

“We express satisfaction with the progress the United States and Kazakhstan have made in advancing our strategic partnership, and declare our commitment to a shared vision of stability, prosperity, and democratic reform in Central Asia and the broader region”.

**Presidents Nursultan Nazarbayev and George Bush,
Joint Statement between the United States of America
and the Republic of Kazakhstan
29 September, 2006, The White House**

“Kazakhstan has contributed much to global security. Your country was the first to renounce nuclear weapons after the breakup of the Soviet Union, and today we appreciate your staunch support for the people of Iraq. You have set a wise course for good relations with your neighbors, and we share a vision for regional integration and energy diversification. As you move forward with critically-needed assistance for Afghanistan, Kazakhstan’s stature as a regional leader is sure to grow.

I welcome your announcement of reforms aimed at strengthening the role of parliament and political parties. I believe we should work to extend the benefits of our dynamic bilateral relationship to advance reform, stability, and prosperity throughout Central Asia”.

**H.E. George W. Bush, President of the United States
Congratulations on the 15th anniversary of diplomatic
relations between Kazakhstan and USA, March 2007**

We admire this nation's many contributions to our world, and the United States is proud to count Kazakhstan as a friend. Your nation has abundant resources and an even greater supply of human talent. And America has tremendous confidence in your future as a successful, independent, sovereign and prosperous nation.

**Richard Cheney, Vice-President of the United States
5 May 2006, Astana**

“Today, Kazakhstan is poised and ready to break a path for a new Silk Road, a great corridor of reform linking the provinces of northern Russia to the ports of South Asia, the republics of Western Europe to the democracies of East Asia. A strong and prosperous and democratic Kazakhstan will once again energize the global transmission of learning, and trade and freedom across the steppes of Central Asia. This nation has a glorious past and it is destined for a hopeful future. Kazakhstan’s greatest days lie ahead of it. And the United States wants to be your partner”.

**H.E. Condolezza Rice, US State Secretary
13 October 2005, Astana**

“In order for us to present a new Kazakhstan in a new world in ten years, we must meet the challenges of modern times in an adequate and timely fashion. History provided ample evidence of what happens when people demonstrate that, working together towards a common goal, they are capable of lifting themselves to a new level of development. Achieving our goals will mean that we must redouble our efforts, and in many cases we shall need to adopt new and unfamiliar approaches in all our government agencies and businesses, as well as in our scientific and expert communities.”

**H.E. Nursultan Nazarbayev, President of the Republic of Kazakhstan
State-of-the-Nation Address “A New Kazakhstan in a New World”,
28 February 2007**

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KAZAKHSTAN AT A GLANCE (COUNTRY BRIEF OVERVIEW)

President: Mr Nursultan Nazarbayev (at the split of the USSR elected president December 1, 1991; as per new, amended Constitution elected to the first seven-year term on January 10, 1999; re-elected to the second seven-year term on December 4, 2005)

Prime Minister: Mr Karim Massimov (since January 2007)

Chairman of the Senate of the Parliament (upper chamber): Mr Kassym-Jomart Tokayev (elected January 2007)

Chairman of the Mazhilis of the Parliament (lower chamber): Mr Ural Mukhamedzhanov (elected November 3, 2004)

State Secretary (social, inter-ethnic, cultural affairs; civic development, gender policy): Mr Kanat Saudabayev (since May 2007)

Foreign Minister: Mr Marat Tazhin (since January 2007)

Other members of the Government:

Deputy Prime Minister - Minister of Economy and Budget Planning: Mr Aslan Musin

Minister of Industry and Trade: Mr Galym Orazbakov

Minister of Energy and Mineral Resources: Mr Bakhtykozha Izmukhambetov

Minister of Finance: Mrs Natalya Korzhova

Minister of Transportation and Communications: Mr Serik Akhmetov

Minister of Environment: Mr Nurlan Iskakov

Minister of Agriculture: Mr Akhmetzhan Essimov

Minister of Culture and Information: Mr Ermukhamet Ertysbaev

Minister of Tourism and Sport: Mr Temirkhan Dosmukhambetov

Minister of Labour and Social Protection: Mrs Gulzhana Karagussova

Minister of Justice: Mrs Zagipa Baliyeva

Minister of Education and Science: Mrs Zhanseit Tyuymebayev

Independence: December 16, 1991; **Day of the Republic:** October 25, 1990 (date on which Kazakhstan passed Sovereignty Declaration)

Location: South of Russia, Northwest of China, North of Kyrgyzstan, Uzbekistan and Turkmenistan and Northeast of Caspian Sea.

