has spent around $4 billion on Kazakhstani content and more than 2,000 Kazakhstani companies have been pre-screened, with more than 300 being awarded contracts. In addition, more than 33,000 Kazakhstans are currently employed on FGP-WPMP, representing more than 91% of the project workforce in-country.

Alongside the revenues and taxes that will be realized from increased Tengiz production, FGP-WPMP is already generating many other significant economic benefits for Kazakhstan.

Through the wide participation from Kazakhstani companies, the project is creating prosperity by building local capacity and creating a legacy of new capabilities in areas such as engineering, high-tech equipment servicing, project management and construction.

We are also forming joint ventures between Kazakhstani and international companies for engineering, module fabrication and drilling.

We’re proud of so many things we’ve been able to achieve in partnership with the Republic of Kazakhstan.
Kazakhstan’s wealth still depends considerably on petroleum and mineral extraction, making its economy vulnerable to global markets volatility—slowdowns in Russia and Asia have had a harmful effect on the economy. In order to diversify and modernize, Kazakhstan is executing a series of new policies designed to boost the country’s knowledge-based economy.

The main objective of the government program “Digital Kazakhstan” is the improvement of the competitiveness of Kazakhstan’s economy and quality of life through the gradual development of the digital ecosystem. The “Digital Kazakhstan” program supports how a digital ecosystem development becomes the main driver of the economy, improves conditions for business dealing, raises the level of digital literacy of the population, and in general, the competitiveness of the nation. Labor automation, robotics, artificial intelligence, exchange of "big data", 3D printing and virtual reality - innovative technologies not only create new spheres of business but also provide stimulus to traditional sectors of the economy, such as industry, agriculture, logistics, and construction.

As Aidar Arifkhano, Chairman of Baiterek National Managing Holding, points out, “Key initiatives of the Government within the State Program “Digital Kazakhstan” could be highlighted as institutional reforms: creation of the international Technopark of IT-startups (Astana hub), legislation improvement on the issues of venture (risk) financing, assistance in creation of corporate venture funds and favorable conditions for corporate innovation.

Creating a “Digital Silk Road” is one of the pillars of the “Digital Kazakhstan” initiative. As Saparbek Tuyakbayev, Chairman of the Board Of Kazhahk Invest national company remarks, “This is the development of a reliable, affordable, high-speed, secure digital infrastructure. If we look at logistics for instance, in order to reduce the time for processing orders and to select the optimal logistics route, an integrated multi-modal transportation management platform is implemented on the principle of a “single window”. Information systems are also being introduced in freight rail transport. They increase the efficiency of the organization of the transportation process.”

An Interview With H.E. Mr. KAIRAT ABDRAKHMANOV, Minister of Foreign Affairs of Kazakhstan

KAZAKHSTAN AND THE WORLD

Easing the way forward for foreign investors is on top of the government’s agenda. As Minister of Investment and Development, Zheris Kassymbek points out, “We are working on reforming various parts of our laws, tax codes and customs regulations to improve the investment and entrepreneurial climate. We have reduced the red tape, decreased the number of documents, permits and licenses required for investment as well as time needed for obtaining them.”

Investment and other bureaucratic processes are becoming electronic, and inspections by civil servants have become streamlined and shortened. Legislations on enforcing these reforms have become stricter. “Thanks to these efforts, the total amount of foreign direct investment in Kazakhstan topped $20 billion last year,” according to the Minister. “Investors regard Kazakhstan as a gateway to the Eurasian Economic Union market of 180 million people.”

In 2016, Kazakhstan became the first Central Asian country to be elected as a non-permanent member of the UN Security Council. It’s a huge milestone for Kazakhstan and true evidence of Kazakhstan’s growing role in the international community.

Along with the Kazakhstan 2050 Strategy, the goal of joining the OECD, and several institutional reforms, the authorities seek to bring about long-term cultural, institutional, and social transformations. Yet for the moment, while economic changes are certainly in transition, political reforms remain to be seen.

Kazakhstan had a challenging 2016, but prudent intervention from the Central Bank and a well-rounded government vision for the future mean confidence is beginning to creep back into the economy. What mechanisms will the government use to achieve long-term sustainable economic growth?

Despite the legacy impact of the global economic crisis, Kazakhstan continues to show robust economic growth. The country’s GDP grew 4% in 2017 and industrial production increased more than 7% in the same period. The processing sector continued to account for more than 40% of total industry volume.

