



Kazakhstan

News Bulletin

Released by the Embassy of the Republic of Kazakhstan to the United States of America

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POLITICS

Letter from the new Ambassador, dated 30 July, 2007

Dear readers,

As some of you may have read from the recent report in the Washington Times, I am honoured and delighted to be the new Ambassador of Kazakhstan to the United States of America.

As well as fostering co-operative and stable relations between our two countries, my principal challenge in my role as Ambassador is to inform. Since Kazakhstan is a new country, founded only 16 years ago in the aftermath of the collapse of the Soviet Union, I suspect there is a significant information vacuum to fill. For although "Borat" did much to put Kazakhstan on the map, the country that he described is absolutely fictional! For this reason, my first public endeavor since

presenting my credentials to the President is to re-launch the Embassy's "Kazakhstan News Bulletin".

This will continue to be a weekly Bulletin based on the Embassy's own information as well as on a variety of independent sources, mainly from Kazakhstan, aimed exclusively at informing the American people. It will cover political, economic, business, scientific and cultural developments. Readers will no doubt be fascinated by the extent to which the US and Kazakhstan have already developed quite deep relations in many areas.

For those of you who have only recently been introduced to my country, Kazakhstan is a dynamic emerging market in Central Asia that is living through challenging and exciting times. Having established the infrastructure of a sustainable market-led economy, the government is now focused on underpinning the liberal political institutions that will guarantee Kazakhstan's long-term future as a democratic, modern and prosperous state. This is an experimental process and it carries risks, but it is one to which we are completely committed. **In May last a major Constitutional reform has been initiated by Kazakhstan's leader. In effect it was a major announcement of the start of a principally new phase in Kazakhstan's dynamic development whereby the focus will be on a serious but gradual political restructuring of the country and on a measured move towards a parliamentary majority political system. The early parliamentary elections on 18th August, 2007 called by the amended Constitution are an important milestone.**

In order to succeed in building a free society to match our free economy, Kazakhstan seeks genuine partnerships throughout the world, nowhere more so than in the cradle of democracy, the United States of America. At the same time, business people in the US also want to know more about Kazakhstan to explore its full economic potential. The News Bulletin will help to provide such knowledge and build further on the warm relationship between our two countries by addressing itself to individuals and corporations, upon whose solid experiences our relationship is constructed.

The Embassy also plans to release Special Issues of the News Bulletin on the major internal and foreign policy events in Kazakhstan and our website (www.kazakhembus.com) will be regularly updated. One such Special Issue to come soon will be on the forthcoming parliamentary elections in Kazakhstan and the run up preparations for this important political event. The Embassy would very much appreciate any feedback and constructive suggestions to improve our information service. Finally, those who are interested in more detailed information about Kazakhstan and the opportunities on offer they are most welcome to visit our Embassy or contact us at:

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With best wishes and regards,

Erlan Idrissov

Early elections coming as Lower House of Kazakh Parliament dissolved

Kazakhstan's political parties are gearing up for early parliamentary elections. President Nursultan Nazarbayev dissolved Majilis (Lower House) of the parliament on June 20 and called for new elections to be held on August 18.

Early elections are needed to break a constitutional conundrum. Under constitutional amendments approved in May, changes in the legislature's authority cannot take effect until a fresh body of deputies is elected according to the new proportional representation or political parties based system. According to the recent amendments to the Constitution **Kazakhstan's president ceded a significant part of his powers to the parliament thus providing effective transition from presidential to a presidential-parliamentary republic.**

Under the May constitutional amendments, an extra 30 deputies will be elected to the next parliament's Majilis, bringing the total to 107. Unlike in the past almost all of them - ninety-eight will be elected by proportional representation (through party lists), with nine seats reserved for the Assembly of People of Kazakhstan, an umbrella grouping of ethnic minorities. **This will take into account the interests of major ethnic groups and lead to further consolidation of the society.**

The May Constitutional amendments were designed to give a strong political impulse to a gradual move from a presidential to a more parliamentary form of government. This is an unprecedented experiment and a bold step for a fledgling democracy like Kazakhstan. But this was done after a sober reflection and in the heartfelt conviction that a steady liberalization of the economy should be complemented by a thoughtful and gradual growth of liberal political institutions and civil society. **The amended Constitution calls for the election of the new, political parties' based Parliament, thus opening way for a gradual move to a parliamentary majority system in Kazakhstan.**

KAZAKHSTAN: The Democratic "Safety Valve"

In May 2007 President Nazarbayev announced a series of important political reforms designed to take to the next stage Kazakhstan's unique experiment to establish a genuine democracy and civil society. Among his proposals was judicial reform, the reduction of the presidential term from seven to five years, increasing the powers of Parliament so that the Government would be accountable to it, introducing proportional representation to elect members of the Majilis (Lower House) and establishing a party-based parliamentary system.

