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**Nazarbayev Stresses Stability in Kyrgyzstan Depends on Economic Recovery**

Kazakhstan's President Nursultan Nazarbayev believes Kyrgyzstan is in need of a serious programme of economic recovery and promises help in its elaboration and implementation. Statements to this effect came in his interview with the national Khabar TV channel on June 21, which is quoted below:

Kazakhstan hopes stability will return to Kyrgyzstan. As the head of state which is chairing the OSCE, I am doing everything to arrange providing humanitarian help and other assistance to the country. Within the framework of the CSTO (Collective Security Treaty Organization), Kazakhstan, Russia and Uzbekistan are already helping in the settlement of the conflict.

I believe Uzbekistan is now facing no less difficult situation. We should be grateful to President Islam Karimov and his country who have taken the heaviest burden here. Nearly 100,000 people crossed



"Kazakhstan hopes stability will return to Kyrgyzstan. As the head of state which is chairing the OSCE, I am doing everything to arrange providing humanitarian help and other assistance to the country", President Nazarbayev stressed in his interview with the Khabar news channel.

into Uzbekistan in a single day only, and they had to be accommodated, provided with food and medical services. I can imagine how difficult it was and what problems Uzbekistan had to tackle.

We, the neighbouring countries of Kazakhstan, Russia and Uzbekistan, have agreed to assist Kyrgyzstan and solve these problems together. But I would like to mention one more thing here. Some people say Kyrgyzstan is a very poor country and hence it cannot become a successful state. I strongly disagree with this. Kyrgyzstan's land is rich in gold, iron, silver, copper, other natural resources. They have great capacities due to their mountainous rivers and the great potential for tourism as well. All of these should be developed therefore.

No amount of humanitarian aid from foreign nations can help in securing the country's progress. The first question is whether the country itself is capable of stabilising its economy, providing employment and food for the people. Only this will ensure the country's stability. This is why it is necessary to elaborate a programme of economic recovery in Kyrgyzstan. Kazakhstan is ready to render assistance in its elaboration. I sincerely hope Kyrgyzstan will adopt a strategic policy of economic recovery and growth.

## **Kazakhstan, Turkey Cooperate on Eurasian Security, Stability in Kyrgyzstan**



Following the rhythm of the highest level negotiations, the two Foreign Ministers synchronize their watches within the regular bilateral meetings.

Photo by the Foreign Ministry

Astana and Ankara are seeking to join efforts in helping restore stability in Kyrgyzstan on a mission to establish long-term peace in Eurasia. This was clearly demonstrated by Turkish Foreign Minister Ahmet Davutogly's latest visit to Astana, as he held talks with his Kazakh counterpart Kanat Saudabayev and was received by President Nursultan Nazarbayev on June 21.

This year Turkey's and Kazakhstan's efforts are under additional spotlight as the two countries hold presidencies in two large regional associations – the Organisation for Security and Cooperation in Europe (OSCE) and the Conference for Interaction and Confidence-Building Measures in Asia (CICA).

Top diplomats of the two countries leading the two major security organizations on the

Eurasian continent discussed the most pressing security issues on the regional agenda, especially the situation in Kyrgyzstan. Expressing common concern over the Kyrgyz problem, the foreign ministers noted the importance of continued close coordination of the international community's efforts in contributing to early stabilization of the situation in Kyrgyzstan, restoring law and order, and addressing critical socio-economic problems. Noting that the referendum, scheduled for June 27, will help stabilize the situation in Kyrgyzstan, Saudabayev and Davutoglu emphasized their readiness to continue using fully the potential of organisations that they are presiding over, to assist the troubled country.

“We have agreed to work out a plan of concrete joint actions which, once finalized and agreed upon, will be published and implemented,” Saudabayev said.

“We hope the June 27 referendum does take place in Kyrgyzstan. Right after the referendum, together with Kazakhstan we plan to prepare joint actions to help Kyrgyzstan... in economic, political and security areas,” Davutoglu noted.

Saudabayev and Davutoglu underlined the historic significance of the recent meetings of President Nursultan Nazarbayev of Kazakhstan and President Abdullah Gul of Turkey that have given a powerful impetus to the entire range of cooperation at the bilateral and multilateral levels. The importance of the CICA summit in Istanbul was particularly highlighted where the presidency over this organization was transferred from Kazakhstan to Turkey. Davutoglu reaffirmed Ankara's intention to provide not only further formation and development of the organisation, initiated by President Nazarbayev, but ensure its consolidation as an important and in-demand tool for regional and global security.

