



## **Saudabayev's Visit to Japan Advances Political, Economic Ties**

(Visit cements strong partnership in uranium industry, promotes dialogue)

## **Critical Financial Mechanism Receives New Goals, Guidelines**

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## **Saudabayev's Visit to Japan Advances Political, Economic Ties**



Kanat Saudabayev meets Yukio Hatoyama in Tokyo on March 23, finding common understanding on bilateral and multilateral issues.

Photo by the Foreign Ministry

Kazakhstan's Secretary of State – Minister of Foreign Affairs Kanat B. Saudabayev visited Tokyo March 23 through 25 for top-level meetings with Japanese officials focused on promoting political dialogue and expanding partnership in peaceful nuclear energy development.

In Tokyo, Saudabayev met Prime Minister Yukio Hatoyama, Foreign Minister Katsuya Okada, Speakers of the House of Representatives Takahiro Yokomichi and the House of Counselors Satsuki Eda, as well as Minister of Economy, Trade and Industry Masayuki Naoshima. Together with Minister Naoshima, Saudabayev oversaw the signing of an agreement between the Central Asian country's National Atomic Company Kazatomprom and Sumitomo Corporation establishing a joint enterprise in mining and processing rare-earth metals.

Kanat Saudabayev began his visit with a meeting with Prime Minister Yukio Hatoyama where they reaffirmed the mutual desire of Astana and Tokyo to build stronger political and economic ties.

The partnership between Kazakhstan and Japan is based on common approaches to ensuring peace and security in Asia and in the entire world, and Kazakhstan is ready to build on joint efforts, Saudabayev said at the meeting which took place in the Prime Minister's office.

He further noted that the area of nuclear disarmament and nonproliferation presents wide opportunities for closer coordination between Kazakhstan and Japan, as both countries have learnt the tragic way the horrors of nuclear weapons. Saudabayev specifically thanked the Japanese government for its assistance in rehabilitation of the former Semipalatinsk nuclear test site region.

Energy partnership is the backbone of economic relations between the two countries, with nuclear energy playing an increasingly important role. Earlier this year, an intergovernmental agreement on cooperation in peaceful use of atomic energy was signed, opening the way for an even wider interaction.

While this is an important agreement for the development of business ties between the two countries, Hatoyama also called for an early signing of a bilateral agreement on mutual protection and encouragement of investments.

Saudabayev presented an invitation to Prime Minister Hatoyama from President Nursultan Nazarbayev and President Abdullah Gul of Turkey to participate in the third summit of the Conference on Interaction and Confidence-Building Measures in Asia (CICA), scheduled for June 7-9 in Istanbul. Japan is an observer in the CICA, and Kazakhstan would like to see its full fledged membership in that process, which was initiated by President Nazarbayev in 1992.

At a meeting with Japan's Minister of Foreign Affairs Katsuya Okada on March 24, the two diplomats discussed the current state and prospects of bilateral relations, as well as a number of international issues of mutual concern.

In a special statement issued at the end of their meeting, Saudabayev and Okada said they welcomed expansion of economic ties between Kazakhstan and Japan. The Japanese side announced its intention to give a loan for financing the construction of a highway in South Kazakhstan, which would serve as part of an international transport corridor being developed by the Central Asian Regional Economic Cooperation framework. The two sides also welcomed the recent implementation of intergovernmental agreements on avoiding double taxation and noted the important role of the Joint commission of private and public sectors on Kazakh-Japanese economic cooperation.

On the political front, Saudabayev and Okada praised the work of "Central Asia + Japan" dialog format between involved foreign ministries, noting the success of the latest, fourth meeting of the dialog participants that took place in Tokyo recently. The two sides also confirmed they would coordinate their participation in the upcoming Global Summit on Nuclear Security in Washington on April 12-13 and the NPT Review Conference later this year.

On the same day, Kazakhstan's national atomic company Kazatomprom and one of Japan's largest firms, Sumitomo Corporation signed an agreement establishing a joint enterprise "Summit Atom Rare Earth Company" (SARECO). The project stipulates construction of a mining and enrichment complex dealing with extraction and processing of rare-earth metals, mainly from used mineral deposits in East Kazakhstan. It is expected SARECO would start operating in June 2010 and deliver its first products to international markets in 2012.

On the last day of his visit, Kanat Saudabaeu addressed representatives of Japanese political, business and academic circles at a meeting organized by the Council of International Friendly Exchanges.

