



# Kazakhstan News Bulletin

Released weekly by the Embassy of the Republic of Kazakhstan to the USA and Canada  
[www.kazakhembus.com](http://www.kazakhembus.com)

April 5, 2007

Vol. 7, No. 14

*In this issue:*

**PM Massimov Visits Azerbaijan and Georgia Talking Oil Transportation and Trade**

**Another 'Kashagan' May Lay Beneath the Caspian**

**Kazakhstan Explores Ways to Spur Afghanistan's Economic Recovery**

**Kazakh Administrative Reform Moves Forward**

**President Says Kazakhstan Must Nurture Own 'Nobel Laureates'**

## PM Massimov Visits Azerbaijan and Georgia Talking Oil Transportation and Trade

Kazakhstan's Prime Minister Karim Masimov visited Azerbaijan and Georgia April 3 and 5 leading a large government delegation for talks on promoting inter-regional trade.

The visit focused on transportation of Kazakhstan's oil via Caspian to Baku and onwards to the West, as well on bilateral trade issues.

Massimov's visit to these two neighboring nations came on the heels of recent visits to Astana by the Azeri foreign minister and the Georgian President. It reflects the growing role Kazakhstan plays in the region and its expanding economic involvement in the Caucasus.

Kazakhstan and Azerbaijan are the two fastest growing oil producers in the Caspian region, while Georgia is a key transit country.

This greater role was evident in events taking place during the visit. In Baku, Massimov met with Azerbaijan's President Ilham Aliyev and Prime Minister Artur Rasi-zade. In Tbilisi, he met with Georgia's Prime Minister Zurab Noghaideli and Speaker of the Parliament Nino Burdzhanaдзе.

In Azerbaijan, Massimov attended the launch of the Baku grain terminal which will be useful for transporting large quantities of Kazakh grain across the Caspian. In Georgia, he visited the ports of Poti and Batumi where Kazakhstan also is seeking to build a grain and an oil terminal respectively.



Karim Massimov meets his Georgian counterpart Zurab Noghaideli in Tbilisi on April 5.



PM Massimov (l) walks with Azeri President Ilham Aliyev during the ceremony opening the grain terminal in Baku on April 4.

More importantly, highlighting the visit to Baku was a meeting of the prime ministers of Kazakhstan, Azerbaijan and Georgia which led to the creation of a tri-partite high level working group on transportation issues.

Speaking in Baku, Massimov said he was certain greater consolidation of the economies of Kazakhstan and Azerbaijan "can have a greater synergy from which people in both countries will benefit."

Massimov pointed to an intergovernmental agreement on Kazakhstan's access to the Baku-Tbilisi-Ceyhan oil pipeline as a sign of growing ties between the two countries.

He thanked the Azeri parliament for ratifying the agreement and said Kazakhstan will follow suit shortly. The Kazakh Prime Minister also called for the renewal of a sea transportation agreement between the two countries which was signed in 2001 but expired recently.

Massimov also said Kazakhstan and Azerbaijan need to better coordinate investments in expanding infrastructure, located on the eastern (Kazakh) and western (Azeri) shores of the Caspian, to accommodate the ever growing volumes of oil and dry cargo now transported across the sea.

The Kazakh delegation included Agriculture Minister Akhmetzhan Essimov, Transport and Communication Minister Serik Akhmetov, Energy and Mineral Resources Minister Baktykozha Izmukhambetov, and Industry and Trade Minister Galym Orazbakov, as well as executives of various national companies.

## **Another ‘Kashagan’ May Lay Beneath the Caspian**

When the Kashagan oil field was discovered not far from Atyrau in Kazakhstan’s sector of the Caspian Sea in 2002, it ranked as the world’s fifth largest oil field with estimated recoverable reserves of seven to nine billion barrels. That field, now being developed by an international consortium with an expenditure of 29 billion dollars, is expected to start commercial production in 2009 zooming Kazakhstan to top ranks of the world’s oil producers.

Now Kazakh officials say another huge field could be lying under the Caspian seabed further south with reserves comparable to Kashagan, located in the shallow waters of the northern Caspian.

