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A STRONGER ECONOMY LEADS TO GREATER DEMOCRACY IN KAZAKHSTAN, SAYS TOKAEV

Remarks by H.E. Dr. Kassymzhomart Tokaev, Minister of Foreign Affairs of the Republic of Kazakhstan, at a United States-Kazakhstan Business Association dinner, Washington, DC, August 22, 2005

Your Excellencies,
Ladies and Gentlemen,

It's a great privilege for me to address this distinguished audience. I would like to thank the United States - Kazakhstan Business Association for organizing this dinner. Our meetings have become a good tradition and I am pleased to see many old friends again and to meet new ones.

Tonight, I would like to talk about how a stronger economy leads to greater democracy in our country, how our commitment to market reforms and liberal values has turned Kazakhstan into a leader in Central Asia and beyond.

In the early 1990s, President Nursultan Nazarbayev of Kazakhstan had set the course for bold market economic reforms and continuous liberalization of the society. Today, the results of our development have proven this choice correct.

During the thirteen years of our independence, we have covered a difficult road of political and economic reforms. It wasn't always easy, and we are not done yet. The results, however, are striking: Kazakhstan has become a leader in economic and democratic progress in the region.

Ten years ago, our GDP per capita was 700 U.S. dollars. Last year it was 2,700 dollars, and the forecast for this year puts it beyond 3,000. By 2010, our GDP per capita should exceed 5,800 dollars. Kazakhstan's economy is twice as large as the economies of all other Central Asian countries put together.

During the past five years our economy has expanded 50 percent, sustaining an average annual growth of about 10 percent. In the first half of this year, Kazakhstan's gross domestic product increased by 9.1 percent, confirming that our economy is strong and set to grow further. In fact, our economy is due to double in size compared to the year 2000 by 2008, and more than triple in size by 2015.



These achievements were possible due to both bold market economic reforms over the years and massive inflows of foreign direct investment into Kazakhstan. Following many rounds of privatization, currently 80 percent of our economy is private.

Since our independence, we have attracted 45 billion U.S. dollars in foreign direct investment. Kazakhstan continues to receive larger volumes of investment. The year 2004 saw the record annual amount of investment of 8.4 billion U.S. dollars. International rating agencies such as Moody's, Standard and Poor's, and Fitch have consistently upgraded Kazakhstan's investment ratings for the past three years. The Organization for Economic Development and Cooperation moved Kazakhstan up from the 5th group to the 4th on its investment rating scale.

Of the total amount of foreign direct investment, American companies accounted for a third, making the United States the largest foreign investor in Kazakhstan. More than 300 American companies work in Kazakhstan today in many different sectors of our economy. Our bilateral trade amounts to more than 850 million U.S. dollars. While we are pleased with these figures, we see potential for much greater trade and investment cooperation in the future, in both oil and gas sectors and in new industries.

Kazakhstan is quickly turning into one of the world's major oil producers and exporters. Currently, Kazakhstan is producing 1.3 million barrels of oil a day, and exporting more than 1 million. We expect to be producing 3.5 million barrels a day by 2015, of which 3 million barrels will be exported. With estimated reserves of 100 billion barrels of oil and continuously expanding production, Kazakhstan is set to continue playing an ever larger role in the world's economy.

Kazakhstan is committed to improving its investment climate. We are determined to uphold the sanctity of contracts with foreign investors and are also working to introduce greater openness in our business ties. In June, our President announced Kazakhstan's accession to the Extractive Industries Transparency Initiative, and this October we will formally join it.

Kazakhstan continues its drive toward membership in the World Trade Organization, and we are hoping to finalize the negotiations next year.

Economic successes have brought a better life to our people. The World Bank now ranks Kazakhstan as a middle income country. In 10 years, the average income of our people has grown almost fivefold, and personal bank deposits have expanded 35 times. Kazakhstan has the lowest unemployment in the region, and the highest average salary of 250 dollars per month compared to 40 dollars or less in other countries of Central Asia.

We are obviously pleased with all these results, but we don't feel complacent and have consistently taken steps to ensure the economy keeps growing on a sustainable basis.

Our approach is twofold, and provides for responsible management of oil revenues while diversifying our economy.

In 2000, we established the National Fund where we accumulate excess revenues from oil and gas and mining companies. It currently stands at 5.3 billion US dollars, a guarantee for our future.

In 2003, we adopted a very ambitious program called the Strategy of Industrial and Innovation Development up to the year 2015. Its goal is the radical diversification of our economy through the development of new high technology industries and modernization of our existing infrastructure.

We are currently creating specialized clusters in market segments such as oil and gas machinery building, food and textile industries, transportation and logistical support, metallurgy, production of construction materials, and tourism. They will become major industries as we develop our economy.

This strategy offers new and exciting opportunities for foreign companies, and we would welcome U.S. companies to join us as we implement it.

The root of our economic successes has been the stability of our multiethnic and multi-religious society. Kazakhstan has managed to preserve peace and harmony in a society of more than 100 ethnic groups and 40 religions. The late Pope John Paul II called Kazakhstan "an example of harmony between men and women of different origins and beliefs."