He started with quoting President Nazarbayev who once said that "the potential of two countries is complementary, as the Kazakh-Japanese strategic partnership has splendid prospects and will develop in the spirit of sincere friendship and mutual understanding". The head of Kazakhstan's diplomacy continued by noting that his latest talks with the Japanese leadership would stimulate further strengthening of bilateral ties.

"The international community today understands the need for coordinating efforts in raising the efficiency of regional security mechanism. In this context the strategic partnership of Kazakhstan and Japan has a great potential in strengthening stability and security on the Eurasian continent", Saudabayev claimed.

"We call upon Japan's leading corporations to realize new projects in Kazakhstan. We look forward to detailed proposals," he added. In his opinion, Kazakhstan could become a regional hub for introducing and disseminating Japanese technologies and advancing Japanese business in Central Asia, Caucasus, and Russia.

"This is especially relevant in the context of establishing the Customs Union of Kazakhstan, Russia, and Belarus. The favorable business climate of Kazakhstan allows foreign companies to invest beneficially in our country, from where their commodities could be offered in the Customs Union's internal market of 200 million", Kanat Saudabayev concluded.

## Critical Financial Mechanism Receives New Goals, Guidelines

Kazakhstan's Government endorsed in mid-March a new concept of formation and use of the National Fund laying out its vision for this financial mechanism for the next decade.

During his recent address to the nation, President Nursultan Nazarbayev of Kazakhstan said funds from the National Fund, which was established in 2000 and which he called a 'safety cushion', have played a significant role in combating the effects of the economic crisis in the country. The government was able to use 1.087 trillion tenge out of the Fund on anti-crisis measures (KZT 150 =1 USD).

The National Fund was established in 2000, based on the Norwegian model, to accumulate excess revenues from oil, gas and other extracting industries.

Now, with economic stabilization and even growth on the horizon, the President has instructed to change the role of the National Fund, turning it from a 'cushion' to a guarantor of stability and prosperity. To do this, on March 16 the Government discussed and approved the Concept of formation and use of the National Fund.

Starting this year, a guaranteed transfer to the national budget from the National Fund will be fixed at the absolute amount of eight billion dollars. Previously, it was limited to one third of the Fund's assets. This transfer should be directed primarily to the implementation of the industrialization program. There will be no loans from the National Fund and other additional transfers to the budget.

With these approaches, the National Fund assets in 2020 should increase to 90 billion dollars, which would amount to no less than 30 percent of GDP. As of now, the Fund holds 24 billion dollars, which equals to 21 percent of the GDP.

The main goal, as before, will be saving financial resources from income from the oil and gas sector for future generations, reducing the dependence of the national budget on the situation on the world commodity markets. In other words, the functions of the National Fund will remain stabilization and savings.

To realize the savings function, the Government defined a minimum balance of the Fund in the amount of no less than 20 percent of the forecast value of the gross domestic product.

"Policies for a balanced budget and the National Fund will be aimed at reducing non-oil deficit, which must not exceed three percent of the GDP by the end of this decade, as well as to reduce the spending from the National Fund for current expenses with subsequent transition to financing only the development budget," Minister of Economic Development and Trade Zhanar Aitzhanova noted.

She said, however, that the Fund would no longer issue loans to "quasi-public sector and other transfers to the budget."

The concept proposes to conclude that the annual cost of servicing government debt should not exceed the annual conditional fixed investment income of the National Fund of 4.5 percent. In this case, the costs of servicing and repayment of government debt on average for the ten-year period should not exceed 15 percent of revenues, including transfers from the National Fund. The Ministry has set a limit for borrowing by national holdings, national management companies and their subsidiaries.

"In general, the adoption of the new concept will actively support further accumulation of funds at the National Fund, the balance and stability of the national budget and the redistribution of oil revenues between generations," Aitzhanova concluded.

## Islamic Financing Models to be Introduced in Kazakhstan

مصرف الهلال  
al hilal bank



Chairman of Al Hilal Bank Ahmed Ateeq Al Mazrouei and Deputy Minister of Finance Ruslan Dalinov of Kazakhstan sign an agreement between the Government of Kazakhstan and Government of UAE to launch Al Hilal Islamic Bank in Kazakhstan in June 2009.

Photo by Emirates News Agency, WAM

The Al Hilal Bank, the first Islamic bank in Kazakhstan wholly owned by the governmental Abu Dhabi Investment Council, opened its office in Astana and Almaty in mid-March, creating opportunities for businesses to borrow money based on Islamic principles.