- Total area: 1,687,443 sq miles (2,717,300 sq km)
- Land area: 1,657,945 sq miles (2,669,800 sq km)
- Comparative area:
 - Ninth largest in the world, equivalent to the size of Western Europe.
 - Four times the size of Texas.
 - Five times the size France.

Boundaries: Total 7,459 miles (12,012 km (without Caspian shoreline))

The Republic of Kazakhstan shares its longest borders with Russia, 4,251 miles (6,846 km) and China, 951 miles (1,533 km). It also borders 1,183 miles (1,894 km) on the Caspian Sea.

Major Cities: Astana (capital, moved from Almaty in December 1998); Almaty, Karaganda, Shymkent, Atyrau, Aktobe, Oskemen.

Population (1 October, 2006): 15,347 million

Ethnic and Social Diversity:

- Kazakhstan's **ethnic composition** is the driving force behind much of the country's political and cultural life. The country's principal ethnic groups include Kazakh (58.9%), Russian

- (25.9%), Ukrainian (2.9%), Uzbek (2.8%), Uighur, Tatar and German (1.5% each), and other groups (4%). There are **more than 100 other ethnic groups** living in peace in Kazakhstan.
- Two major **religions** in Kazakhstan are Islam and Christianity (57% and 40% of all believers, respectively) Most Muslims in Kazakhstan belong to the Sunni denomination of Islam, while most of Christians belong to the Russian Orthodox Church. The rest constitute other religions – **there are more than 40 confessions** in Kazakhstan which are organised in more than 3000 religious organisations. It is worth mentioning that although most people in Kazakhstan associate themselves with a certain religion, **most of the population is not deeply religious**.
 - **Languages: Kazakh**, spoken by over 52% of the population, **is the state language**. Russian, spoken almost by everyone, enjoys equal status under the Constitution and is a means of interethnic communication in Kazakhstan. Newspapers, TV/Radio programs, school instruction are done in 11 languages (Kazakh, Russian, Uzbek, German, Korean etc.)
 - **Literacy**: 100% of age 15 and over can read and write.

In 1997, Kazakhstan launched the long-term national strategy “Kazakhstan 2030. Prosperity, Security and Improvement of Welfare of the Citizens of Kazakhstan”. The strategy identified seven national priorities for the period to the year 2030 which serve as a “road-map” for Kazakhstan’s future growth.

- National security. Ensure development of Kazakhstan as an independent sovereign state preserving its complete territorial integrity;
- Safeguard and strengthen domestic political stability and national unity;
- Economic growth based on an open market economy with high levels of foreign investments and internal savings. Achieve realistic and sustainable rates of economic growth;
- Health, education and well-being of the citizens of Kazakhstan. Consistently improve living standards, health, education and opportunities of Kazakhstanis and improve the natural environment in the country;
- Energy resources. Effectively utilize energy resources of Kazakhstan through rapid increases in extracting and exploring oil and gas with the aim of gaining revenues to engender stable economic growth and improve living standards;
- Infrastructure and particularly transport and communications. Develop these key sectors to enhance national security, political stability and economic growth; and
- Professional government. Establish an effective professional corps of civil servants and state-owned formations of Kazakhstan loyal to the cause they serve and capable of acting as representatives of people in achieving national priorities.