In an interview with the *Ogni Mangistau* newspaper, Lyazzat Kiinov, Kazakhstan’s Deputy Minister of Energy and Mineral Resources said several prospective structures in the offshore Caspian may indeed be domes of one huge field.

“The offshore structures Nursultan, Rakushechnoe-More and Ulytau at the N Bloc may indeed be domes of one large structure and give us a second ‘Kashagan’, and possibly a field that is even larger,” Kiinov said.

Exploratory work in this area was originally started in the 1960s, Kiinov explained. Just as with other Caspian offshore fields, though, the Soviet government decided not to pursue their development for lack of appropriate technologies opting instead to tap easier onshore fields in Siberia.

According to Kiinov, the second potential “Kashagan” occupies an area of 7,625 square kilometers in sea depths reaching 340 meters. The N Bloc includes 10 prospective structures with an aggregate prospective geological reserve amounting to 1,484 million tons of oil and 116 billion cubic meters of natural gas. With the probability of success at 35 percent, it is believed possible to access 191 million tons of extractable oil reserves. Experts rate the probability of success very highly based on large sizes of these structures and relatively simple geological composition.

The Nursultan and Rakushechnoe-More structures have been located within the N Bloc licensed area in the central Caspian, 80 kilometers to the south of the seaport at Aktau. The nearest onshore town is Kuryk village at a distance of 10 to 40 kilometers where KazMunaiGaz, Kazakhstan’s national oil and gas company, is planning to build a new seaport.

Because of these expectations, Kazakhstan’s Ministry of Energy and Mineral Resources will reconsider the issue of developing the N Bloc and has postponed the tender for it. Currently, additional research is being conducted to determine the existence of hydrocarbons before further moves to offer the bloc are made, Kiinov said.

## **Kazakhstan Explores Ways to Spur Afghanistan’s Economic Recovery**

An inter-agency delegation from Kazakhstan visited Afghanistan this week to explore ways to assist that country’s economic rehabilitation.

Nurlan Yermekbayev, Deputy Minister of Foreign Affairs led the delegation which included representatives of the ministries of industry and trade, energy and mineral resources, Kazakhstan's institutions of development and private companies. Yermekbayev brought a letter from President Nursultan Nazarbayev to Afghan President Hamid Karzai and the group met members of the Afghan Government.

Keenly aware of challenges to regional security emanating from the lack of stability in Afghanistan, Kazakhstan is interested in various projects and trade and economic cooperation with the Afghans. For this purpose a joint intergovernmental commission was formed. Its first meeting is to take place this year.

In the past, Kazakhstan expressed interest in various sectors of the Afghan economy including construction, agriculture and trade. In the early years after the operation to oust the Taliban was launched, Kazakhstan also sent grain as humanitarian assistance for the Afghan people and provided support for U.S. led military operations.

## **Kazakh Administrative Reform Moves Forward**

President Nursultan Nazarbayev signed a decree on March 29 as a first step in the most recent wave of wide ranging administrative reforms aimed at reducing bureaucracy and improving efficiency of government operations in a quickly developing nation.

The new decree gives leaders of Kazakhstan's ministries and agencies the right to make decisions about expanding or downsizing their organizations on their own, as opposed to earlier arrangements which required the Governmental approval for such moves. More importantly, a minister or an agency chairman will have the right to reallocate the money at their discretion, in case such money becomes available after the downsizing. In the past, any such resources would have been returned to the national budget.

Prime Minister Karim Massimov, whose Government has been promoting these recent changes commented on the new rules saying "They are not about staff layoffs but about greater responsibility for the leader of a government agency. That person should review the structure of their organization with a view towards its optimal composition and decide themselves whether to expand or downsize, and then make decisions on the use of financial resources at their discretion."

The decree specifies the ministers will have explicit right to use the freed up resources "to raise salaries for the employees of government institutions."

Earlier, Government officials outlined other expected steps in the administrative reforms which would make the ministries follow a business-like model. For example, some of the ideas outlined include creating the position of a director general and a board of directors in the ministries.

## **President Says Kazakhstan Must Nurture Own 'Nobel Laureates'**

President Nursultan Nazarbayev said Kazakhstan should purposefully work to nurture its own scientists if the country is to keep abreast of international economic development trends.

