

Why Kazakhstan?

Background

Kazakhstan is the 9th largest country in the world, (the largest land-locked) and is located in central Asia, it is also one of the most sparsely populated with an estimated population of around 17.6 million. (*Source – KAZNEX INVEST*) Approximately 60% of the population are Kazakh and around 20% are of Russian origin. The ethnic make-up of Kazakhstan also consists of sizeable minorities of Germans, Ukrainians, Uzbeks and Tatars. Although the Western expatriate communities are growing, they are still relatively small. Kazakhstan is a religiously diverse country where more than 3000 religious associations operate, representing 40 denominations, the most dominant religions are Christianity and Islam. (*Source – KAZNEX INVEST*)

The country has a dramatically-variable continental climate. In the cold and lengthy winter, temperatures as low as -40°C are not uncommon, as opposed to 40°C sweltering heat in the summer.

Kazakhstan is a republic, with the government and many large state companies based in the country's capital city Astana, which has a fast-growing population. The city of Almaty, the previous capital, is still a commercial hub, with a much larger population than the capital. However, most international and national companies are now headquartered in Astana. With EXPO2017 and the creation of the new Astana International Financial Centre, Astana is set to become the major commercial city in Kazakhstan. Other principal cities include Aktau, Atyrau, Karaganda, Shymkent and Pavlodar.

The backbone and economic base of the country could notably claim to be in the west, where most of the oil & gas reserves are located, with oil accounting for 80% of Kazakhstan's exports.

Kazakhstan gained independence from the Soviet Union on the 16th December 1991, following its collapse. A relatively young country in some respects, Kazakhstan is ambitiously western, although it still carries a somewhat soviet legacy, principally in the overly-bureaucratic administration of business and property.

(*Source – UKTI*)

The history of modern Kazakhstan

1991

- Kazakh SSR transformed into the Republic of Kazakhstan, state independence of the republic was proclaimed.

- Semipalatinsk nuclear test site was closed.

1992

- Kazakhstan enters UN, OSCE and ECO.
- Kazakhstan acceded to the Treaty on non-proliferation of nuclear weapons as nuclear-free country.

1993

- First Constitution of the Republic of Kazakhstan adopted.
- National currency introduced – Tenge.

1997

- Adopted strategy “Kazakhstan – 2030. Prosperity, security and improvement of welfare of all Kazakhs”.

2000

- National Fund of the Republic of Kazakhstan was established.

2006

- In order to improve asset management of the largest public corporations, State holding “Samruk” was created.
- Created Sustained Development Fund “Kazyna” to increase investment and innovation activity in non-oil economic sector of Kazakhstan.

2007

- A decision made on transfer of the base material sector revenues (including revenues from oil) to the National Fund, therefore, the state budget is formed without “oil money”.

2008

- Adopted a plan to stabilise the economy and financial system of the country.
- The main operator of stability plan implementation is newly created fund “Samruk-Kazyna”.

2010

- Government program on forced industrial-innovative development for 2010-2014 was adopted.
- Customs union with Russia and Belarus created.
- Kazakhstan's OSCE chairmanship.

2011

- Customs control is abolished at the borders of Russia, Belarus and Kazakhstan within the framework of the Customs union.

2012

- Astana was declared as the venue for the "EXPO – 2017", where the theme of the exhibition is "Energy of the Future."
- The 'Common Economic Space' was created (Russia, Belarus and Kazakhstan).

2014

- Signing of the agreement on the creation of the Eurasian Economic Union (Kazakhstan, Russia and Belarus), as well as the addition of the Republic of Armenia and the Kyrgyz Republic to it, which was due to be entered into force on 1st January 2015.

2015

- Entry into force of the Eurasian Economic Union (Kazakhstan, Russia, Belarus, Armenia and Kyrgyzstan).
- Kazakhstan joined the World Trade Organization (WTO)

(Source – KAZNEX INVEST)

Strengths of the market

A stable economy and the apparent ease of starting a business are among many strengths of the Kazakh market. Other benefits include a strong regulatory environment, a wide and expanding range of opportunities for companies as the economy diversifies, and the development of a transparent and effective business culture.

Doing business in Kazakhstan may also open doors as a gateway to other central Asian markets, as well as to Russia, Armenia, Kyrgyzstan and Belarus through the

Customs Union agreement. Please visit the Eurasian Economic Union (EAEU) for more information: www.eaeunion.org/?lang=en

Ranked in 42nd place in the Global Competitiveness Report 2015-2016 (www3.weforum.org/docs/gcr/2015-2016/Global_Competitiveness_Report_2015-2016.pdf), Kazakhstan is also rated 41st overall in the World Bank's 'Ease of Doing Business Report': www.doingbusiness.org/rankings. Interestingly, in the same report for the ease of starting up a business, Kazakhstan is ranked as 21st out of 189 countries.