ECONOMIC OVERVIEW

Deputy Prime Minister - Minister of Economy and Budget Planning: Mr Aslan Musin

Minister of Industry and Trade: Mr Galym Orazbakov

Minister of Energy and Mineral Resources: Mr Bakhtykozha Izmukhambetov

Minister of Finance: Mrs Natalya Korzhova

Minister of Transportation and Communications: Mr Serik Akhmetov

Minister of Environment: Mr Nurlan Iskakov

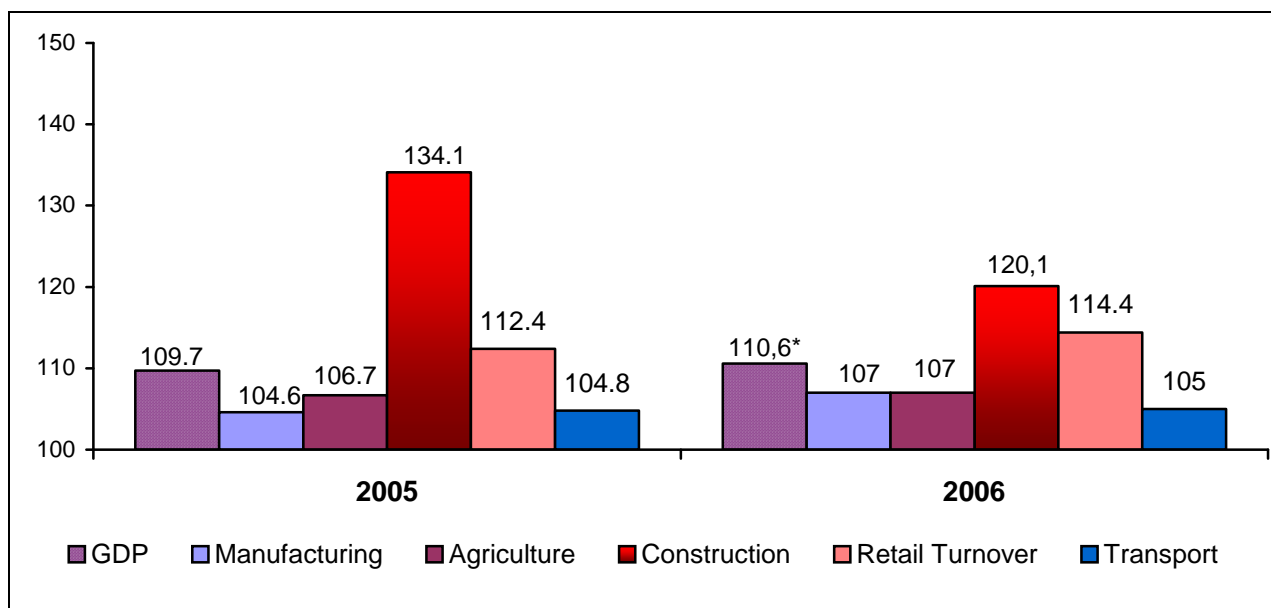
Minister of Agriculture: Mr Akhmetzhan Essimov

Chairman of National (Central) Bank: Mr Anvar Saidenov

Currency: Tenge (KZT)

Market Exchange Rate (average 2006): 1 USD = 126.0 KZT

Real GDP Growth Rate: (2005) 9.4%; **(2006)** 10.6%
Industrial Production Growth: (2005) 4.6%; **(2006)** 7%
GDP per capita: (2005) US\$ 3,550; **(2006)** US\$ 5,083
Nominal GDP: (2005) US\$ 48 bln; **(2006)** US\$ 77.9 bln



production output, by sectors

Inflation Rate: (2005) 7.6 %; **(2006)** 8.6%
Unemployment Rate: (2005) 8.2%; **(2006)** 7.8%
Major Trading Partners (2006): EU (Germany, UK, Italy, Netherlands), Russia, Switzerland, China, U.S., Turkey, South Korea, Uzbekistan, Ukraine
Exports (2006): US\$ 38.3 bln (growth 37,3%)
Imports (2006): US\$ 23.7 bln (growth 36,4%)
Major Exports: mineral products (73.8%), nonferrous metals (15.9%), chemicals (3.4%), food (2.4%), machinery (1.2%), others (3.3%)
Major Imports: machinery and parts (43.3%), mineral products (14%), nonferrous metals (14.7%), chemicals (11.6%), food (7.2%), others (9.2%)
Capital Investment Growth: (2005) 22.1%; **(2006)** 10.6%
Foreign Direct Investments (1993-2007): US\$ 46.9 bln, of them US\$ 6.5 bln in 2006
Internal Investments: above US\$ 80 bln
Hard currency reserves (2007) – US\$ 37.4 bln., including **National Oil Fund –** 15.9 bln US\$ (17% of GDP)
Natural Resources: The world's largest reserves of barite, lead, tungsten, and uranium; second largest reserves of chromites, silver, and zinc; third largest of manganese; significant deposits of copper, gold and iron ore; oil and gas reserves of world class.

Kazakhstan is rich in natural resources, mainly oil, gas and minerals, but being a land-locked country it needs to develop multiple transportation routes and develop a modern infrastructure to fully benefit from its huge mineral and energy resources.

Despite the presence of rich deposits of natural resources, significant industries of the Republic were developed in the Soviet period. These include metal processing, chemicals, textiles and food processing.