Discussing the cooperation of the OSCE and the CICA during the presidencies of Kazakhstan and Turkey, the two foreign ministers noted the effectiveness of the first meeting in early June in Istanbul within the framework of the OSCE-CICA Forum proposed by Kazakhstan, and expressed their intention

to develop this form of cooperation from now on, in particular in the form of implementing the Kazakh leader's idea on transforming this interaction into a continental security dialogue platform.

In addition, they discussed the approaches of the two countries to the main themes of the upcoming informal meeting of the OSCE Foreign Ministers on July 16-17 in Almaty. In this respect, the counterparts pointed out the similarity of the problems discussed in the framework of the OSCE and the CICA (the present-day challenges and threats, including the Afghan issue, the implementation of confidence building measures), as well as the architecture of the Euro-Atlantic and Eurasian security, the improvement of the OSCE effectiveness, and the settlement of the frozen conflicts within the Organisation's area of responsibility. They noted the importance of closer coordination of all international organisations dealing with security issues in Eurasia, stressing in this context the relevance of a scheduled informal meeting of several international organisations within the scope of the informal Ministerial in July in Almaty.

The Turkish side reiterated its firm support for Kazakhstan's initiative to convene an OSCE summit at the end of this year, and its intention to develop a meaningful dialogue on substantial agenda of the meeting.

Later on June 21 President Nazarbayev received Minister Davutoglu in his Akorda official residence. The host and his guest discussed Kazakh-Turkish relations. They agreed that Kazakhstan and Turkey chairing the OSCE and the CICA respectively should join efforts in assisting Kyrgyzstan to establish peace and stability.

## OSCE Chairperson-in-Office: Kazakhstan Works to Strengthen Organization



"The last five months have proved that Kazakhstan serves as the chairman of this organization quite effectively", Kanat Saudabayev says.

Photo by Reuters

Kazakhstan says its recent efforts to defuse political tensions in neighbouring Kyrgyzstan has demonstrated the effectiveness of its current chairmanship of the Organization for Security and Cooperation in Europe. Kanat Saudabayev, minister of foreign affairs, says: "The tragic events in Kyrgyzstan in early April almost plunged that country into turmoil, crisis and lawlessness. This was a serious test for the Kazakh chairmanship and for the entire OSCE."

He adds that the OSCE's quick response

demonstrated its relevance and effectiveness. "The international community, with the OSCE playing a major role, applied political action tools to resolve the crisis in a timely way," he says.

"The joint efforts of presidents Nursultan Nazarbayev of Kazakhstan, Barack Obama of the U.S. and Dmitri Medvedev of Russia prevented the escalation of violence and averted a civil war. As a result, the situation in Kyrgyzstan is expected to return to a legal framework, with public order and rule of law being gradually restored."

Saudabayev says the OSCE is determined to continue to assist Kyrgyzstan in recovering from the crisis. He notes that the organization's reserve fund has already allocated 200,000 euros (\$246,000) to help the country maintain public order and safety, and strengthen the rule of law and democracy. Kazakhstan is also providing humanitarian and economic assistance to the neighboring nation on a bilateral basis.

Saudabayev says the recent events also demonstrate that the responsibility for the region's stable development does not lie with an individual state or organization. "Instability of one state," he says, "throwing it on the margins of civilized development, creates a fertile ground for extremism, organized crime and drug trafficking, thereby translating into security threats far beyond the area." He notes that closer cooperation and mutual understanding was needed among the region's countries and the relevant international institutions such as the OSCE.

Kazakhstan is the first former Soviet republic and the first Asian country to chair the OSCE, a task President Nazarbayev has declared to be a national strategic project.

Says Saudabayev: "According to the assessments of our numerous international partners, the last five months have proved that Kazakhstan serves as the chairman of this organization quite effectively."

Afghanistan, described by Saudabayev as a “gaping wound on the world map,” has also been a priority for the Kazakh chairmanship. “We have placed particular emphasis on the stabilization of Afghanistan,” he says. “Much attention is paid to the economic dimension, and in this connection we are working on reducing trade barriers.”

Human rights are another priority, says Saudabayev, both in daily concerns and in terms of organizing major events. “Kazakhstan is also committed to holding an OSCE summit later this year in Astana, the country’s capital,” he says, adding that most member countries have expressed support for the idea. He expects an informal meeting of OSCE foreign ministers in Almaty in July to set the timing and agenda for the proposed summit.

Saudabayev says that dramatic changes in the world, such as the rise in international terrorism and the need to strengthen Europe’s security architecture, make a summit especially relevant, as does the continuing global economic crisis. The last OSCE summit was held in Istanbul 11 years ago.