There are substantial opportunities in Kazakhstan for British companies, especially in the oil and gas sector and extractive industries, due to mass-expansion and development in the Caspian Sea. There are also planned investments in the power, transport, communications and agricultural sectors, as well as skills development, vocational training and retail sectors which all offer significant opportunities for British companies. British companies are well-represented in the financial and professional business services sectors, which are sophisticated for the region. (*Source – UKTI / KAZNEX INVEST*)

Kazakhstan is in a favourable location, right in the heart of Eurasia. The major overland routes binding Asia and the Pacific Region with the Near East and Middle East as well as Europe, pass through Kazakhstan. Three out of the four BRICS countries (Brazil, Russia, India, China, South Africa) are situated next to Kazakhstan: Russia and China adjoin Kazakhstan, with India geographically in close proximity.

The favourable business climate and political stability have promoted a considerable foreign direct investment (FDI) flow in to Kazakhstan. Since 2005, Kazakhstan has attracted gross FDI of over USD \$208 billion.

(*Source – KAZNEX INVEST*)

Investor protection The Republic of Kazakhstan Law „26 373-II on investments, dated January 8th 2003, provides various guarantees to minimise the risks that an investor may experience when investing in Kazakhstan:

- Guarantee of statutory protection for investments made within the Republic of Kazakhstan
- Guarantees for use of income
- Openness in state activity concerning investors is guaranteed
- Guarantees of investors' rights during nationalisation or requisition

According to the Doing Business 2016 Rank for Protecting Minority Investors, Kazakhstan is in 25th place.

(Source – KAZNEX INVEST)

Economic overview

The national currency of Kazakhstan is the Tenge.

For around eight years, up until 2007, Kazakhstan recorded an average growth rate of about 10% per year, and although the aftershock of the global financial crisis hit hard in 2008, a remarkably healthy growth of 3-4% was still achieved.

Kazakhstan has the most stable economy of the Commonwealth of Independent States (CIS), of which it is a member, and is leading all central Asian countries in terms of economic growth. With growth of 4.3% in 2014, the economy is forecast to grow by just 1.5% in 2015; markedly slowly than the previous year. This is due to a combination of the fall in global oil prices, setbacks in oil production at Kashagan, devaluation of the rouble and growing geopolitical risks in Russia.

Currency depreciation is having a noted impact on inflation.

In terms of Gross Domestic Product (GDP), oil and gas contributes to about 20% (www.stat.gov.kz/faces/wcnav). Oil and gas also accounts for around 80% of exports and for 20% of budget revenues. The massive oil fields at Tengiz and Karachaganak are currently responsible for the production of 40% of the country's total output; however, future production is set to be dominated by the Kashagan field. However, there were initial production delays at Kashagan, which likely impacted on the GDP by approximately 0.5% in 2014.

In 2014, Kazakhstan published 'Strategy 2050', with an objective to become one of the top 30 most competitive nations by 2050. Visit the dedicated 'Kazakhstan 2050' website for more information: www.strategy2050.kz/en

(Source – UKTI)

Economic geography Kazakhstan consists of five large economic regions:

- North Kazakhstan — efficient grain economy, extraction of iron ore and coal, mechanical engineering, production of oil products and ferroalloys, and energy.
- East Kazakhstan – efficient nonferrous industry, energy, mechanical engineering and forestry products.
- West Kazakhstan is one of the largest oil and gas extraction regions.
- Central Kazakhstan – efficient ferrous and nonferrous industries, mechanical engineering, and cattle breeding.

- South Kazakhstan – cotton, rice, wool, grain, fruits, vegetables, grapes; efficient nonferrous industry, instrument manufacturing, light manufacturing, food production, fish farming, and forestry products.

(Source – KAZNEX INVEST)

Trade between the UK and Kazakhstan

The UK is one of the top 10 largest investors in Kazakhstan. In 2014, bilateral trade between the UK and Kazakhstan equated to USD \$1.2 billion.

Back in 2013, UK exports to Kazakhstan equalled £514 million which was a slight increase on the year before. However, between January and July 2014, although £185.8 million worth of goods were exported to Kazakhstan from the UK, it marked a 30.5% decrease from the year previously, in comparison to 2013 at the same time.

The main UK exports are oil and gas, education, financial and business services, healthcare and medical equipment, architecture and design services, as well as mining.

Since gaining independence in 1991, total net FDI inflow to Kazakhstan between 1992 to 2014 was \$126.6 billion, according to UNCTAD's data. Please visit: www.unctad.org/en for more details.