Although the President's announcement was greeted positively in the United States and Europe, the coverage in the Western media has been almost wholly negative, focusing on the decision by the Majilis to grant President Nazarbayev the right to stand as a candidate for the presidency for a third time when his term of office expires in 2012. The gist of the media comment is that this is yet another example of the "authoritarian" Nazarbayev centralizing power around himself and his family. It was widely reported, quite incorrectly, that he has arranged for the Majilis to vote him "President for life".

The truth, however, is different and should be properly understood. First, we should be clear about what the Majilis voted for. Under the Constitution of the Republic of Kazakhstan, the maximum number of presidential terms to which an individual may be elected is two. This rule is the same in the United States. President Nazarbayev is currently serving his second term. The Majilis' decision to grant Mr. Nazarbayev the right to run for a third term of office did not grant him the presidency "for life". It permitted him by law to stand for election a third time, and only if he so chose – no more, or less.

Second, this vote was a unanimous decision by the elected Members of Parliament. It was not an executive order from the President. Under the Constitution, President Nazarbayev – indeed, any

president – cannot refuse Parliament’s unanimous decision under any circumstances, whether he supports the proposal or not.

Third, the Majilis took their decision in the light of the unique set of circumstances facing the country, granting a privilege - certainly – but also imposing an onerous duty upon a single individual whose role in the founding of the State of Kazakhstan has been pivotal. This is not an example of an autocratic leader propping up his power. It is the behavior of an increasingly stable and prosperous society seeking to bolster one of the main anchors upon which the security and welfare of millions depend.

The key to understanding what the Majilis voted for lies in understanding Kazakhstan's quest for stability. As any informed observer of events in the former Soviet Union will acknowledge, ill-considered or overhasty experiments with democracy have unleashed centrifugal forces that have been deeply harmful. The result has been economic failure, inter-ethnic discord and, in some cases, a reversal of the very freedoms that democratic reform was supposed to bring about.

Kazakhstan, with its vast territory and small but hugely diverse population, has a once-in-a-lifetime opportunity to build a viable and prosperous state. It cannot afford to play with experiments that will not succeed.

For this reason, the Majilis' decision to grant President Nazarbayev the unique status of being able to stand for election to a third term of office, if he so chooses, is sensible and pragmatic. In the short- to medium- term, it is the best guarantee for the stability of the state of Kazakhstan. For the law does not mean that Mr. Nazarbayev will be President for life, or that he may stand for an indeterminate number of times, or even that he might stand unopposed. It simply means that in the run-up to 2012 the President and Kazakh society as a whole will be required to form a judgment about how deeply the democratic reforms have taken root in Kazakh society.

The country will need to decide if the candidates to be Mr Nazarbayev’s successor, as well as those who support them, genuinely represent what the French political philosopher Rousseau described as the "general will" of the people. President Nazarbayev’s democratically bestowed right to stand for a third term provides, on the one hand, a strong incentive for the political parties to choose strong and effective presidential candidates. On the other hand, it offers the people of Kazakhstan a safety valve should the political parties fail to take this unique opportunity to display their maturity and fitness to govern.

If, as the President sincerely hopes and believes, the institutional reforms are sufficiently entrenched to guarantee a smooth and stable handover to his successor, then the main purpose of his administration will have been achieved.