He says the recent political crisis in Kyrgyzstan also “demonstrated the acute need for an effective mechanism of conflict prevention and early resolution, and it is the OSCE that is designed to perform the task.”

Saudabayev says the summit, which is a key initiative of President Nazarbayev, would also be an opportunity to revive the spirit of the Helsinki Accord under the new conditions. “The OSCE’s effective adaptation to the complicated conditions of the 21st century is necessary today,” he says. “Born in the Cold War, the OSCE must reach a new level of development. It needs to improve its effectiveness as a structure that provides a full range of modern security in Europe and Eurasia. There is an urgent need for a detailed collective analysis of what is happening within the OSCE.”

Possible topics and themes to be discussed, he says, include the high-level confirmation of previous commitments in the framework of the Commission on Security and Cooperation in Europe and the OSCE; the future of Euro-Atlantic and Eurasian security, including the Corfu process (a comprehensive dialogue on contemporary challenges and future European security architecture); and a draft treaty on European security, setting objectives in arms control and military confidence-building measures.

Saudabayev says other major themes for the summit could include ways of meeting new threats and challenges and tackling the security situation in Central Asia, particularly in Kyrgyzstan and Afghanistan, and promoting intercultural tolerance, a topic that has been the centerpiece of Kazakh foreign policy.

## **Better-than-Expected Performance of Economy Fuels Government Optimism**



The growth of the exporters’ revenues and success of the state’s anti-crisis measures allowed stabilization of the country’s financial system, as the better-than-predicted recovery of the Kazakh banking system comes into spotlight with the nation’s largest, Halyk Bank eager to buy out the government’s presence among its shareholders, Prime Minister Karim Massimov claimed addressing parliamentarians on June 21.

Photo by Halyk Bank

Kazakhstan’s Prime Minister Karim Massimov reported to Parliament on his government’s performance in managing economic processes in the first half of 2010. He said the faster than expected recovery of the economy, hit earlier by the global credit crunch, allows the government to reconsider expected revenues and reintroduce export customs duties for hydrocarbons. At the same time, two major s, which required government bailouts in early 2009, were now ready to buy out the shares purchased by the state back then.

From January to May, the GDP growth of Kazakh economy amounted to 8.3%, Massimov announced at a joint session of the houses of Parliament on June 21, dedicated to the report on 2009 national budget implementation made by the Government and Accounts Committee for Control over Execution of the Republican Budget.

During the session, the members of the Government underlined the fact that Kazakhstan’s economy has managed to avoid recession. The

industry and agriculture indicators show positive trend, the investment volume has also increased. The average annual level of inflation halved and composes 7.3%, the unemployment reduced to 6.3%. The anti-crisis measures played a special role in the positive changes of the economy.

“During the first five months Kazakhstan’s GDP grew by more than 8%. By mid-year the same level of GDP will remain,” Prime Minister Massimov says.

According to the latest government forecasts, the GDP growth is expected to be 2% this year.

Following the reports, the head of government announced some news, including the Government’s plans to restore export customs duties (ECD) on certain commodities, particularly oil and mining products.

The relief for commodity companies has been made during the crisis. The export customs duties on oil were previously imposed in Kazakhstan on May 17, 2008 and have been lifted on January 26, 2009. Its amount ranged from US\$ 109.91 per tonne (since the introduction and before October, 11 2008) to US\$ 203.8 per ton (from October 2008 to January 19, 2009).

“In this regard, by imposing the ECD the state budget will receive additional revenue. If this decision wins Parliament’s support, then the revised budget for 2010 and estimated one for 2011 will take into account the imposition of export customs duties,” Massimov stressed.

The increasing of budget revenues will already solve some issues this year. This applies to the regional programs for the construction and agriculture.

In addition, Massimov said that the financial sector completely stabilized owing to the restructuring of the Kazakh banks by the foreign creditors writing off about US\$ 10 billion foreign debt.

“During the crisis, the Kazakh Government gained a controlling stake of the three important systemic banks – “BTA”, “Alliance Bank” and “Temirbank”. We have already started negotiations on these banks repaying the resources appropriated under anti-crisis programme”. Massimov stated.

“The negotiations have already started because the banks, and Halyk bank in particular, offers to return the resources since the situation has improved,” Massimov said. He said the other bank willing to talk about returning bailout money is Kazkommertsbank.

Massimov claimed that as a result of restructuring, a total debt of Alliance Bank was reduced from US\$ four billion to one billion, BTA - from 10 to four billion, Temirbank - from one billion to 100 million.