The Bank's primary objective is to contribute to the

development and prosperity of Kazakhstan's economy through providing access to innovative Islamic banking solutions to businesses and the public.

A Kazakhstan Islamic Finance Conference (KIFC) was held in Astana on March 15 and 16 to explain the nuances of the new principles of banking. Officials, bankers and experts gathered to summarize the results of preliminary work and outline further steps on the way to development of Islamic finance and banking sector in Kazakhstan.

A large delegation of leading bankers and experts from Bahrain, UAE, Malaysia and Singapore, headed by Al Hilal Bank's CEO Abraham Prasad met Prime Minister Karim Massimov and heads of ministries dealing with the economy.

During the two-day forum, they discussed a wide range of problems regarding the Islamic finance and banking in Kazakhstan, overviewed the latest information from legislative authorities and held round tables on main industrial sectors and projects presentations.

Speaking at the Forum, Massimov reminded the participants of the goal posed by President Nursultan Nazarbayev to make Kazakhstan a leader in Islamic banking among CIS countries by 2020.

Minister of Finance Bolat Zhamishev said Kazakhstan is ready to start its activity on the Islamic debt capital market once the law on issuing sovereign Islamic sukuk (bonds) is adopted. In his words, a draft law regulating the issuing of Islamic medium-term bonds (sukuk) has already been worked out.

"The matter is still under consideration for a number of serious reasons," Bolat Zhamishev noted. In particular, the Kazakh authorities suggest including the country's state bodies into the list of agencies allowed issuing securities of the kind.

"We believe the fundamental principles of Islamic banking will be observed. The consent of the Islamic banking representatives with our position will advance the completion of establishing due legislative basis for the emission of Islamic financial instruments by the Kazakh government," the Minister concluded.

Al Hilal Bank's Abraham Prasad in turn confirmed Abu Dhabi's intention to capitalize its Kazakhstan subsidiary to the tune of \$ 1 billion, noting the bank itself is not allowed to make loans exceeding 25% of its own capital. Thus, according to a business plan, the bank will be able to invest nearly \$ 200-250 million in 2010. The bank will increase the funds next year, Prasad added.

The participation of Islamic capital in the implementation of the republic's 5-year industrial development program will significantly contribute to the scale and pace of its realization, Deputy Minister of Industry and New Technologies Erkhat Iskaliyev said.

There are a number of projects which will be financed through the Islamic banking instruments. These comprise the quasi-public infrastructural projects, including railway and road facilities, hydro-energetic industry and other programs requiring long term loans, he explained.

The establishment of JSC Al Hilal Islamic Bank, the Kazakhstan subsidiary, was initiated under the UAE-Kazakhstan intergovernmental agreement on cooperation between the two countries.

The introduction of legislative amendments and changes to the Banking Law, Civil Code and Tax Code aimed at accommodating the existing rules for Islamic banking principles has supported the quick foundation of the Bank. The local Islamic Bank was registered in January 2010 and has finally obtained a banking license to develop as a full-fledged commercial bank operating through its Astana and Almaty branches.

## Ruhaniyat Party Shifts Focus to Environmental Safety, Moral Values



*Ruhaniyat's* ex-leader Alтыншаш Dzhaganova introduces Serikzhan Mambetalin as the new party leader.

Photo by Today.kz

As spring brings fresh dynamics to political activities in Kazakhstan, one party is particularly keen to make news.

Last week, the *Ruhaniyat* party has changed its name to the *Green Party Ruhaniyat* and nominated Serikzhan Mambetalin, Vice President of the Chamber of Commerce and Industry, to be its new leader. The decision was declared at the 7<sup>th</sup> regular party congress on March 16 in Almaty.

The party has not only got new leadership and name, but general political line as well, and is now determined to

become one of the major political forces in Kazakhstan. During last election in 2007, the party was not able to get more than one percent of the vote.

From now on, the *Ruhaniyat Green Party* will be mainly focused on environmental protection and revival of moral values, the authors of the new party platform said.

Addressing the congress, *Ruhaniyat's* ex-leader Altynshash Dzhaganova noted: "Further political reforms in Kazakhstan in light of our country's chairmanship in the OSCE this year and issues of environmental safety become increasingly topical for us today. Therefore, we should give way to the young, who are enthusiastic and eager to make their contribution in the development of our country. Life is changing and we must keep up with those changes as well."