Common Misconceptions in the West about Kazakhstan

- Kazakhstan is frequently described in Western media articles as a “dictatorship” led by a “corrupt” and “autocratic ruler” who has been in power for “too long”. In fact, Kazakhstan is a country that is only 15 years old and which in that short time has achieved remarkable progress in transforming itself from a former Soviet republic into a new and increasingly successful Western-style democracy.
- **Kazakhstan has a record to be proud of:**
 - a. It has settled its borders with its vast neighbors.
 - b. It has strengthened its external security by a shrewd foreign policy that has achieved close ties with Russia, China, the United States and Europe simultaneously.
 - c. It has achieved an unprecedented degree of interethnic harmony, thereby laying the foundations for internal stability.

- d. The economy has been privatized and has been growing at about 10% per annum for the last seven years.
- e. Oil exports will continue to grow and steps have been taken to avoid the so-called “Dutch disease”.
- f. Ordinary people have strong property rights: they are able to borrow money from banks to buy homes, land and other property knowing that they have a real chance to develop a personal stake in the economy. When they get old or ill they know that they will receive adequate support and medical care.

The result is that today Kazakhstan is probably the most stable and developed country in the former Soviet Union.

- How was this achieved? Many Westerners think the story is only about oil. **The truth is different. Since the beginning, President Nazarbayev and the Government have placed emphasis on achieving political stability and economic growth, without which there can be no long-term future for the country.** The President was absolutely right to do this. The economy was privatized in the 1990s and today, thanks to this policy and the rapid development of the energy sector, we are reaping the benefits. **By staying faithful to the strategy of putting the economy and stability first,** the Government has been able in the last two years **to unveil a series of important democratic reforms that will in time lead to a fully-fledged democratic state.**
- Despite the obvious signs of progress, Kazakhstan has been frequently criticized in the West for being “slow” to implement democratic reforms. For us, it is hard to know what “slow” in this sense actually means. In England, for example, democracy developed over more than 700 years, with often violent interludes. **In Kazakhstan we have achieved an extraordinary degree of political freedom in just fifteen years without any violence at all.** This is an almost enviable record in the region in which we find ourselves.
- The reality which Western observers often forget is that democracy is not only about laws and institutions. **It is fundamentally about custom, habit and culture - supported by property rights backed by the rule of law, without which there can be no genuine democracy at all.** In practice this means that it is impossible to create a parliament one day and expect democratic debate to occur in it the next. Or you cannot create a responsible opposition or media at the stroke of a pen. Establishing and nurturing an independent judiciary is an even greater challenge, as is tackling corruption at all levels.
- A common misconception in the West is that in Kazakhstan we are “forcefully” being dragged down the path to democracy against our will. **This is not true. We have chosen to become a democracy because we believe it is the best way to run our society, ensure the prosperity of our people and guarantee the long-term security of our state.** A large and stable democracy sitting at the heart of Central Asia is surely a positive thing for us and for our Western allies.
- Over the last three years Kazakhstan’s Government has set out and started to implement detailed plans for further democratization and economic development. These reforms are an integral part of the Government’s domestic agenda and they will be persistently implemented. Following on from the successful elections in September 2004 (Majilis) and December 2005 (Presidency), both of which were observed by more than 1,000 foreign observers, and building on the policies set out in the President’s State of the Nation addresses in 2005-2007, **the new plans for political reform have been meticulously developed and widely debated in the society under the aegis of the State Democracy Commission and envisage an enhanced role of the Parliament, nurturing of political parties and civil society institutions, building genuinely free media sector, efficient, fair and transparent judiciary system and institutions supporting the rule of law, developing and enhancing the traditions and culture of good and efficient local governance.**

- The culmination of all above efforts came in May 2007 when a major Constitutional reform was announced. **The gist of the Constitutional amendments is the gradual ceding of powers by the President to the legislature and a thoughtful move towards a parliamentary majority system.** The amended Constitution calls for the election of the new, more powerful, political parties' based Parliament. The election is to take place on 18 August, 2007 – **thus a principally new phase of political development of Kazakhstan will be ushered in.**

Kazakhstan looks ahead with confidence – US Congresswoman Shelly Berkeley.

“During my short stay here I have come to understand that Kazakhstan is a country that looks ahead with confidence” – said Representative Shelly Berkeley on 13 July in the course of her visit to Almaty, Kazakhstan’s flourishing former capital.