Another issue that has been raised at the meeting related to grain export. First Deputy Prime Minister Omirzak Shokeyev announced the Government would allocate 10 billion KZT (about US\$ 70 million) to subsidize grain transportation to the countries of Central Asia, Iran, Afghanistan and China. Overall, Kazakhstan has already exported about 8 million tons of grain from last year’s harvest. Another 2-3 million will be shipped before the next harvest.

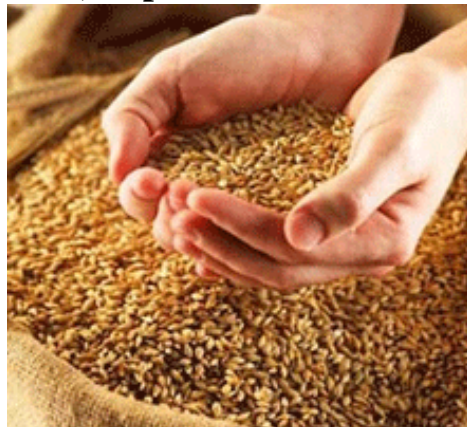
The problem of grain export was solved owing to unprecedented measures taken by the Government last year, as “Food Contract Corporation” purchased five million tons from the record harvest of 2009, and 5 billion KZT (about US\$ 35 million) were allocated for transport subsidy costs for the grain transportation.

“Kazakhstan has enough grain to ensure domestic needs, even in the case of crop failure this year,” assured Massimov.

## **New Kazakh Grain Terminal Highlights Relations with Iran, Export Potential**

The Kazakh Food Contract Corporation (grain purchasing operator for the state reserve) opened its grain terminal in Iran’s Caspian port of Amirabad on June 19. From now on, the geography of Kazakhstan’s grain export will greatly expand as it has become possible not only to supply grain to Iran but also to organize grain transit through Iran to the countries of the Persian Gulf.

The project worth US\$ 18.2 million was implemented on a parity basis between the two countries and has the simultaneous grain storage capacity of 53,000 tonnes, and annual channel capacity of about 700,000 tonnes of grain. The terminal’s launching has become the finishing link of the transport and logistics chain of Kazakh grain exports on the market of Iran and the countries of the Caucasus region.



The opening of a brand new grain terminal in the Iranian port of Amirabad becomes the final link in transport and export logistics chain of exporting Kazakh grain to the markets of the Middle East and Mediterranean.

The Amirabad Grain Terminal JSC was created by Kazakh and Iranian sides in 2008 specifically for this project. Its major goal is providing Iran with the high quality Kazakh grain, as well as its transit to the neighboring countries and conducting SWAP-operations. Amirabad is the only Iranian port in the Caspian Sea which has a railway line to access to the main network. In addition, the port is located in the territory of the free economic zone and ranks first among the Iranian ports for transshipment of transit goods via the North-South corridor.

The Ministry of Agriculture of Kazakhstan has long been determined to enhance its grain exports as the nation's harvest output volume is constantly increasing due to the development of agricultural technologies. In 2009, Kazakhstan harvested over 22 million tonnes of grain in bunker weight. Last year, Kazakhstan's largest export markets were Iran, Turkey and Afghanistan, which accounted for 735,000 tonnes, 440,000 tonnes and 316,100 tonnes of grain respectively. This year, the Ministry of Agriculture values the export potential of the country at the level of 9-10 million tonnes of grain, and is planning to export 2 million tons through the Baltic and the Black Sea basins.

In the meantime, Iranian Deputy Commerce Minister Babak Afqahi said last week, Tehran is planning to build up support for Iranian companies to help them expand their trade activities in the Commonwealth of Independent States, Kazakhstan in particular.

Afqahi stressed Tehran seeks expansion of bilateral ties with Kazakhstan and noted strengthening and promoting the two countries' private and cooperative sectors in line with the two sides' reciprocal investments is the most important objective for Iran.

Earlier in June, Iranian President Mahmoud Ahmadinejad and his Kazakh counterpart Nursultan Nazarbayev on a meeting in Istanbul expressed their appreciation of each other's active presence in regional economic arrangements.

Nazarbayev stressed Iran has a strong position in regional developments, and underlined Astana's resolve to strengthen cooperation with Iran in various fields of economy. "Iran and Kazakhstan have ample potentials for increasing the level of their bilateral relations and mutual cooperation", Nazarbayev said underlining that such capacities and potentials should be utilized.