Looking forward, Kazakhstan has a clear vision for its future development. By 2050, we seek to become one of the top thirty most competitive economies in the world, meeting the most advanced global standards in terms of economic performance and transparent governance, especially those of the OECD. A new model of economic growth, the Third Modernization of Kazakhstan, outlines the path for our country to achieve those ambitious goals.

In 2015, we adopted the 100 Concrete Steps Plan of the Nation to Implement Five Institutional Reforms. The reforms are answers to the challenges of our time. Through these reforms, Kazakhstan has been able to insulate itself against current issues facing the country, such as the drop in oil prices and geopolitical tensions affecting the nation. To date, sixty steps out of the one hundred have been completed. Full implementation of these reforms will set Kazakhstan firmly on its path towards joining the 30 most developed countries in the world.
In past years, the country’s foreign policy has proven effective in balancing international interests as Kazakhstan continues to forge its path into international and regional organisations. What have been the most significant foreign policy successes during your tenure and how do you see Kazakhstan’s role on the global stage developing over the coming years?

Kazakhstan’s diplomacy has created a robust system of friendly relations with all countries of the world and international organisations based on the principles of equality, cooperation and pragmatism. Guided by these principles we have been able to achieve some major tangible foreign policy results.

First and foremost, they include creation of favourable external conditions for substantial political, economic and social reforms within the country. The Foreign Ministry has doubled its efforts to link economic diplomacy tools with the national economy’s needs. The Ministry and its foreign missions continue thorough work on attracting investment and technologies into priority sectors of the economy, promoting the interests of Kazakh businesses and ensuring access to foreign markets for our products.

The EXPO 2017 international exhibition in Astana was one of our major accomplishments that was in line with Kazakhstan’s efforts to promote the implementation of the UN Sustainable Development Goals, the Paris Agreements and the principles of green economy.

Second, thanks to President Nazarbayev’s well-deserved reputation as an honest broker and a mediator in international diplomacy, Astana was selected as a suitable platform to host Syrian talks. The Astana Process over the past year has demonstrated that Kazakhstan can play an important role as a mediator and a contributor to the settlement of crises and provide a platform for successful negotiations.

Third, Kazakhstan was elected as a non-permanent member of the United Nations Security Council for 2017-2018, the first Central Asian country to establish diplomatic relations with all countries of the world and international organisations that accepted India and Pakistan as full members. The organisation now unites more than 44 percent of the world’s population and is thus one of the biggest in the world.

The first Summit of the Organisation of Islamic Cooperation on Science and Technology was also held here in Astana in 2017 on the initiative of President Nazarbayev. Its main purpose was encouraging the exchange of knowledge and experience in order to help the Ummah (Muslim society) advance in terms of science, technology and education.

Integration processes are being strengthened within the framework of the Eurasian Economic Union.

We note with satisfaction the significant breakthrough in the intraregional partnership of the countries of Central Asia. The first working (consultative) meeting of the heads of state of Central Asia was held in Astana in 2018.

The United States was the first country to establish diplomatic relations with Kazakhstan after its independence 26 years ago. This relationship has grown in large part because American and Kazakh officials and companies have continued to work well together in a cooperative partnership. Can you set out a short overview of the US-Kazakhstan bilateral relations?

Yes, indeed, the United States was one of the first countries to recognise the state sovereignty of the Republic of Kazakhstan and was the first country to establish its Embassy here.

Over the past 26 years, relations between the two countries have transformed from cooperation on non-proliferation of weapons of mass destruction to an enhanced strategic partnership in a broad spectrum of areas that covers cooperation in bilateral and regional formats, as well as global security issues.

These relations have continued to develop steadily in recent years due to the regular political dialogue between the leaders of the two countries. Contacts are regularly maintained between the governments of our nations – over the past year alone more than 45 bilateral meetings were held at various levels.

On January 15th-18th, 2018, at the invitation of President Donald Trump, President Nazarbayev paid an historic official visit to the US, following which the leaders of the two countries adopted the Joint Statement “Kazakhstan and the United States: An Enhanced Strategic Partnership for the 21st Century.”

An important trajectory of the regional cooperation agenda has been the interaction of Central Asian countries and the USA in the C5+1 group. All sides have expressed support for the efforts of the five Central Asian countries to strengthen regional cooperation. They also discussed this process through the prism of expanding trade and economic ties between Central Asia and Afghanistan.

During his visit to the US, President Nazarbayev also met with American business representatives. The roundtable event held in the US Chamber of Commerce resulted in 24 contracts worth approximately US $7 billion, while the volume of investment agreements amounted to US $4.3 billion.

KAIRAT ABDRAKHMANOV, Minister of Foreign Affairs of Kazakhstan
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