



Kazakhstan News Bulletin

Released weekly by the Embassy of the Republic of Kazakhstan to the USA and Canada
www.kazakhembus.com

January 25, 2007

Vol. 7, No. 5

In this issue:

Kazakhstan Will Focus More on Central Asia, Vigorously Pursue OSCE Chairmanship, Tazhin Says

New Export Route for Kazakh Oil Gets Closer to Reality

Kazakhstan to Expand Ethanol Production

Kazakh Becomes SCO Secretary General

Kazakhstan Will Focus More on Central Asia, Vigorously Pursue OSCE Leadership, Tazhin Says

Kazakhstan will pay special attention to relationships with its neighbors in Central Asia at the same time as it will continue to pursue the balanced foreign policy globally, the country's new Foreign Minister Marat Tazhin explained on January 22 in Astana.

"Kazakhstan should pay special attention to Central Asia which our President defined as the 'zone of crucial interests of Kazakhstan and our nearest neighbors'," Tazhin said in a meeting with the Foreign Ministry staff. "It is in our national interests to promote the competitiveness of our entire region to the greatest extent possible."

A balanced foreign policy course pursued until now, also referred to as the "multi-dimensional foreign policy", has served Kazakhstan well and "proved its correctness and effectiveness in ensuring our international relations," Tazhin noted. He said, "We have built pragmatic, constructive and mutually beneficial relations with both neighboring countries and all the interested parties. Kazakhstan has no open adversaries, and as we protected national interests, we were able to avoid conflicts."

Tazhin said reaching a new quality of partnership with the United States and the European Union were an "important achievement" of the past year, "adding stability to our international position."

"We realized pragmatically the impulses from the West and solidified Kazakhstan's status as the key partner in Central Asia," he added.

Also last year, Kazakhstan "strengthened an alliance with the Russian Federation and developed strategic partnership with the People's Republic of China," Kazakhstan's two biggest neighbors to the North and to the East.

"Today, Kazakhstan is an example of successful development against the backdrop of a complicated regional and geopolitical situation, growing challenges to stability and security, and the increasing involvement of international centers of power in our region," the Foreign Minister concluded.

He further noted Kazakhstan should continue to pursue the 2009 chairmanship of the Organization for Security and Cooperation in Europe (OSCE),



Marat Tazhin, Kazakhstan's new Foreign Minister.

the decision on which has been moved from last December to the OSCE ministerial in Madrid in December 2007. The decision to postpone was taken to give Kazakhstan an opportunity to implement more political reforms as it aspires to the highest standards of the chairman of that organization.

“We have a goal: without going into dead-end, pour efforts in the successful resolution of the situation,” the Minister said.

The fact that Kazakhstan’s clout in the organization is growing was evidenced in the selection this month of Ambassador Dulat Kuanyshev, Kazakhstan’s representative to the OSCE in Vienna, Austria, as the first chairman of the new Economy and Environment Committee within the OSCE. The decision to set up three new committees, the other two being on security and on human dimension, was made by the ministerial meeting last December.

New Export Route for Kazakh Oil Gets Closer to Reality

KazMunaiGaz, Kazakhstan’s national oil and gas company, signed a memorandum of understanding with two large consortia developing the country’s largest known oil fields on January 24, envisioning the creation of a new Kazakhstan Caspian Transportation System (KCTS) to ship Kazakh oil across the sea.

The deal between KazMunaiGaz and Chevron-led Tengizchevroil and Eni-led Agip KCO envisions the construction of the Eskene-Kuryk connecting pipeline in Kazakhstan and of the trans-Caspian system comprising oil terminals on the Kazakh eastern shore of the sea, tankers and barges, and oil terminals on the Azerbaijani shore of the sea from where oil will be pumped into the Baku-Tbilisi-Ceyhan pipeline. The BTC pipeline, launched in 2005, now carries Azerbaijani oil to the Ceyhan port on Turkey’s Mediterranean coast.

The system’s initial capacity will be 25 million tons a year which will later increase to 38 million tons, KazMunaiGaz said in a statement announcing the deal. The KCTS is expected to be launched in 2010 or 2011 with the start of production at the giant offshore Kashagan field in the northern Caspian.

“The memorandum is the first step in setting up the KCTS for oil which will further diversify hydrocarbon export routes,” KazMunaiGaz President Uzakbai Karabalin said.

Tengizchevroil is developing Tengiz, considered the world’s sixth largest oil field near Atyrau, while Agip KCO, which includes U.S.-based ExxonMobil and ConocoPhillips, is gearing up for industrial production at Kashagan, believed to be the world’s fifth largest oil field.

Kazakhstan to Expand Ethanol Production

Building on the success of its first ethanol production plant launched in north Kazakhstan last year, Kazakhstan will build four or five more in the near future.