Having met with Kazakhstan’s State Secretary Kanat Saudabayev and visited one of the polling stations equipped with advanced voting machines on the eve of the forthcoming parliamentary elections Representative Berkeley hailed Kazakhstan’s exemplary record on the way to greater transparency and democratization. “I am sure that latest constitutional reform is beneficial for further development and democratization of Kazakhstan. I am impressed by your President’s determination to involve (in parliamentary elections) as many observers as possible”.

After meetings with representatives of the Assembly of People of Kazakhstan, Shelley Berkeley appeared amazed by tolerance and mutual understating existing in ethnically diverse Central Asian republic.

Among many other common features of Kazakhstan and the United States she pointed out active participation of women in social and political life as well as significant growth of their political ambitions.

Kazakh Minister Promises Greater Media Freedoms

Radio Free Europe / Radio Liberty

Kazakhstan's minister of culture and information says his country is committed to developing freedom of speech.

Speaking in Vienna, Yermukhamet Yertysbaev told the Permanent Council of the Organization for Security and Cooperation in Europe that Kazakhstan also will ratify international agreements on civil, political, cultural, and economic rights.

"We are united by the desire to make Kazakhstan even more democratic, our information sphere more open and our media more free, contemporary and independent," Yertysbaev said. "We have embarked upon a firm course of constructing a modern information community, the fundamental elements of which will be the e-government, digital television with the corresponding expansion of the services granted, access to the Internet for the rural population, including the farthest areas, and equal and general access to modern information services."

Miklos Haraszti, the OSCE's representative on freedom of media, welcomed the announced plans to reform laws regulating Kazakhstan's media.

He said it is crucial to abolish "insult provisions" that protect Kazakh officials from what in Europe would be considered legitimate criticism and public debate.

Kazakhstan is seeking the OSCE's rotating chairmanship in 2009.

Yertysbayev said Kazakhstan's selection would "be a worthy assessment" of the country's "sincere aspirations, firm, and irreversible steps on the path to further democratization and development of liberties in our society."

ODIHR deploys long-term election observation mission to Kazakhstan

OSCE Press Release

The OSCE's Office for Democratic Institutions and Human Rights (ODIHR) has opened an election observation mission for the 18 August parliamentary elections in Kazakhstan.

The deployment of the mission follows an invitation from the Government of Kazakhstan to observe the elections to the Majilis, the lower chamber of Parliament. The elections will be conducted under a new electoral system, following amendment of the Constitution and the election law.

The mission, headed by Ambassador Lubomir Kopaj, includes 19 experts based in Astana and Almaty, and 36 long-term observers who will be deployed around the country. The ODIHR will request that a further 400 short-term observers be provided by OSCE participating States to monitor election day activities, including the opening of polling stations, voting, the vote count, and the tabulation of results.

The mission will assess the parliamentary elections for their compliance with principles for democratic electoral processes, including commitments agreed to by all 56 OSCE participating States, as well as with national legislation.

Observers will closely monitor campaign activities, the work of the election administration and relevant governmental bodies, election-related legislation and its implementation, the media environment, the resolution of election-related disputes, and the use of electronic voting machines.

The mission intends to join efforts with the short-term observers from the OSCE Parliamentary Assembly (PA), headed by Consiglio Di Nino, the head of Canada's OSCE PA delegation. The mission will also co-operate with a parliamentary delegation from the Council of Europe.

The OSCE/ODIHR observation mission and the OSCE Centre in Astana operate independently under separate mandates.

ECONOMY

Private-sector marine base in Kazakhstan wins EBRD support

Loan and equity investment for development in Bay of Bautino

The EBRD is supporting the development of the first privately-owned permanent marine support and supply base in Kazakhstan with a \$32 million loan and a \$10 million equity investment. The loan will be split in equal shares between the EBRD and commercial banks. The equity investment will provide the Bank with representation at the Participants' Meetings of the project company Balykshy which will contribute to the application of the highest corporate governance and environmental standards.

Balykshy, majority-owned by US-listed Caspian Services Inc, will construct, equip and put into operation a marine support and supply base in the Bay of Bautino on the North Caspian Sea coast. The development, located in a sheltered natural and ice-free harbour, will respond to the rapidly growing demand by off-shore oil operators for fuel, water and a range of other support and supply services.