We always have had a clear understanding that economic progress must be immediately followed by gradual liberalization of political life.

In a week, we will celebrate the tenth anniversary of our Constitution. That document has served as a strong foundation for all our reforms and continues to be a stabilizing factor as we move forward.

We have held regular democratic elections, created foundations for an independent judiciary and ensured freedom of speech. Today, there are twelve registered political parties and movements, of which four have seats in our Parliament, and 2,000 independent news media outlets in Kazakhstan. Five thousand nongovernmental organizations tackle a broad spectrum of issues, ranging from human rights to environmental protection. Civil society in Kazakhstan is growing, and dialog between the authorities and NGOs is strengthening. Next month, the second Civil Forum will be convened in Kazakhstan to mark an expanding role of NGOs in our society.

In a nutshell, during the years of independence we have created a vibrant market economy and a thriving civil society. Our growing middle class is a guarantee of liberal reforms making sure our continued progress toward a stronger democracy is irreversible. As of this year we are going to send abroad 3,000 of our brightest youth each year to be educated abroad under the presidential scholarship we call Bolashak, the Future. When these young people return, they will not only bring expertise, but will be a strong pillar of greater democracy.

We are pleased to see our achievements getting greater acknowledgement in this country and elsewhere. In his recent letter to President Nursultan Nazarbayev, President George W. Bush wrote, "The United States views Kazakhstan as a strategic partner in Central Asia...The stability and prosperity that your country enjoys stand as a model for other countries in the region."

We are firmly determined to strengthen our leadership position even further.

President Nursultan Nazarbayev, in his landmark state of the nation address in February of this year, announced a radically new stage of political and economic modernization. He proposed a National Program of Political Reforms, and invited the people of Kazakhstan to participate in its development through a nation wide discussion. A special commission including representatives from Parliament, political parties and NGOs has been created to sum up the results of these discussions and present them to the legislators.

This National Program represents an integrated approach to the transformation of state, political and public institutions in light of international experience and our traditions and history of multiethnic and multi-religious coexistence.

Today, major objectives of our political reforms include government decentralization, introduction of local self-government, expansion of Parliament's powers, and large scale reform of the judicial system in accordance with generally recognized international standards.

We stand on the eve of crucial events which will determine our country's development for many years. I am talking about the upcoming presidential election due to take place in Kazakhstan this December.

We are determined to make this election free and fair. We want it to be an example for the region.

We invite U.S. experts to monitor the election and declare that an objective and balanced assessment of the presidential election will be very important to us. We believe the cooperation of free societies is paramount for ensuring prosperity and effectively meeting against global challenges.

The free and fair election will be a demonstration of our strengthening democracy and a strong argument in favor of Kazakhstan's bid to chair the OSCE in 2009. We hope to receive the support of the United States on this issue.

We further believe the success of Kazakhstan, a predominantly Muslim nation which has only left a totalitarian system recently, in pursuing market reforms and building democracy in a very complicated region, should be welcomed by the United States as a convincing example toward promoting economic and political freedoms in the world.

Tonight, I would also like to talk about the importance of our strategic partnership with the United States for the benefit of the peoples of both our countries.

We believe Kazakhstan is the strategic partner for the United States in Central Asia. Our close relationship is rooted in the days when the U.S. helped us rid ourselves of the unwanted legacy of the world's fourth largest nuclear arsenal. That cooperation was created out of our nations' shared values.

We view U.S. presence in the region as one of the important factors of its stability, strengthening the independence and sovereignty of Kazakhstan as well as other countries in the region.

When we look across the region, we cannot but see problems which hinder our development and that of our neighbors. These problems include economic underdevelopment, drug trafficking, illegal arms trade, as well as illegal migration and trafficking in persons.

We believe the way to ensure the sustainable development of the region and to help solve these problems lies in greater commitment to market economic and liberal political reforms and through greater integration.

Kazakhstan and the United States can and should work together to promote such integration. The initiatives of Kazakhstan and the United States, on the Central Asian Union and the Trade and Investment Framework Agreement known as TIFA, are real mechanisms which can breathe a new life into regional trade and strengthen stability. Kazakhstan, the most developed country in the region with a huge potential, is ready to be a driving force behind these processes, which in our view should also be extended to Afghanistan.

Speaking of Afghanistan, I would like to stress that Kazakhstan is a reliable partner and ally of the anti-terrorist coalition. We provide critical assistance both in Afghanistan and Iraq. Kazakhstan is the only country in Central Asia and one of the very few Muslim countries to deploy troops to Iraq. We are committed to continuing this assistance as long as it is needed to defeat the dark ideology of terror.

To sum up, Kazakhstan and the United States are strategic partners worthy of each other and needed by each other. New horizons open in our relations today, and we have every reason to look at the future with great optimism. With the good will of the two Presidents and our joint purposeful work, these relations will gain new strengths. This is in the best interests of the peoples of both our nations.

I would like to express my gratitude for the important work of the United States - Kazakhstan Business Association and to wish you continued successes. We are very hopeful the upcoming conference in San Diego next month which we are organizing jointly with the Association will produce tangible results expanding business ties between our two countries.

Thank you so much for your attention, and I will be pleased to answer your questions.

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