According to the National Bank of the Republic of Kazakhstan, gross FDI inflow from the UK to Kazakhstan in the period from 2005 to the first half of 2015 was \$11.5 billion. For more information visit: www.nationalbank.kz/?switch=english *(Source – Invest in Kazakhstan)*

Many Kazakh companies look to Britain for financial services expertise and investment, and there have been several large successful IPOs on the London Stock Exchange. There are well over a hundred UK companies or joint ventures with British connections active in Kazakhstan. *(Source – UKTI)*

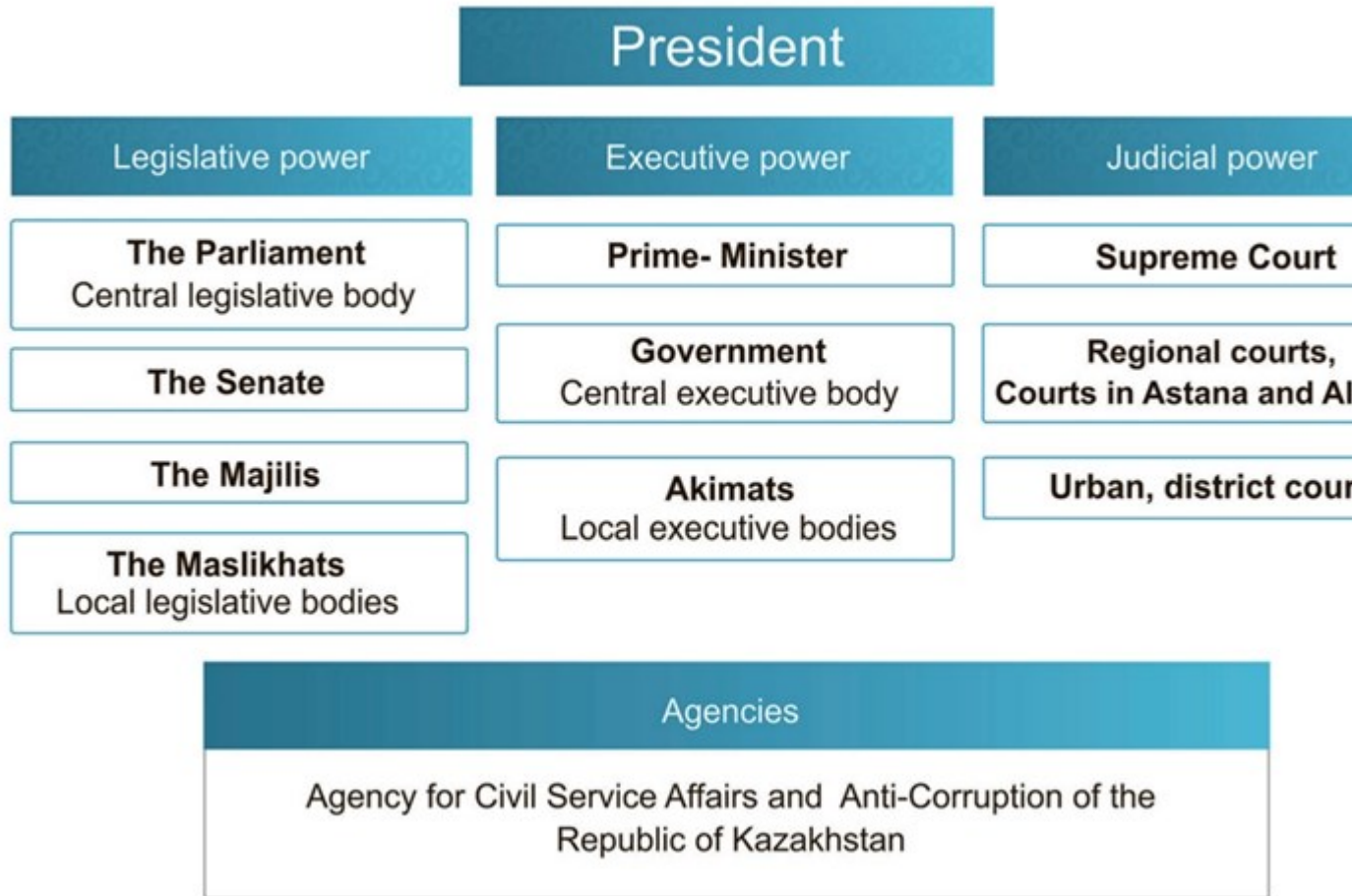
Free Trade Agreements (FTAs)

Alongside Russia, Armenia, Kyrgyzstan and Belarus, Kazakhstan is also a member of Eurasian Economic Union (EUCU) – incredibly, this allows access to a market of 182 million people.

As a member of the CIS, Kazakhstan, along with 7 other member-states, signed the Commonwealth of Independent States Free Trade Area (CISFTA), on the 18th October 2011, although the agreement is yet to be ratified by Kazakhstan.

(Source – UKTI)

The structure of Kazakh State Bodies



(Source – KAZNEX INVEST)

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