Kazakhstan is poised to become one of the world's top 10 oil exporters within the next decade. The

number of national and international companies active in the exploration of the country's huge reserves is growing, and so are the needs for support services. Infrastructure currently available on the North Caspian Sea coast is insufficient to service the needs of the off-shore oil operators and the need for marine base facilities is becoming increasingly urgent. The Balykshy base will be constructed alongside a State-owned facility currently being developed.

Peter Reiniger, EBRD Business Group Director, underlined that the project is the first infrastructure project in Kazakhstan to be sponsored by a fully private company. The EBRD will contribute to demonstrate that there is room for private players in the rapidly expanding industry servicing the needs of oil and gas companies. The Bank's involvement will also guarantee that highest environmental standards are being met during construction and operation, he added.

Paul Roberts, Director of Balykshy, said "The signing of the financing agreements with the EBRD represents the culmination of almost three years of planning, design and project financing arrangements for the base. This exciting and important infrastructure development will enable Caspian Services to provide an un-paralleled range of services to the oil industry exploring the massive reserves of the Kazakhstan sector of the North Caspian Sea. The base is an environmental milestone in the region, designed to provide a clean, efficient ship to shore transfer of fuel, sewage, waste, goods, inter alia mitigating the handling exposure. Longer term it is envisaged that the base will house an oil spill response unit."

Kazakhstan offers to join international fusion power project

Participants in the International Thermonuclear Experimental Reactor project (ITER) will consider Kazakhstan's offer to join the construction of a fusion power reactor in France, a Russian official said Thursday.

The \$10 billion project to build the reactor in Cadarache near Marseilles in southern France is designed to demonstrate the scientific and technological potential of nuclear fusion, amid concerns over growing demand for energy and the impact of conventional fossil fuels on the environment.

"Kazakhstan has proposed receiving full membership in the organization comprising countries involved in the ITER project," said Sergei Mazurenko, the head of Russia's Federal Agency for Science and Innovation.

"The organization has decided to hold talks with Kazakhstan on the technical capabilities of its project participation," he said after a meeting of the ITER Council in the Japanese capital, Tokyo.

The results of the talks will be reviewed at the next meeting of the council November 27-28 in France.

Under an agreement signed in Paris on November 21, 2006, Russia, South Korea, China, Japan, India, the European Union, and the United States pledged to fund the construction of the first thermonuclear reactor, which is expected to be completed by 2016.

The European Union will cover 40% of the costs and the other participants will contribute 10% each.

"The key issue at present is to make sure that all member-countries ratify the ITER agreement and set up their national agencies because the project is entering the implementation stage," Mazurenko said.

He said the Russian parliament had ratified the document and it only has to be signed by President Vladimir Putin to come into force.

"I think it will happen in two weeks," the official said.

The ITER consortium currently has a staff of 123, including 13 Russian scientists, but the number of project employees will be increased by 100 personnel during this year, Mazurenko said.

According to the ITER consortium, fusion power offers the potential for "environmentally benign, widely applicable and essentially inexhaustible" electricity, which the participants claim will be needed as the demand for alternative energy sources increases in the future.

Kazakhstan to buy Westinghouse stake from Toshiba

Kazakhstan is to pay 486.3 million dollars to buy a stake in US nuclear reactor firm Westinghouse from its majority owner Toshiba, news reports said Saturday.

The Japanese giant will sign an agreement this month to sell a 10-percent stake in Westinghouse to state-run uranium firm Kazatomprom for slightly more than 60 billion yen, the Nikkei newspaper said.

By forging ties with uranium-rich Kazakhstan Toshiba, which holds a 77-percent stake in Westinghouse, aims to secure stable supplies of the resource used by power plants, Jiji Press said.

Toshiba expects to win more orders to build power facilities from power companies in the United States and elsewhere by having Kazatomprom in its alliance and securing a long-term supply of uranium, the Nikkei added.

The tie-up will also help Kazatomprom expand its sales channels worldwide and accelerate mining projects, the Nikkei said.

Toshiba and Westinghouse are also expected to transfer uranium-processing technology to Kazatomprom, it said.

International energy firms are competing to secure nuclear fuel amid growing energy demand, particularly in emerging economies such as China and India.

Japan now procures uranium mainly from Australia and Canada.