The economy is linked with other economies of the former Soviet Union, especially with Russia. **But since independence in 1991, trade has rapidly been redirected toward markets outside the former Soviet Union.** In 2006 Kazakhstan's main trade partners were EU, Russia, Switzerland, China. Kazakhstan chiefly imports energy products, machinery and equipment,

vehicles and food. The importation of industrial machinery and technology increased in the late 1990s.

In addition to such traditional trade partners as Russia, Ukraine, Uzbekistan and other FSU states **the European Union** (UK, Germany, Italy, Netherlands, France), **China, US, Turkey, South Korea** have become **main trade partners of Kazakhstan**.

The **main economic priority for Kazakhstan** is to avoid overdependence on its oil and gas and minerals sector, but to use these natural assets **to build a modern, diversified, highly-technological, flexible and competitive economy with a high value-added component**. This is the central goal of the **National Strategy until 2030** and of the recently adopted **State Industrialization and Innovation Programme until 2015**.

In 2006 Kazakhstan has additionally announced a major drive for **the strategy to enter the 50 most competitive nations** in the world in ten years time.

Diversification of the economy, introduction of **international technical, financial, business standards**, accession to **the WTO**, promotion of **corporate governance, greater transparency and accountability, education** and a concerted **administrative reform** have been identified as the key drivers to implement the strategy (for more, please see p.15 and p.19).

- In 2006 the Government has drastically increased the budget of a **state-run scholarship programme “Bolashak” (“Future”)**. If to date only about 800 Kazakh students could enjoy the benefits of “Bolashak” scholarship since its inception in 1994, **starting from 2006 the Government fully funds 3000 Kazakh students annually to study in the world’s best universities**. The 2006 intake of “Bolashak” students in the University College London (UCL) alone reached 50 young Kazakhstanis. The US share of “Bolashak” students is around 500 people.
- Aiming to cut bureaucracy the Government is widely introducing the **“e-government”** in all major sectors. This measure coupled with other **result-oriented administrative reform steps** is viewed, among other things, as an important tool in **the fight against red-tape and corruption**.
- In order to further improve the country’s competitive edge and regional role through **enforcing the principles of efficient corporate governance and management, greater transparency and accountability** as well by boosting its financial markets the Government has taken major steps in early 2006, namely it established the **“ Samruk”** State holding company, **“Kazyna”** Fund for sustainable development and initiated the establishment of the **Regional Financial Centre in Almaty (RFCA)** (for more details, please see pp. 72, 76, 78 respectively).
- Over the last two years (2005-2007) **18 Kazakhstan companies have been listed at the London Stock Exchange** (7 – on the main market, and the rest on AIM). This has proved **de-facto Kazakhstan’s leadership in the former Soviet Union in implementing Western instruments, managerial skills and business standards** in the country’s economy.
- Starting from 2005 Kazakhstan has been practically implementing the UK’s **Extractive Industries Transparency Initiative** with the aim to deliver a clear signal to international investors community and financial institutions that the Government of Kazakhstan commits itself to greater transparency to further improve investment climate, strengthen accountability and good governance, as well as promote greater economic and political stability throughout the country which will be based on the principles of decentralization, industry specialization, free market competition and transparency.
- **Kazakhstan** has officially announced its aspiration **to become a trilingual nation** to help meeting its ambitious goals. These will be **Kazakh** as the state language, **Russian** as the language of interethnic communication, and **English** as the language of successful integration into the global economy and community.

Social and political stability, along with tremendous natural resources, make **Kazakhstan one of the most attractive destinations for capital investments** among the republics of the former Soviet Union.

First among CIS countries Kazakhstan was granted a “market economy status” by EU in 2001 and by USA in 2002. Also first among CIS countries Kazakhstan was moved by Moody’s to investment grade status in 2002. Current ratings as of 5 April 2007: (LTFC/LTLC/Outlook): **Moody’s Baa2/Baa1/Positive; Standard&Poor’s BBB/BBB+/Positive; Fitch BBB/BBB+/Positive.** In January 2005 the **Organization for Economic Cooperation and Development (OECD)** has upgraded **Kazakhstan’s country export risks rating**, moving it from the 5th to the 4th group of risks.