Kairat Kelimbetov, Chairman of the Board of the Kazyna Sustainable Development Fund, announced the plans in Astana on January 23. The state-run Kazyna Fund, which encompasses several so called development institutions in Kazakhstan has been investing hundreds of millions of dollars in public-private partnerships in the country in recent years, creating new facilities and thousands of new jobs.

“We envision creating four or five new ethanol production facilities. Kazakhstan’s Development Bank is already reviewing all of these proposed projects, and the decisions will be made in the first half of this year,” Kelimbetov said in a meeting with leaders of the Kazyna Fund.

The new facilities will produce 150,000 tons of ethanol annually, which is five times larger than the production volume of the Biokhim plant in North Kazakhstan launched in the fall of 2006 (see *Kazakhstan News Bulletin*, August 11, 2006). Ethanol produced there will be sold on the European market.

The trend towards ethanol continues to show Kazakhstan’s aspiration to diversify its economy away from raw material production and switch to producing more refined products of higher added value. It is also based on the availability of abundant grains produced in Kazakhstan which can be used for producing ethanol.

This trend also comes to light as the world seeks more affordable alternatives to oil and gas, and ethanol seems to be one of the more attractive of such alternatives. In his State of the Union address on January 23, U.S. President George W. Bush said seeking new technologies of producing ethanol will be a priority for the United States as it seeks to diversify its energy supplies.

Kelimbetov also said Kazakhstan, better known internationally for its huge oil, gas and natural uranium reserves, has plans for creating a large petrochemical complex based on the Pavlodar Petrochemical Plant, to be linked with enterprises in Aktau in the west of the country, the South Kazakhstan and in Temirtau in the center of the country.

Earlier, speaking at a business conference in Astana, Kelimbetov also announced plans to set up a new investment and export promotion corporation based on the two existing institutions, the KazInvest agency and the Marketing and Analytical Research Center. The corporation's goal will be to "promote Kazakhstan's export to other countries and attract investments from abroad for the development of the country's non-extractive sectors."

Kazakh Becomes SCO Secretary General

Ambassador Bolat K. Nurgaliyev, one of Kazakhstan's most seasoned diplomats, officially assumed the powers of the first Secretary General of the Shanghai Cooperation Organization (SCO) on the first of January.

Nurgaliyev, 55, spent the past decade serving as Kazakhstan's ambassador to the United States of America, the Republic of Korea, and, most recently, Japan. He also served as Kazakhstan's Deputy Foreign Minister in the mid-1990s.

The SCO, established in 2001, brings together Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan. The organization originally started in 1996 as the Shanghai Group of five countries, excluding Uzbekistan, and was focused on mutual drawdown of troops and defusing tensions along the former Sino-Soviet border, stretching from the mountains of Pamir and Tian Shan in Central Asia to the Pacific coast. In 2001, the group changed its name to SCO and set itself the larger goals of fighting terrorism, separatism and extremism and promoting economic and cultural ties. In 2001, it also admitted Uzbekistan as its sixth member, the only country in the organization which does not border China.

Nurgaliyev's candidacy for the new position of the SCO Secretary General was approved by the six heads of state at their summit meeting last year.

Speaking in Beijing, the location of SCO headquarters, on January 17, Nurgaliyev praised the organization's successes so far in fighting common threats to their stability, but also noted that a preventive "comprehensive approach" is needed to fight the three scourges of terrorism, extremism and separatism. He believes "it is not sufficient to just have law enforcement efforts from special services, but what is needed is a comprehensive approach, and continuous amalgamation of political, diplomatic, social and economic and humanitarian measures."

One of the big items on the Secretary General's agenda for this year will be preparations for the annual SCO summit to take place in Kyrgyzstan's capital, Bishkek.

Things to Watch:

- Vladimir Shkolnik, Deputy Chief of Staff of the President of Kazakhstan, and the former long time Cabinet member with responsibilities for nuclear power, energy resources and science, is leading the country's delegation to the World Economic Forum in Davos, Switzerland, January 24 through January 28. Shkolnik will speak at a session on Kazakhstan within WEF, while Kazakhstan's Energy and Mineral Resources Minister Baktykhozha Izmukhambetov will participate in a session on oil.

- President Nursultan Nazarbayev is expected to pay an official visit to German at the end of January. Germany assumed the rotating presidency of the European Union on the first of the year.
 - *Kazakhstan: Reaching for the Future*, a 9-minute video documentary prepared by the Embassy of Kazakhstan to the United States, 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. developed in these years. The video is available at Youtube [here](#). A limited number of copies are also available on DVD. Those who would like to receive a copy, please contact Roman Vassilenko.
-

For back issues, other news and information visit us at www.kazakhembus.com
News Bulletin of the Embassy of the Republic of Kazakhstan to the USA and Canada
Contact person: Roman Vassilenko
1401 16th Street NW, Washington, DC 20036
Tel: 202 232 5488, ext. 104, Fax: 202 232 5845