Toshiba president Atsutoshi Nishida visited Kazakhstan in April with Japanese minister of economy, trade and industry Akira Amari, the Asahi Shimbun newspaper said.

Japan and Kazakhstan have agreed to cooperate in uranium-processing technology and trade.

US government approval is required for transactions in which a foreign entity takes a stake in an American business possessing nuclear technology, the Nikkei said.

US officials have indicated that the deal poses no problems, the newspaper added.

Uzbekistan looks forward to cooperating with Kazakh investors

After 2nd meeting of the Interstate Coordinating Council on Thursday Uzbekistan and Kazakhstan put pen to paper on a series of documents, including a strategy on economic cooperation until 2016.

Prime Ministers of Uzbekistan and Kazakhstan, Shavkat Miziyyev and Karim Massimov, signed a strategy on economic cooperation until 2016 which sets out key directions of the governments' activities in such areas as trade, investments and finances, water-energy sector, transport and communications, border interaction and innovations.

“Kazakhstan is committed to further strengthening of cooperation with friendly Uzbekistan in the spirit of the Treaty on Eternal Friendship between the two countries that was signed in 1998.” Massimov said opening the session.

He described Uzbekistan as “not only a friendly country but also a reliable strategic partner who plays a crucial role in ensuring stability and security in Central Asia and the economic development of the whole region”.

“Economic reforms in Uzbekistan open broad opportunities for investors from Kazakhstan,” he said. “After talks with the President of Uzbekistan I can officially inform Kazakh businessmen that Uzbekistan is open for investors from Kazakhstan”.

Today 96 companies fully or partially based on Kazakh investments, including 48 joint ventures, operate in Uzbekistan. More than 700 SMEs with Uzbek capital are present in Kazakhstan.

Your Money Matters: Kazakhstan - a “great success”

Article by Aaron Leitner from the Jerusalem Post, 26 July, 2007

Those of you familiar with Borat may have the impression that in Kazakhstan cars are pulled by donkeys, but the reality is quite different. In fact, Kazakhstan, today, is viewed as one of the most exciting emerging market economies in the world.

At the crossroads of cultures

Kazakhstan is situated in central Asia, bordering Russia and China. Native Kazakhs, a mix of Turkic and Mongol nomadic tribes who migrated into the region in the 13th century, were rarely united as a single nation. The area was conquered by Russia in the 18th century, and Kazakhstan became a Soviet Republic in 1936. During the 1950s and 1960s agricultural development program, Soviet citizens were encouraged to help cultivate Kazakhstan's northern pastures. This influx of immigrants skewed the ethnic mixture and enabled non-Kazakhs to outnumber natives. Independence in 1991 caused some of these newcomers to emigrate, but due to relatively high birth rate, the population is growing.

Stable political situation

Kazakhstan is a constitutional republic with the president as the head of state and the bicameral Parliament, which is dominated by pro-presidential parties.

Nursultan Nazarbayev has served as the President of Kazakhstan since the nation's independence. In May 2007, the Parliament approved a constitutional amendment that would allow Nazarbayev to seek re-election as many times as he wishes. This amendment applies specifically and only to Nazarbayev: the original constitution's proscribed maximum of two presidential terms will still apply to all future presidents of Kazakhstan. The amendment has been criticized in the West and by the Kazakh political opposition as anti-democratic, but it is expected to minimize power struggles between different local elites and to neutralize the attempts to find replacement to Nazarbayev and, thus, should be beneficial for the country's stability.

As long as Nazarbayev rules the country, it should continue to enjoy stability. The president is genuinely popular within the population; the opposition is weak and segregated and does not pose any threat to Nazarbayev's rule. Political reforms are limited, but the reformed economy is growing at consistently high rates since 1999. Rapidly rising living standards, political and social stability and bright economic outlook make a prospect of large scale popular discontent highly unlikely.

Vast raw materials

Kazakhstan is the largest nation and economy in Central Asia, and the ninth largest country by area in the world. It is immensely rich in virtually all types of mineral reserves, particularly coal, iron ore, lead, zinc, chromium, copper, manganese, bauxite and gold. With many of these minerals, Kazakhstan has a substantial proportion of the world's total reserves. It is the largest producer among CIS states of beryllium, tantalum, barite, uranium, cadmium and arsenic.