ENERGY OVERVIEW

Minister of Energy and Mineral Resources: Mr Bakhtykozha Izmuksambetov
President, KazMunayGas (National Oil & Gas Company): Mr Uzakbai Karabalin
Current Oil Reserves: 32,5 billion barrels (twice as much as the North Sea)
Projected Oil Reserves: 100-110 billion barrels by 2015 (would be in top 5 of the world)
Oil Production (2006): 64.8 million tonnes
Oil Consumption (2006): 11.7 million tonnes
Net Oil Exports (2006): 57.1 million tonnes
Crude Oil Refining Capacity (2006E): 18.5 million tonnes
Current Gas Reserves: 3 trillion cubic metres
Projected Gas Reserves: 5 trillion cubic metres by 2015
Natural and Crude Gas Production (2006): 27 billion cubic metres
Natural Gas Consumption (2006): 10 billion cubic metres
Net Natural Gas Export (2006): 7.8 billion cubic metres
International Transit of Gas (2006): 106.7 billion cubic metres
Coal Reserves (2006): 35 billion short tons (Mmst)
Coal Production (2006): 94.3 million tons
Coal Consumption (2006): 68.8 million tons
Coal Export (2006): 27.8 million tons
Electric Generation Capacity (2006): about 19.0 gig watts (GW)
Electricity Generation (2006): 71.6 billion kilowatt-hours (kWh)
Electricity Consumption (2007E): 75.8 billion kilowatt-hours (kWh)
Uranium Reserves: 1.5 mln tonnes (or 19% of the world reserves)
Uranium Production (2006): 5279 tonnes

One of the country’s top priorities is **efficient development of its Caspian off-shore energy resources.** Recent developments in this area give hope that further development of North Caspian oil and gas fields will start in the not-to-distant future.

Originally, the status of the Caspian Sea was regulated by the bilateral treaties of 1921 and 1940, made between the former Soviet Union and Iran. With the break-up of the Soviet Union, offshore territorial rights have generally become more complex. While Iran, Russia and Turkmenistan have argued the case for equal sharing of the assets, Kazakhstan and Azerbaijan **have always preferred a formal political division based on the extension of country boundaries into the Caspian Sea.** Russia has now changed its view and supports Kazakhstan and Azerbaijan, arguing for the delineation of the seabed based on the principle of equal distance or median line, this basically depending on the length of the shoreline. **In 2002 Kazakhstan signed bilateral agreements with Russia and Azerbaijan on delimitation of the Northern Caspian seabed and the joint development of the Khvalynskoe, Tsentralnoe and Kurmangazy off-shore oilfields with Russia.**

In 2003 Kazakhstan has adopted a **State Programme of development of the Kazakhstan sector of the Caspian Sea** the main target of which is to boost environmentally safe oil and gas production to generate revenues to help diversification and modernization of the whole economy, to make it highly competitive and non-dependent on oil and gas sector. **In 2006 the Phase II of the Strategy was commenced.**

The demand of the world for **quality uranium fuels** increases year by year. Last year nuclear power plants produced around sixteen per cent of world electric power. Forty new power generating units are being constructed in fifteen countries of the world. **Kazakhstan has been an important source of uranium** for more than fifty years. Approximately one-fifth of world uranium reserves are deposited in Kazakhstan. Total resources and reserves of uranium are over 1.5 million tonnes, over 1.1 million tonnes of which can be mined by the in-site leaching method. Some 50 uranium deposits are known, in six uranium provinces. Over 2001-2006 production rose from 2,000 to more than 5,000 tonnes U per year, and further active mine development is under way with a view to reach **annual production of 15,000 tU/yr by 2010 which will make Kazakhstan the biggest uranium producer in the world.** State owned National Atomic Company Kazatomprom is the sole organization for uranium mining, reprocessing, export & import operations in Kazakhstan (*President – Mr. Mukhtar Jakishev*).

Kazakhstan possessing **sizable amounts of oil and gas, coal, uranium** is an important energy player in the world. However, having these abundant natural energy resources, the Government and the country's energy sector keep an attentive eye on **global energy trends.** **Optimal energy mix, efficient energy use, significant environment component of energy policy, research and development of renewables** are all on the country's energy policy agenda. **In 2006 Kazakhstan has produced its first wheat-based bioethanol** and this private sector programme will expand further.

Energy transportation and infrastructure are key elements of a viable energy policy. **EU and its Energy Commissioner** have identified last year their strong interest to cooperate with Kazakhstan in this area, particularly on trans-continental gas and oil transportation issues. **Kazakhstan** has made it clear that this fully meets its own vision for the development of **multiple energy transportation routes** from and through Kazakhstan.