"Employing the vast potentials of Iran and Kazakhstan for further promoting bilateral and regional relations is in the interests of the two nations and the entire region," Ahmadinejad, for his part, noted.

At present, Kazakhstan is actively creating infrastructure for grain storage and shipment in the near-border regions and neighbouring countries.

Four years ago, Kazakh traders built the grain terminal in Azerbaijan, and now the authorities consider the possibility of building a railway grain terminal at the Kazakh-Chinese border, with the capacity of simultaneous grain storage of 24 thousand tonnes and annual channel capacity of about one million tons of grain. Kazakhstan also intends to open the granary in Georgia with the capacity of 300,000 tonnes per year. At the same time, a new mill elevator complex will open this year at Beyneu in the Mangistau region, which will make it possible to increase transport of grain and flour by road and rail transport to Uzbekistan, Turkmenistan and Afghanistan.

Establishing transport infrastructure for grain export, including sea terminals in Aktau, Baku and Amirabad, will create conditions for the clear-cut ascendancy of Kazakh grain exporters among the Caspian littoral countries and in the Caucasus.

## **Kazatomprom Chief Executive Advocates Nuclear Development**



Kazakhstan nuclear industry remains a strategic priority in the economic development of the country, Vladimir Shkolnik of Kazatomprom believes.

For Vladimir Shkolnik, becoming president of Kazatomprom, Kazakhstan's state-owned nuclear corporation, has been a bit like coming home. Born in 1949, Shkolnik graduated from the Moscow Engineering Physics Institute as a specialist in nuclear science and engineering. He began his career in Kazakhstan in 1973 as a senior engineer at the Mangyshlak Atomic Energy Combine, a small experimental nuclear station. From there, he went on to

hold such positions as director general of Kazakhstan's Atomic Energy Agency,

minister of science and higher education, and president of the National Academy of Sciences. In 2002, he was named minister of energy and mineral resources, and in 2007 he became minister of industry and trade, a post he held until recently.

In addition to a collection of nuclear military equipment and ammunition inherited from the Soviet Union, all of which has been disposed of since its breakup, Kazakhstan inherited two more tools for nuclear development: uranium exploration and the production of solid fuel pellets. Shkolnik says that these two unrelated activities will form the basis of a vertically integrated company with all the facilities to keep the entire cycle, from mining to fuel manufacturing, within Kazakhstan's borders. This, he adds, will not only add value to its products, but also boost domestic levels of expertise, education quality and scientific research, thereby aligning with President Nursultan Nazarbayev's stipulated policy of industrial development.

In April, President Nazarbayev attended the Nuclear Security Summit in Washington, D.C., during which Shkolnik, as a member of the delegation, met with representatives of the United States Department of Energy and heads of leading U.S. energy companies. "During these meetings," says Shkolnik, "we clearly stated our position toward the American market. First of all, we announced that we would work without any intermediaries; secondly, we offered to sell American companies not only natural uranium, but also uranium dioxide powder and solid fuel pellets. Our plants have a rich experience in producing such goods and have all the required resources, including the expertise, at their disposition. The presidents of the American companies with whom we talked expressed huge interest in our proposals."

Kazakhstan became the world's number one uranium producer in 2009, with a market share of 20 percent, beating out Canada. "Last year," says Shkolnik, "global production of uranium oxide concentrate increased by 16 percent, and our republic accounted for 80 percent of that growth." Plans for further development beyond Kazakhstan's borders include a number of strategic alliances. In one, with Toshiba-controlled Westinghouse of the United States, Kazatomprom owns a 10 percent stake, which it bought from Toshiba in 2007 for \$540 million. Other ventures include the Unified Uranium Company, which is a joint venture with Kazatomprom's Russian counterpart, Rosatomprom, as well as French, Chinese and Japanese consortium.

On March 24, Kazatomprom and Japan's Sumitomo Corporation agreed to set up a joint venture called Summit Atom Rare Earth Company (Sareco) to engage in exploration for rare earth metals.

Says Shkolnik: "The goal of the joint venture is to set up a vertically integrated company for the production of rare earth minerals, which have a high added sales value compared with production costs. We expect that the joint venture will start operating in June 2010. The agreement was signed during an official visit of the president of France to Kazakhstan. During the visit, another agreement was signed between Areva and Kazatomprom to form a joint venture called Ifastar, which will develop domestic nuclear fuel manufacturing, yet another important value-adding activity. To my mind, these are perfect examples of how our country is indeed moving away from being a mere producer of commodities and heading for the position of a fully industrialized nation."