The country's hydrocarbon reserves are vast: According to 2005 data, Kazakhstan, with its reserves of 39.6 million barrels of oil, holds 3.3% of the world's proven oil reserves. Furthermore, Kazakhstan is the second largest producer of the former Soviet Union and produces 1.6% (1.36 million bpd) of the world's total oil production. The main oil fields of Kazakhstan are Tengiz, Karachaganak, Kurmangazy, Uzen and Kashagan. Among these, the Kashagan field is the largest oil field outside the Middle East and the fifth largest in the world, and it is estimated to hold 7-13 billion barrels of oil. With its 3,000 billion cubic meters of natural gas Kazakhstan holds 1.7% of world's total gas reserves.

Consistent economic growth and rising investor confidence

Apart from fossil fuel, minerals and metals reserves, Kazakhstan also has considerable agricultural potential with its vast steppe lands accommodating both livestock and grain production. The country's industrial sector rests on the extraction and processing of natural resources, but also on a relatively large machine building sector specializing in construction equipment, tractors, agricultural machinery, and some military items.

The break up of the USSR and a collapse in demand for Kazakhstan's traditional heavy industry products had resulted in a contraction of the economy, which lasted for several years. In 1995-97 the pace of the government program of economic reform and privatization quickened, resulting in a substantial shifting of assets into the private sector. The economy started to pick up, but real recovery began in 1999, when the international petroleum prices started to rise.

Kazakhstan has sustained very strong macroeconomic performance since the start of the decade. Annual real GDP growth has averaged over 10% and per capita incomes have now reached about five times the 1999 level in dollar terms. Employment has expanded steadily and social indicators have improved. The fiscal position has remained very strong, permitting substantial increases in public expenditures, especially social and infrastructure spending, as well as an accumulation of large savings in the National Fund (NFRK) for future generations.

Although the country's external debt has risen significantly in the last decade, the debt levels excluding the intra-company debt are manageable. Public debt is at a very low level (6.5% of GDP at the end of 2006).

The Kazakh banking system is privatized, although foreign participation is still low. The system's assets and credit to private sector are growing at a very fast rate: in 2006, banking sector assets grew by 97%, ahead of previous years' growth rates, more quickly than any other major emerging market. Unlike other CIS economies, Kazakhstan is not under banked: fast growth led to rapid catch-up in penetration levels, which are now broadly in line with those of the more developed central European countries. Performance of Kazakh banks is generally strong. The increasing proportion of retail lending has supported margins; cost efficiency is good, reflective of increased scale. The quality of banks' assets is still high, but the authorities, concerned over rapid lending growth and the corresponding borrowing growth, have tightened regulation and supervision.

Kazakhstan's current account has hovered around balance since 2003. The growing trade surplus (around 16% in 2006) has been offset by income debits, which are outcome of profit realization and repatriation by foreign investors.

Foreign Investor activity is growing

Unlike many developing countries, Kazakhstan is welcoming foreign investors into the development of its natural resources. A strong indication of this policy has been privatization: virtually the whole mining sector had been privatized by 1998. The first well in Kazakhstan was drilled by Alfred Nobel in 1899, and partnership with the West has been central to energy resource development in Kazakhstan ever since. While development of the country's enormous oil reserves has been interrupted by two world wars, a revolution and the dissolution of the Soviet system, this partnership has remained central to Kazakhstan's energy equation. Today, Kazakhstan has Product Share Agreements (PSA) with transnational companies for the development of hydrocarbon reserves in its territory. There are Chevron, BP, Italian ENI, Chinese CNPC and others taking part in energy sector of Kazakhstan. Foreign direct investment levels are high, at annual average of 9% of GDP. Kazakhstan continues to accrue significant foreign-exchange reserves and assets in the NFRK. At the end of 2006, these assets amounted to some 40% of GDP.

An awakening market that has emerged.

Kazakhstan's prospects are bright, and growing investors' confidence is reflected in a steady, upward move in Kazakhstan's foreign currency ratings since 2000. Kazakhstan was the first CIS country to receive investment grade rating. It is now rated "BBB" by Standard & Poor's and Fitch, and "Baa2" by Moody's. One might even use the words of Borat "great success" to describe the market that has emerged there.