Commercial viability, technical and environmental safety and financial soundness are the guiding principles for Kazakhstan's strategy in this crucial area.

ENERGY INDUSTRY

Organization: KazMunayGas (vertically-integrated state oil and natural gas company); Kazakhstanugol Corporation (state coal company); Kazakhstan Electricity Grid Operating Company (KEGOC); Kazatomprom (National Atomic Company)

Major Oil and Gas Fields: Tengiz (mostly oil), Karachaganak (mostly natural gas and gas condensate), Kashagan (off-shore, oil), Uzen, Kumkol, Korolev, Tenge, Uritau (natural gas), Zhanazhol

Major Oil Ports: Atyrau, Aqtau, Bautino and Kuryk on the Caspian Sea

Oil Export Pipelines: Caspian Pipeline Consortium (CPC) - Tengiz-Novorossiisk (Russia); Uzen-Atyrau-Samara (Russia); Kenkyak-Orsk (Russia) line that transports oil from the Aktyubinsk fields to the Orsk refinery, Kenkyak-Atyrau, Atasu-Alashankou (China – under further expansion).

Major Oil Refineries (crude oil refining capacity): Pavlodar (162,666 bbl/d); Atyrau (104,427 bbl/d); Shymkent (160,000 bbl/d)

Major Power Plants (capacity): Ekibastuz No.1 (4,000 megawatts, MW), Yermak (2,400 MW), Zhambyl (1,230 MW)

ENVIRONMENTAL OVERVIEW

Minister of Environmental Protection: Mr Nurlan Iskakov

Status in Climate Change Negotiations: Non-Annex I country under the United Nations Framework Convention on Climate Change (ratified May 17th, 1995). Signatory to the Kyoto Protocol (March 12th, 1999).

Major Environmental Issues: Radioactive or toxic chemical sites associated with its former defence industries and test ranges are found throughout the country, most disastrous being Semipalatinsk Nuclear testing range in Eastern Kazakhstan (more than 500 nuclear tests between 1950 and 1990) and pose health risks for humans and animals; industrial pollution is severe in some cities; because the two main rivers which flowed into the Aral Sea have been diverted for irrigation, it is drying up and leaving behind a harmful layer of chemical pesticides and natural salts; these substances are then picked up by the wind and blown into noxious dust storms; pollution in the Caspian Sea; soil pollution from overuse of agricultural chemicals and salination from poor infrastructure and wasteful irrigation practices

Major International Environmental Agreements: A party to Conventions on Air Pollution, Biodiversity, Climate Change, Desertification, Endangered Species, Ozone Layer Protection, Ship Pollution. Signed, but not ratified: Climate Change.

POLITICAL CONTEXT AND DEMOCRATIZATION - BRIEF OVERVIEW

The current **Constitution** of the Republic of Kazakhstan approved through a national referendum **in August 1995** and ratified the following month replaces an earlier “soviet-style” constitution adopted in the wake of independence from the Soviet Union. **The Constitution provides for a democratic, secular state and a presidential system of rule.** State governance is divided among the executive, legislative and judicial branches. The President is considered the head of state. **In October 1998, the Constitution was amended to provide for a seven-year presidential term.** The **first presidential** election under the amended constitution was held in **January 1999** and resulted in the election of President Nazarbayev to the first seven-year term; the second took place in **December 2005** (see below).

Parliament is a bicameral legislative body that consists of the Senate (the upper house) and the Majilis (the lower house). The 39-member Senate is made up of two elected representatives from each of Kazakhstan’s 14 regions, cities of Astana (capital) and Almaty (former capital). Representatives serve terms of two, four or six years. The remaining seven members are appointed directly by the President from the choice of prominent public figures, academics, intellectuals etc. The Majilis (main legislative body) is a 77 directly elected member body (10 seats on party lists), the **deputies of which serve a term of five years.** Currently an **Ad Hoc working group** is considering possible amendments to the Constitution which, among other things, will **provide for the enhancement of the role of the Parliament, possibly including its enlargement.**

The Constitutional Council is charged with the responsibility of deciding when to hold presidential and parliamentary elections, and examining legislation for compliance with the Constitution.

Comprehensive democratization programme was formulated by President Nursultan Nazarbayev in his message to the Parliament in the fall of 1998 and is being gradually and persistently implemented.

On 1 March 2006 the President reinforced these objectives in his **2006 State-of-the-Nation Address** calling for **bold economic moves to bring the country into the group of 50 most competitive nations in the world** and for **enhanced political reform under the aegis of the newly established State Democracy Commission** comprising representatives from all segments of Kazakhstan’s society (for more see p 22).