Ifastar is a marketing project that could result in the construction of a new nuclear fuel production line with Areva (subject to another venture) at the atomic processing plant of Ulba near Ust-Kamenogorsk in the northeast of Kazakhstan.

As for the venture with Rosatomprom, it will give Kazakhstan access to Russia's centrifugal technology for uranium-isotope separation at the International Uranium Enrichment Center.

Shkolnik points out that Kazakhstan has a role to play in the construction of new atomic power plants both in other countries and at home. "Like other countries referred to as emerging economies," he says, "Kazakhstan is facing an acute problem of power supply. This will undermine the implementation of all our industrial development plans unless we take urgent measures which, to my mind, in addition to energy saving devices, should comprise new power-generating facilities, including nuclear ones. I see the possibility of building a number of nuclear power plants of small and medium capacity, between 300 and 600 megawatt hours per annum."

Given the traumatic experience of Kazakhstan as a testing ground for atomic weapons during the arms race after World War II, the country is now eager to do its utmost in terms of nuclear safety and security, working within the Treaty on the Nonproliferation of Nuclear Weapons in close cooperation with the International Atomic Energy Agency.

"We are determined to work closely with the IAEA in development and practical use of nuclear energy for peaceful purposes," says Shkolnik. "Our projects are aimed to increase the security level of

the utilization of nuclear power and nuclear-physics technology, and the development and implementation of new progressive methods in industry, science and the social sphere, including health care and environmental protection.”

## **Kazakhstan, UK Share History of Relations in Politics, Business, Education**

The successful holding of the 5<sup>th</sup> Kazakhstan Growth Forum in London in mid-June appear to have confirmed the importance the Central Asian state and the United Kingdom of Great Britain and Northern Ireland attach to expanding their commercial, cultural and political ties. The present level of British investment in and



trade with Kazakhstan, and its desire to extend cooperation with the government, companies, universities and NGOs of the United Kingdom constitute sufficient reason for both countries to seek strong and forward-looking relationship.

Kazakhstan and UK share a growing interest in each other's economies and societies. The Kazakh-British Society, created to develop links between the two nations, extends today the efforts of individual members including those with particular interest in culture and educational matters.

The list of speakers at the Renaissance Chancery Court Hotel last week featured Kazakhstan's top economic figures, including Deputy Prime Minister Omirzak Shokeyev, Minister of Oil and Gas Sauat Mynbayev, a notable economist Oraz Zhandosov, Chairperson of the [UK Atomic Energy Authority](#) Lady Barbara Judge, Labour MP and Vice-Chairman of All Party Parliamentary Group on Kazakhstan John Mann, Co-chairman of the Kazakh-British Trade and Investment Group (KBTIC) Sir John Stuttard, Ambassadors Kairat Abusseitov of Kazakhstan in the UK and David Moran of the UK in Kazakhstan.

Participants engaged in discussing actively various issues of bilateral economic relations and investment climate, while serious business deals were taking shape in the lobbies. The forum also included a lively panel debate on the relevance of Kazakh chairmanship in the OSCE, the world's largest regional security organization, of which the UK is an active founding member.

Another event which highlighted British interests in Kazakhstan took place in Almaty. Until 18 June 2010 there have been two British banks working on Kazakhstan's lucrative financial market. Royal Bank of Scotland, severely hit by the global financial crunch, however, opted out from the retail banking and chose to sell it to another British player here, HSBC. The deal demonstrates that HSBC, the world's largest banking and financial services group, and the world's 8th largest company according to a composite measure by [Forbes](#) magazine seeks expanding its share of the Kazakh financial services pie.

The Kazakh-UK relations are developing dynamically in commercial and economic, political, cultural and humanitarian fields. London shows interest in improving bilateral interaction with Astana as it recognizes Kazakhstan's growing importance which stems both from the country's role as a major supplier of energy and its role in shaping the political future of the strategically important Central Asian region.

Since the establishment of diplomatic relations in 1992, Kazakhstan and the UK have been steadily advancing a sustainable political dialogue.

Kazakhstan's President Nursultan Nazarbayev paid a total of six visits to the UK (October 1991, January 1992, March 1994, June 1994, November 2000 and November 2006).

Among those who have seen Kazakhstan's considerable potential as a commercial and business partner have been some royal visitors, including Princess Anne (1993), Prince Charles (1996), The Duke of Kent (2000), and The Duke of York, the Prince Andrew (2003, 2006, 2007 and April 2010)), who acts as the Special Representative for UK Trade and Investment.