The Kazakhstan Stock Exchange is the country's principal stock exchange. Its name is abbreviated to KASE. Traded financial instruments are: corporate securities, government securities, instruments of repo market, foreign currencies and futures contracts.

Given the dynamic nature of the young Kazakh equity market, it is important to ensure that an investment corresponds to current realities through regular review and adjustment. While the oil and gas industry has a clear place among the country's leading sectors, other commodity sectors such as gold and uranium mining are becoming increasingly important for Kazakhstan, as is the financial sector.

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OTHER NEWS

Marriott to launch JW Marriott Hotel Brand in Kazakhstan

Marriott is to introduce its JW Marriott luxury brand in Almaty, Kazakhstan, in 2008 under a management agreement with Capital Tower Development LLC, an affiliate of Capital Partners. The agreement covers the 215-room JW Marriott Hotel Almaty and a branded condominium project, the 419-unit JW Marriott Residences.

Both properties are integral parts of the landmark 309,800-square-meter, mixed-use [Esentai Park](#) development project on Al-Farabi Street in the center of Almaty.

In addition to the 215-room JW Marriott Hotel Almaty, which will occupy most of the upper half of the 37-story Esentai Park Tower, the building will feature 21,000 square meters of prime office space, two penthouse apartments and a 376-space parking garage.

Esentai Park will also include a 34,900-square-meter shopping mall, a 14,200-square-meter fitness club, a 1,350-square-meter spa and up to three exclusive JW Marriott Residences (for-sale condominium) blocks, which will offer up to 419 luxury unfurnished units along with ground floor retail shops, a specialty restaurant and dedicated underground parking. The JW Marriott Residences is anticipated to open in phases during 2008 and 2009.

Almaty is the largest city and the commercial, educational and scientific center of Kazakhstan. Almaty International Airport, which is located within a 25-minute drive of the JW Marriott Hotel Almaty, is rapidly becoming an important transportation hub in central Asia. Its more than 10 major airlines offer scheduled service to key cities in Europe, Africa and other parts of Asia.

The JW Marriott Hotel Almaty will offer 175 guest rooms, an executive level and lounge where guests will be able to enjoy services and amenities in an exclusive environment, as well as 40 furnished one, two and three-bedroom serviced apartments.

For dining and entertainment, the hotel will have a casual restaurant, a specialty restaurant, a lobby lounge and bar. Recreational amenities will include an indoor swimming pool and a health club with separate men's and women's lockers, a sauna, a whirlpool and a juice bar. Guests will also have access to the spa that is part of the overall development.

Other amenities will include a business center, 24-hour room service, in-room mini-bar and laundry/valet service.

Kazakhstan Open to make European Tour debut in 2008

Reuters

The Kazakhstan Open will debut on the European Tour next year, elevating the first professional golf tournament in the oil-rich Central Asian country to main-tour status after three seasons on the junior circuit.

"Next year the tournament will be co-sanctioned by the Challenge and European Tours," tournament director Konstantin Lifanov told Reuters on Wednesday.

"But starting from 2009, we will be part of the main European Tour with total prize money of over 2 million euros (\$2.76 million)."

Held at the picturesque Nurtau golf course near the commercial capital Almaty, the Kazakhstan Open made its professional debut in 2005 as the richest event on the Challenge Tour with 250,000 euros in prize money, increasing each year.

This year's tournament will be held from Sept. 20-23.

Saka burial site discovered in Almaty suburbs

A discovery from an ongoing excavation in Ulzhan district of Almaty revealed a burial site dated back to 4-5 century B.C. related to Saka period.

The site contained pieces of ceramics adorned with carnelian, jade decoration and many other fascinating features. The burial mound is a rare finding and definitely an archaeological luck, Almaty Mayor Imangali Tasmagambetov told a press briefing after the burial mound was unveiled on Thursday.

"Many burial mounds are disappearing, literally bulldozed off construction sites. Therefore, we face the challenge of efficient excavation and classification of remaining archaeological sites," Tasmagametov said.

Ulzhan district of Almaty accommodates a total of five burial mounds, which remained intact in the midst of construction works. Every each of them is a part of the historical legacy of the city, stressed the Mayor.

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