On 28 February 2007 President Nursultan Nazarbayev delivered his **2007 annual State-of-the-Nation address, New Kazakhstan in a New World**, outlining the strategy for Kazakhstan's development over the next decade. The most important messages of the address were:

- Ensuring a major breakthrough in the quality of life of the people of Kazakhstan;
- Raising the quality of education and healthcare to world-class standards;
- Speeding up and diversifying economic development;
- Joining the World Trade Organization (WTO);
- Implementing concrete measures to further democratize society so as to strengthen the role of both Parliament and local representative assemblies. Reforms required amending the country's Constitution (see below).

There are **10 political parties** in Kazakhstan as compared to 13 a year ago. Four parties representing supporters of the current Government merged by the end of 2006, and as a result "Nur-Otan" - a new pro-presidential pro-reform party able to effectively represent interests of its numerous supporters - emerged on the political stage of Kazakhstan. Also in 2006 a leftist Nationwide Social Democratic Party was registered joining the ranks of several other opposition parties. The beginning of 2007 has seen a robust process of mergers and consolidation of political parties, including opposition ones, particularly, in the run-up to 18 August, 2007 parliamentary elections.

January 1999 – first ever alternative presidential elections with four alternative candidates for the Presidency, observed by OSCE.

December 1999 – first ever alternative parliamentary elections carried out on party basis with 8-9 candidates per seat and 9 parties taking part in elections, observed by OSCE.

September 2004 – **new parliamentary elections**, the clear sign that Kazakhstan is continuing on the path to democratic reform; millions of people - fifty six per cent of those eligible to vote - took part in multi-party elections to the Majilis (lower parliamentary house) which were held under the new, more advanced Election Law adopted in April, 2004.

December 2005 – **new presidential elections with 5 alternative candidates, 2 being major opposition leaders**. President Nursultan Nazarbayev has been re-elected for a new seven-year term in office after he contested with 4 other candidates and won the majority of the votes with about 80% electorate turn-out.

There are about **5000 NGO's** in Kazakhstan operating in such areas as politics and civic development, business, environment, education, health care, gender policy etc.

Above **80% of mass media** in Kazakhstan are private with more than **1700** independent newspapers and more than **100** independent TV, Radio and electronic media (for more see p 45).

Representatives of about **46 religious confessions** organized in about **3000** religious organizations enjoy religious freedom in Kazakhstan with Sunni Islam and Christian Orthodox being predominant in figures (for more see p. 48 and p.112).

People of more than **120 ethnic groups** live in peace and harmony in Kazakhstan with Kazakhs, Russians, Ukrainians, Byelorussians, Germans, Uzbeks, Uighurs and Koreans being predominant in figures. (for more see p. 47)

Further democratization is being encouraged in Kazakhstan: the new independent institution of Ombudsman on human rights set up in 2002 is further enhanced; State Commission on Democracy set up in 2006 provided a forum for dialogue on further democratisation (comprised authorities, MPs, leaders of all political parties, representatives of NGOs and media).

It has concluded its work in early 2007 and produced a series of major recommendations in such key areas as enhancing the role of the Parliament, political parties, civil society, local governance, media in the country. The recommendations call on a better use of the potential of the existing Constitution but do not rule out further amending and perfecting the Constitution to reflect the political growth of the country. An Ad Hoc Working Group of highly respected independent experts has been set up to

produce recommendations on amending the Constitution. It is however widely believed among Kazakhstan's political circles that the Presidential form of democracy suits the country best, particularly as it continues to go through a challenging transition process (for more see pp.27, 30)

FOREIGN POLICY

Minister of Foreign Affairs: Mr Marat Tazhin

- Kazakhstan established diplomatic relations with more than **120 countries** and is a member of **64 international organizations**;
- Over **1500 international and intergovernmental instruments** have been signed by Kazakhstan.
- **115 foreign diplomatic missions and offices of international organizations** are accredited in Kazakhstan (70 reside in Kazakhstan and 45 are accredited concurrently).
- Kazakhstan has more than **70 Embassies, diplomatic and consular stations** abroad.

Immediately after gaining independence, Kazakhstan has become an active participant in global processes and initiatives. The Republic has acceded to international conventions on a broad spectrum of issues, facilitating representatives of Kazakhstan to take part in multilateral forums that address world and regional concerns.