A British – Kazakh All Party Parliamentary Group was established in October 2001. Several visits to Kazakhstan took place between 2002 and 2005. A Kazakh-British Group was set up in parallel in Astana. There have also been several Kazakh parliamentary visits to the UK.

The economic sphere is still the most important area of the Kazakh-British cooperation. The investment cooperation relates to Kazakhstan's long-term priorities of cooperation with Britain. The UK ranks the third-biggest foreign investor by the total invested capital in the economy of Kazakhstan, US\$ 10.7 billion, including direct investments of US\$ 894.5 million. Since the beginning of diplomatic

relationships the general amount of Kazakhstan's capital investment in Britain comprised up to US\$ 1.7 billion.

The Kazakh-British trade and investment cooperation is mainly focused on sectors such as energy, exploration and mining of mineral resources, construction, social infrastructure, health care, transport and communication, and consulting, as well as banking and financial sector.

The flourishing economic relationship between the two countries has been characterized by growing partnership with 128 companies with British investors' participation registered in Kazakhstan, 57 of which are joint ventures and 71 are representative offices of British companies. UK's leading oil and gas corporations have strong interest in Kazakhstan, as do some of the UK's large contracting companies. A large number of smaller oil-field service and supply companies have established themselves in the market, usually in partnership with Kazakh partners.

The oil and gas sector, understandably, is a key sphere of cooperation between Kazakhstan and Great Britain. The presence of companies such as "BG Group" and "Shell" in Kazakhstan, the signing of intergovernmental Memorandum on Energy Cooperation in June 2005 and the holding of an international conference "Oil, gas and mineral resources of Kazakhstan" on June 28-30, 2006, in London are notable.

The Kazakh side currently emphasises attracting investment in the non-oil sector, especially high-tech production processes, scientific and technology parks and agricultural processing. The Kazakhstan Growth Forum was also aimed at illustrating the country's desire to attract investments for industrialising its economy in a post-crisis environment through implementation of a State Programme for Accelerated Industrial Innovative Development.

Another very important development in British-Kazakh relations was the decision of the Kazakh government to join Tony Blair's Extracting Industries Transparency Initiative (EITI) in 2005.

Commercial links between the two countries have been further strengthening since 2005, when major Kazakh banks and companies, such as Kazakhmys, Kazakhgold, KazMunaiGaz, Shagala, Kazkommertsbank, Halyk Bank, BTA-Bank, and Alliance Bank launched their IPO securities on London Stock Exchange. Kazakhmys, and Eurasia Natural Resources Group entered the list of FTSE-100 of one hundred most highly prized UK [companies](#) listed on the [London Stock Exchange](#).

In July 2009, during the visit of the then Lord Mayor of the City of London Alderman Ian Luder to Kazakhstan, Astana and the City of London defined the following priority areas for cooperation: improving education of Kazakh specialists in financial services and corporate governance, expanding the use of international financial reporting standards and assistance of the City of London in developing the Regional Financial Centre in Almaty.

At the cultural level, the British-Kazakh Society, founded in 2003 under the patronage of HRH the Duke of York and President Nazarbayev, has sponsored a range of impressive activities in both countries. The Society aims to promote commercial, cultural and people-to-people links between the two countries. Among the members of this society are representatives of business structures. They seek to develop not only commercial relations but also support cultural activities and events. The events are usually organised to introduce the rich culture of the Central Asian nation to UK residents and guests.

The Kazakh-British relations are not only focused on trade and investment. There is a deepening cooperation in education as well. In 1993, President Nazarbayev initiated the Bolashak international programme, which gives an opportunity for the Kazakh youth to study at top UK universities. The British education is getting very popular among the Kazakh students as in 2009 about 800 young Kazakhs with Bolashak scholarship were studying in the UK. The number of those who studied at their own expense in Great Britain exceeds 3,500 students. Hundreds of Kazakh graduates with British degrees are currently employed by the government and national companies.

In another development on the education front, on 15-17 November 2000, during the visit of President Nazarbayev to the UK a Memorandum of Understanding was signed between the Kazakh Ministry of Education and Science and the British Council, establishing the Kazakh-British Technical University (KBTU) in Almaty. It was officially founded in 2001 by the Government decree and opened in October 2001 to provide young Kazakhs with the skills they need to develop a modern economy. The former British Prime Minister Tony Blair and Kazakhstan's President Nursultan Nazarbayev are considered patrons of the university. Several British universities involved in developing KBTU include the University of Aberdeen, the Robert Gordon University, the Heriot-Watt University, and the Westminster University.