Meeting last week with young Kazakh scientists in Astana, some of whom returned from abroad for this meeting, President Nazarbayev said, "We should purposefully work to nurture our own future Nobel laureates. It is a complex task, but we must set ourselves that goal. I am inviting back all our countrymen working abroad. We will create conditions for you on par with what you have abroad. Your education, energy and knowledge are needed at home."

The Government was doing a lot in this area and will be doing more to attract bright people to work in Kazakhstan's scientific area, especially in applied sciences.

That work began with a comprehensive assessment of Kazakhstan's scientific potential with the help of U.S. experts. The assessment determined the most promising areas of science where Kazakhstan can compete including nanotechnologies, biotechnologies, technologies for the hydrocarbon and mining

sectors, nuclear and renewable energy technologies, as well as IT and space technologies. The next step was the introduction of a new management model for Kazakhstan's science based on the experience of Finland, the U.S. and South Korea. It is basically a move away from financing scientific institutions to managing promising applied scientific projects. Currently, an international expert council is being formed including Kazakh and foreign scientists which will develop recommendations.

The Government is devoting similar efforts on developing hardware for scientists. Construction has begun on a new international university in Astana merging an educational facility with a world class research center. It would have four schools, IT, art and social sciences, engineering and technologies, and applied sciences. A similar university will be built near Almaty. In addition to this, a new biotechnology center is being built in Astana led by Erlan Ramankulov, a U.S.-trained Kazakh microbiologist. Also, five national and ten university laboratories will be built within the next five years across the country.

Overall, state financing for science has increased seven-fold in recent years, and plans are in place to increase this amount to two percent of the GDP by 2010, on a par with developed nations.

Still, quite a few challenges for Kazakh science remain, not least the misbalance between pure research and applied science. Up to 45 percent of Kazakhstan's research institutions deal purely with scientific research, while only six percent deal with designing new gadgets. The proportion of scientists versus designers versus workers who can put the products of research into production in Kazakhstan is also very different from the situation beyond its borders. There are 25 scientists and four designers per each experimental worker in Kazakhstan, while there are two designers and four experimental workers per each scientist internationally.

The Government intends to correct this situation by promoting more design-oriented research and creating test run production facilities.

## Things to Watch:

- **Two Major Upcoming Events in Washington, DC on Kazakhstan and Eurasia:**

On the morning of April 10, 2007, BISNIS and the Washington International Trade Association (WITA) are providing a unique opportunity to attend an event focusing on Business Opportunities in Afghanistan and Central Asia. Ambassadors and senior representatives of all the Central Asian and Afghan embassies will speak as will other senior policy makers including Franklin L. Lavin, Under Secretary for International Trade, U.S. Department of Commerce, and Robert Mosbacher, President and CEO of OPIC. To view a flyer of the event, go to [http://www.bisnis.doc.gov/bisnis/bisdoc/CA\\_Afghan\\_Agenda\\_Flyer.pdf](http://www.bisnis.doc.gov/bisnis/bisdoc/CA_Afghan_Agenda_Flyer.pdf). Register today at [www.wita.org](http://www.wita.org) (or call 202-312-1600), as space is limited.

On April 11, 2007, from 2:00-6:00 pm, BISNIS is bringing together a major group of international bankers and fund managers focused on Eurasia. Featured organizations and speakers include Bank TuranAlem (Kazakhstan); Société Générale (France); Firebird Management (U.S.); Sigma Bleyzer (U.S.); Vnesheconombank of Russia; Overseas Private Investment Corporation (OPIC – U.S.); Export-Import Bank of the United States; and many others. For more details see: <http://www.bisnis.doc.gov/bisnis/bisdoc/070411BISNISCTECFinanceFlyer.pdf>

- Charles Symonyi, Hungarian born U.S. billionaire and former top software designer for Microsoft Corp. will blast into space from Baikonur Cosmodrome in Kazakhstan on April 7, becoming the world's fifth space "tourist". He will be part of Expedition 15 to the International Space Station and will return to Earth with Expedition 14, landing in Kazakhstan on April 19.

---

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