She then presented the incoming party leader Serikzhan Mambetalin, who had previously worked at the World Bank of Kazakhstan and is well known across the country as an active participant of the green movement. Nearly two years ago he established a *Greens.kz* social fund, which worked under the aegis of *Ruhaniyat* party, thus being one of the key constituent elements of the organization. Altynshash Dzhaganova herself has become an honorary member of the party.

Mambetalin set forth a new political platform called "The ecology of soul", aimed at tackling environmental issues and ensuring active integration in the global green community.

The program is based on the idea that propaganda of moral values among people will encourage and promote early solution of current environmental problems and challenges in Kazakhstan.

The new party priorities reflect fundamental principles of the European green movements, which focus on the development of democracy and social justice, creation of equal opportunities for every citizen, gender equality, personal and global responsibility and stable evolution. The platform also claims any citizen of Kazakhstan is able to and should take an adequate part in helping to resolve global issues, including the environmental problems.

One of the party's new projects is the so-called *Green Line*, a hot line where any citizen may call and tell about his concerns regarding ecological challenges in Kazakhstan.

"This is not a mere change of the party's name, this is a fundamental reform of *Ruhaniyat Green Party's* policy, aiming to improve the standards of living in Kazakhstan and consolidate our forces," Mambetalin stressed.

"Ecology and environment are the two very broad notions, and we should realize that our organization is not only about the clean air, waste recycling and maintenance of Kazakhstan's biodiversity. Our policy today is directed at revival of moral values and ideas, backing the Kazakh culture and science, and ensuring future generations' right to live in environmentally safe and healthy society. Keeping to this motto, we strongly call on all active people of our country who are not indifferent to Kazakhstan's future to unite their efforts and join in our party's activity in this sphere. Our values and ideas are close to all citizens, regardless of their age, nationality, social status and religion," he said.

The renewed *Ruhaniyat Green Party* plans to rely particularly upon the support of those strata of society which are usually not involved in the country's political life, including women, oralmans (ethnic Kazakhs, who have returned to Kazakhstan from abroad during the years of independence) and the young.

## **Women's Health Gets in Focus as Nation Ponders Its Own**

Women's health issues have become an object of intense interest during a national conference held by the Nur Otan party in its central office in Astana last week.

The conference, *Women's Health, the Health of the Nation*, was organized through co-operative efforts of the Nur Otan's Social Council operating under the Mazhilis of Parliament, the National Commission on Women Affairs and Demographic Policy, and the Alliance of Women's Organizations of Kazakhstan.

The conference sought to support positive trends in family and demographic developments in Kazakhstan, thus influencing the formation of healthy women's lifestyle and drawing attention to nation's genetic resources.

Chairman of the Nur Otan NDP's Social Council Aitkul Samakova said the Kazakh government has substantially raised the financing of public health services in recent years.



Promotion of healthy lifestyle, support to a positive balance of demographic situation in the country and the priority of maternal and child healthcare are high on the agenda of the political life in Kazakhstan.

Chairman of the Nur Otan NDP's Social Council Aitkul Samakova.

Photo by the Ukimet.kz

In his annual state of the nation address, President Nursultan Nazarbayev noted the nation's health was an integral part of Kazakhstan's success on the way to achieving its strategic goals, she added. Thus, over the past five years the financing of health care services has increased more than four times. Still, the government is planning to continue allocating more money, raising the figure nearly up to 4% of the country's GDP this year.

In the meantime, Kazakhstan's three-year budget program for 2010-2011 retains the expenses for medical treatment of socially significant illnesses.

Aitkul Samakova presented a draft project providing active and efficient measures on public health protection for the next decade. These comprise building and equipping health care facilities, training personnel

and forming healthy lifestyle of women.

The realization of these goals will allow lowering maternal and child mortality rates by more than twofold, thus reducing the general mortality rate of Kazakhstan's population by almost 30% and that of morbidity by nearly 20%. In the meantime, the average lifespan in the future is expected to increase to 72 years, whereas today it reaches 68 years.

Moreover, Kazakhstan's pharmaceutical industry has many perspectives for development as well. In five years, drugs produced by Kazakhstan's manufacturers will cover 50% of the nation's pharmacy market. Today 90% of all medicines in Kazakhstan are imported from abroad. "Therefore, we are facing some important tasks and there is still much work to be done ahead," Aitkul Samakova said.

