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Kazakhstan Seeks Greater Regional Involvement from Turkmenistan

Kazakhstan's President Nursultan Nazarbayev attended the inauguration of Gurbanguly Berdimukhammedov as the new President of Turkmenistan in Ashgabat on February 14.

Following the official ceremony, the two leaders discussed ways to develop stronger ties between their countries with the Turkmen President accepting President Nazarbayev's invitation to visit Kazakhstan. The two men noted lack of any problems in bilateral relations and commonality of positions on international issues.

While in Ashgabat, President Nazarbayev also met with presidents of Ukraine, Georgia and Tajikistan Viktor Yushchenko, Mikheil Saakashvili and Emomali Rakhmonov, as well as Prime Minister Recep Tayip Erdogan of Turkey, who all attended the inauguration. Discussions with the former centered on economic ties, while the meeting with Erdogan focused on transporting hydrocarbons out of the Caspian region.

President Nazarbayev also met US Assistant Secretary of State Richard Boucher focusing on both regional situation and bilateral cooperation. Speaking of Turkmenistan, they noted the importance of continued development of that country toward greater openness and regional cooperation. The President confirmed Kazakhstan's intentions to continue strengthening political and economic cooperation in Central Asia. They also discussed plans for a number of high-level US delegations slated to visit Kazakhstan soon furthering the agreements reached during the Kazakh President's visit to Washington last fall.



Scenery along the Caspian's eastern shore where this oil loading facility is will soon be changing even more as a new larger free economic zone is built in Aktau. See story page 3.

Also attending the inauguration in Ashgabat were Russia's Prime Minister Mikhail Fradkov and Afghan President Hamid Karzai, and other regional leaders.

New Government Admits Major Challenges, Focuses on Diversification, Reforms and Prudent Management

Prime Minister Karim Massimov presented the Government's action program for the years 2007-2009 to Kazakhstan's Parliament February 9.

The program, which outlines measures the government needs to take in order to achieve its strategic goal of making Kazakhstan one of the world's 50 most competitive nations, got a resounding approval from members of both houses of Parliament, which was expected.

What was less expected was the openness and willingness to admit problems which the new Government exhibit out in its report.

"Despite considerable improvements in social and economic situation in the country, there are certain factors which can undermine economic sustainability, aggravate the danger of overheating of the economy which in turn could reflect on Kazakhstan's competitiveness," the Government said in its introduction to the program.

Kazakhstan's economy, which grew 10.6 percent in 2006, a full two points above the expected figures, is developing "against the background of major inflow of foreign currency, the increases in foreign borrowing by producing and banking sectors, as well as in foreign investments, which exerts inflationary pressure on the economy and leads to hardening of the [national currency] tenge."

Moreover, "there is a danger for financial stability of the economy. The expansion of loan portfolio through foreign capital can have negative effect on the quality of assets of banks and companies in case the world economy slows down and the situation in world markets worsens," the Government said. Kazakhstan's leading banks have been borrowing hundreds of millions of dollars on international markets in recent years, capitalizing on low external interest rates, while major companies began listing their shares on the London Stock Exchange.

The Government also believes "there is a problem with the concentration of [domestic corporate] loans in certain sectors, including trade, construction and non-producing industries, which can lead to overheating of the economy." According to the Government, construction and financial services saw an increase of almost 40 percent last year, accounting for 50 percent of the overall economic growth, creating a major imbalance.

Additionally, "raw materials are still dominating the economy. The largest volume of investment continues to flow into extractive industries, while non-raw material sector inflows remain low. The potential for diversification and modernization of the economy has not been realized."

For a country experiencing a 10 percent annual economic growth for the past seven years, with 34 billion dollars in foreign currency reserves and GDP per capita exceeding 5,000 dollars last year, such statements from the Government provided a refreshingly revealing look at the situation.

Having set the stage this way, the Government outlined a wide ranging and ambitious program for the next three years whose highlights include the implementation of breakthrough economic projects of major national significance, developing five or six clusters with the greatest competitive edge, such as biotechnology, logistics, transport and communications, pursuing administrative reforms to cut red tape, as well as a more focused effort on English language proficiency.

Commenting on new policies, Prime Minister Massimov said the Government will toughen its stance on foreign borrowing by Kazakh private banks and noted such borrowing will not be allowed to surpass certain limits. The Government will also be firm in asking subsoil users to honor their contractual obligations to train local personnel and finance socially important infrastructure projects in their areas of operation.

Still, the Government expects the economy to grow this year with the same speed as in 2006. The entire program is available in Russian [here](#).

Wolfensohn to Advise on Creating Almaty Regional Financial Center

James Wolfensohn, former President of the World Bank, will advise President Nursultan Nazarbayev on developing Almaty's potential as a major financial center.

In a February 9 meeting in Astana, Nazarbayev and Wolfensohn agreed that as a non-staff advisor to the Kazakh President, Wolfensohn will help develop a plan for a Regional Financial Center in Almaty (RFCA) and analyze work done by the center's consultants. Currently, Wolfensohn runs his own New York-based firm, Wolfensohn and Company LLC, and serves as chairman of Citigroup's International Advisory Committee.