The UK recognized Kazakhstan as an independent nation on 31 December 1991 immediately after the dissolution of the USSR. Diplomatic relations between the two countries were established on 19 January 1992 during the visit to Kazakhstan by Douglas Hurd, the Secretary of State for Foreign Affairs at the time. The British Embassy was opened in Almaty in October 1992. Kazakhstan opened its Embassy in London in February 1996.

### **Also in the News:**


- On June 16-18, a Kazakh delegation led by Deputy Prime Minister Yerbol Orynbayev took part in a ministerial conference in Paris held under the aegis of the Organization for Economic Cooperation and Development (OECD) and had several meetings with the high-ranking figures of the French government and business. In particular, the Kazakh side met Deputy Secretary-General of the OECD Richard A. Boucher, French Minister under the Prime Minister in charge of the Implementation of the Recovery of Plan Patrick Devedjian, Minister of National Education and the Government's Spokesman Luc Chatel, and MEDEF Association (Movement of the French Enterprises)
- During his visit to Atyrau river port on June 18, Kazakh Prime Minister Karim Massimov said Kazakhstan needs to introduce state monopoly in the fishing industry. He said the move is justified by the need to protect the vulnerable sea life in the Caspian. During the visit to Atyrau, Massimov was briefed on the creation of "Zhaik Balyk" state municipal enterprise, as well as on the construction of tinned food factory and the shops for production of salty and smoked fish providing an opportunity to increase the assortment and export volumes of fish production.
- The "Kazakh Tokamak" thermonuclear test reactor in Kurchatov, East Kazakhstan, will start operating in 2011, while its first tests are to be conducted in September 2010. "Tokamak" is a part of the international project aimed at creation of the world's first industrial thermonuclear reactor. The total cost of the project in Kazakhstan reaches nearly US\$ 15 million, and it is financed through the efforts of Kazakh government and a few international partners, including Russia, the USA, India, China, South Korea, Japan, and the European Union. The Tokamak is one of several types of magnetic confinement devices, and is one of the most-researched candidates for producing controlled thermonuclear fusion power. Magnetic fields are used for confinement since no solid material could withstand the extremely high temperature of the plasma. The applied usage of this kind of reactors relates to testing materials for industrial construction and space industry.
- One of the streets in Jordanian capital was named the Nursultan Nazarbayev Street. Amman City Mayor Omar Maani and Astana's Imangali Tasmagambetov officially opened it on June 21. The three-kilometer road lies in Tariq suburb in eastern Amman. Maani said the decision came due to the fruitful and ongoing cooperation between Jordan and Kazakhstan, as well as their capital cities. "Kazakhstan deeply appreciates naming a street after its national leader, as this deepens our bilateral relations and boosts our future ties," Tasmagambetov added.
- A new monument to Abay Kunanbayev, the great Kazakh poet, philosopher, composer and founder of the modern Kazakh written literature, was dedicated in Astana on June 19. Bolat Doszhanov, a sculptor from Almaty, won the competition for the best monument model held at the initiative of the Maslikhat (a city legislature) deputies. In his speech at the official opening ceremony, the Kazakh Senate Speaker Kassym-Zhomart Tokayev said: "Abay's creativity is the embodiment of the past and present, for his words are immortal, and the heritage he left to his descendants will be remembered for many centuries." He reminded that the 150th anniversary of Abay was celebrated in 1995 under the auspices of UNESCO and stated he had no doubt the poet's legacy would progress further in gaining international recognition.

### **Things to Watch:**

- On June 29-30, the Kazakh OSCE Chairmanship is hosting the High-level Conference on Tolerance and Non-discrimination in the Palace of Peace and Harmony (the Pyramid) in Astana. It will be preceded by a Civil Society Preparatory Meeting on 28 June on the same premises.
- OSCE Chairperson-in-Office, Kazakhstan's Secretary of State and Foreign Minister Kanat Saudabayev pays an official visit to Turkmenistan on June 23-24. Along with his talks with Turkmen President Gurbanguly Berdimuhamedov and Foreign Minister Rashid Meredov to

discuss Turkmenistan-OSCE cooperation and bilateral Kazakh-Turkmen relations, Saudabayev will attend a large international conference on disarmament issues in Central Asia and the Caspian region.

- Presidents of Russia, Belarus and Kazakhstan will discuss the final details on formation of the unified customs territory of the Customs Union involving the three states during the meeting of EURASEC (Eurasian Economic Community) Interstate Council on July 5. The parties are going to discuss the peculiarities of criminal and administrative responsibility for violation of the customs legal regulations. A number of international agreements are to be signed.



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