"The President and the leader of our party Nursultan Nazarbayev has clearly defined Kazakhstan's further strategic development in the new decade. Our goal today is the efficient implementation of the priority tasks. All our efforts and resources are directed at improving the living standards in Kazakhstan, which is also mentioned in Nur Otan's plan of action," the party secretary Sergey Gromov noted, as he underscored a key role women play in solving a wide range of issues.

Despite the extensive efforts in health care services, there are still numerous challenges requiring prompt reaction from all state bodies and agencies. The latter include the increasing growth of child disability rate and acute shortage of professional medical staff. Thus, 198 obstetrician-gynecologists and 215 pediatricians are missing throughout the country, while 70% of all health care workers have reached their retirement age.

Representatives from the ministries of labour and social security, health, and education and science, taking part in the conference, dwelled on particular tasks and goals facing each state body regarding specific areas of their responsibility. According to them, Kazakhstan's health development program for 2011-2015 will mainly focus on preventive health care measures.

### Also in the News:

- Kazatomprom, jointly with the French company AREVA, will build a plant for manufacturing fuel assemblies. The new products will be exported to China, India, and other countries. President of Kazatomprom Vladimir Shkolnik reminded about Kazakhstan's plan to produce about 18 tons of natural uranium in 2010.
- The Samruk Kazyna National Welfare Fund plans to implement a program of privatizing a number of its daughter companies in 2011 and 2012, head of the fund Kairat Kelimbetov said. Privatization is needed to create more efficient management, he said. It may include the companies' placement on the stock exchange, as well as attracting portfolio investors.
- A secondary school in Moscow was named after Baurzhan Momysh Uly, the Kazakh military hero of World War II and highly-respected Kazakh essayist. The Kazakh embassy in Russia is working on equipping the school with modern educational and technical equipment. This year marks the 100<sup>th</sup> anniversary of Baurzhan Momyshuly and the state bodies plan to install a monument and open a museum of the Hero at the school.

- Festival of Kazakh films is taking place from March 23 to 30 in Latvia's capital of Riga. The festival was opened by one of the most famous Latvian actors Ivars Kalnins, who spoke the warm words of the Kazakh movie industry. Viewers can watch such films as *Farewell*, *Gulsary*, *Mustafa Shokai*, *Vozrozhdeniye Island*, *Swift*, *Notes of a Trackman*, *Gift to Stalin*, *You Need a Puppy*.
- Kanat Saudabayev, the chief of the Kazakh foreign office, attends the regular session of CIS Foreign Ministers Council in Moscow on Friday, March 26. During the joint meeting, he is going to inform his colleagues about the priorities of Kazakh chairmanship in the OSCE. The diplomats are also set to consider a plan of political consultations between their ministries in the current year, projects of treaties on interstate search of people accused of criminal offences and on collaboration in tackling corruption crimes, as well as a proposed agreement on establishing council of migration services of CIS countries.

### **Things to Watch:**

- The OSCE Chairperson-in-Office, Kazakhstan's Secretary of State and Foreign Minister Kanat Saudabayev visit Ukraine, Belarus, and Moldova on March 29-31. He is going to meet the countries' political leadership and inspect the work of field offices of the OSCE, as well as hold talks in Kishinev and Tiraspol on the current state and prospect for a peaceful settlement of the protracted Transnistrian conflict.
- A delegation of business people from of Belarus will visit Kazakhstan on March 29 - April 2 seeking to find business partners, promote Belarusian goods and establish various forms of mutually beneficial cooperation.
- Under the aegis of Kazakhstan's OSCE Chairmanship in 2010, the Kazakh Government is backing a series of concerts showcasing the best of Kazakh music and performers in some of Europe's most prestigious music venues. The concerts are part of an on-going drive to promote peace and a dialogue of civilizations and cultures. Between April 22-30, the Eurasian Symphony Orchestra of the Kazakh National University can be found at the following venues: April 22 - Wiener Musikverein - Goldene Saal, Vienna; April 24 - The Accademia Nazionale di Santa Cecilia, Rome; April 27 - Salle Gaveau, Paris; April 30 - Moscow Tchaikovsky State Conservatory. Each concert will be a unique presentation of the culture of Kazakhstan and a demonstration of Kazakh musical know-how. Soloists such as the renowned violinist Aiman Musakhodzhaeva will take part under the direction of conductor Fuat Mansurov. The programme will include works by the Kazakh composer Eugene Brusilovsky and masterpieces by Bizet and Tchaikovsky.

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