The idea to make Almaty, a bustling city of 1.5 million people with dozens of local and international banks and a stock exchange, a key financial center for the region was first announced by President Nazarbayev in his state of the nation address last March. The goal is to capitalize on Almaty's already developed financial infrastructure and turn it into a Hong Kong of Central Asia through additional incentives and tax holidays for banks, as well as through the development of supporting infrastructure.

Following the meeting, Wolfensohn said a wide ranging educational campaign to popularize the stock market is needed in Kazakhstan.

Aktau Seaport Free Economic Zone to Quadruple in Size, Attracting Export Oriented Businesses

The Aktau seaport on the Caspian Sea, Kazakhstan's rapidly developing hub for maritime freight, will undergo a major expansion in the coming years in a bid to draw more businesses to set up shop in its free economic zone (FEZ), including the seaport since 2003. The Aktau seaport FEZ is now set to expand from 227 hectares to almost 1000 hectares according to a new presidential decree.

Krymbek Kusherbayev, Akim (Governor) of the Mangistau oblast (region) of which Aktau is the administrative center, announced the news February 13. Kusherbayev explained the move by the desire to maximize the use of the seaport, promote trade, ensure sustainable economic growth and bring down local unemployment. The free economic zone regime offers companies registered there tax and customs breaks.

"This gives us hope the additional 755 hectares of a free economic zone space will lure industrial enterprises capable of producing exportable goods and substituting imports," Kusherbayev added.

The FEZ expansion will help accommodate the spreading out of the seaport to service ever increasing volumes of cargo shipments through it going to Azerbaijan, Russia and Iran and the world beyond. It is from Aktau that most of Kazakhstan's tankers leave for Baku, Azerbaijan, carrying oil to be fed into the Baku-Tbilisi-Ceyhan pipeline supported by the United States.

The zone's expansion will also include expanded logistical services such as communications, temporary storage facilities, open air areas for storing machinery, and cargo container repair shops.

The FEZ already has three new projects developing along those lines, including Keppel Kazakhstan, a plant of metallic constructions, NefteGazTruba, a pipe producing plant, and a factory to produce fiberglass pipes. This year along, plans are afoot to locate 15 new export-oriented productions in the Aktau zone.

The zone will also house Aktau Industries, a center to develop infrastructure of the Caspian shelf, and Aktau Free Trade, a transportation and logistics center for international trans-border cooperation.

Kazakhstan Reaffirms Vow to Combat Nuclear Terrorism

Nurlan Yermekbayev, Kazakhstan's Deputy Minister of Foreign Affairs, reaffirmed the country's commitment to actively participate in the Global Initiative to Combat Nuclear Terrorism (GICNT), unveiled by the presidents of the United States and Russia in July 2006.

Kazakhstan became a founding supporter of that initiative along with Australia, Canada, China, Germany, France, Italy, Japan, Turkey, and the United Kingdom.

Attending a meeting of deputy foreign ministers from participating countries in Ankara, Turkey, earlier this week, Yermekbayev told his colleagues about practical measures Kazakhstan has taken in the sphere of nonproliferation of nuclear weapons saying the country is committed to staying the course. In the 1990s, Kazakhstan dismantled the more than 1,000 nuclear warheads and 100 intercontinental ballistic missiles, along with dozens of strategic bombers armed with nuclear-tipped cruise missiles. More recently, Kazakhstan has been increasingly engaged in international projects to prevent nuclear terrorism, such as blending down highly enriched uranium and converting its nuclear reactor to low enriched fuel. Kazakhstan has also participated in the U.S. led Proliferation Security Initiative.

Yermekbayev was joined in Ankara by Timur Zhantikin, Chairman of the Atomic Energy Committee of Kazakhstan's Energy and Mineral Resources Ministry, as well as the country's Ambassador to Turkey Beibut Issabayev.

The GICNT provides for systematic efforts to improve accounting, control, and physical protection of nuclear material and radioactive substances, and security of nuclear facilities, respond to and mitigate the consequences of acts of nuclear terrorism, and ensure cooperation in the development of techniques to combat nuclear terrorism. The United Nations' International Atomic Energy Agency was asked to serve as an observer for the initiative.

Later in 2007, Kazakhstan will host a third meeting of deputy ministers of countries participating in the initiative in Astana, its capital.

Things to Watch:

- We still have a few copies available of *Kazakhstan: Reaching for the Future*, a 9-minute video documentary prepared by the Embassy of Kazakhstan to the United States. It tells the story of what Kazakhstan has become in the 15 years of its independence and of the importance of strategic partnership between Kazakhstan and the U.S. The video is available at Youtube [here](#). Those in the United States and Canada who would like to receive a copy on DVD, please contact Roman Vassilenko at numbers below.
- Byrganym Aitimova, Former Minister of Education and Science, and before that Kazakhstan's Ambassador to Italy and Israel, was appointed the country's Permanent Representative to the United Nations. In New York, she replaced Yerzhan Kazykhanov, who became one of Kazakhstan's new deputy foreign ministers in Astana.

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News Bulletin of the Embassy of the Republic of Kazakhstan to the USA and Canada

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