The key goals and principles of the foreign policy of Kazakhstan are:

- protection of its national interests;
- providing for the most favourable conditions for the development of economic and political reforms in the country and for the development of democratic institutions;
- development of equality in partnerships and co-operation with all the countries of the world;
- active participation in the processes of global and regional security building, cooperation and integration;
- development of strategic co-operation with leading countries for the purpose of protection and the development of global and regional stability and security;
- development of co-operation with international organizations.

Foreign policy achievements:

- Recognition of national sovereignty by the international community;
- Delimitation and international recognition of its borders;
- Implementation of a multi-vectored foreign policy;
- Promotion of international prestige of Kazakhstan in the world community;
- Implementation of integration-related projects;
- Formation of Kazakhstan's positive image on the international scene;
- Friendly and problem-free relations with all neighbours and other partner countries, particularly in Asia, Europe, America.
- Promotion of economic potential and investment attractiveness of Kazakhstan
- Protection of national political and economic interests abroad.

KAZAKHSTAN AND UN MILLENNIUM DEVELOPMENT GOALS

In September 2000 in New York, 147 heads of state and government convened at the UN World Summit to adopt the Millennium Declaration which identified a range of common issues that required determined collective actions of the international community in order to build a safer world for all in the 21st century - peace and security, development and poverty eradication, environmental protection, human rights and democracy, and the strengthening of the United Nations. **President Nursultan Nazarbayev has signed the Millennium Declaration on behalf of Kazakhstan.**

Poverty, hunger, HIV/AIDS and other major diseases, illiteracy, climate change, and the lack of clean drinking water are common challenges for all humanity. That is why world leaders identified a set of common inter-related tasks, known as Millennium Development Goals (MDG):

Goal 1: Eradicate extreme poverty and hunger

Goal 2: Achieve universal primary education

Goal 3: Promote gender equality and empower women

Goal 4: Reduce child mortality

Goal 5: Improve maternal health

Goal 6: Combat HIV/AIDS, malaria, and other diseases

Goal 7: Ensure environmental sustainability.

Goal 8: Develop Global Partnership for Development.

Kazakhstan has taken an active stance in implementing the Millennium Declaration. **Yuriko Shoji, UN Resident Coordinator in Kazakhstan has praised the country's efforts to this end** in the foreword to the 2005 MDG Report for Kazakhstan as follows:

*"The 2005 report is already the second MDG Report for Kazakhstan. **The initial report, jointly produced in 2002 by the Government of Kazakhstan and the UN system, became the first of its kind in Eastern Europe and the CIS, which demonstrated the country's openness to a frank assessment of national progress towards the MDGs and eagerness to work for their attainment.***

As you will see in the enclosed document and in the full version of the report, Kazakhstan has already achieved a number of MDGs and demonstrates impressive progress on others, such as poverty reduction, access to education, and promotion of women's rights. Some of the greater challenges lie in the areas of healthcare, quality of education, and environmental sustainability. These challenges, however, are not insurmountable obstacles, but issues that should and can be tackled and resolved together by the Government, civil society, and international organizations.

Kazakhstan has gone a long way since gaining independence. In little over a decade, it evolved from a fragile new country to a politically stable, internationally respected, and dynamically developing state. Having demonstrated remarkable economic growth in the past several years, Kazakhstan now possesses all the needed will and resources to more actively address the social dimension of progress and translate economic achievement into equitable human development, improving the well-being and expanding the opportunities of all citizens.

Young, dynamic, and endowed with rich mineral and human resources, Kazakhstan has a lot to look forward to, and the UN System will continue to provide assistance and strive together with the Government, civil society, academia, and international partners for Kazakhstan's progress towards the MDGs."

Since the MDGs are closely linked to the priorities and goals of Kazakhstan's development agenda set out in «Kazakhstan-2030», «Kazakhstan-2010», and State and Sectoral programs and policies, the 2005 MDG Report for Kazakhstan, available in Kazakh, Russian, and English, can be a useful resource on Kazakhstan's development situation. **There is also a shorter version of the publication - Overview of the Millennium Development Goals in Kazakhstan. Both documents are available at the web-site of the UN System in Kazakhstan at www.un.kz**

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 neighbours.
 - 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, or even international observers to monitor them. **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.
- That is why we are puzzled by some of the Western reactions to the elections that we have held in the last two years. Instead of nurturing the Kazakh electoral authorities and complimenting them on the progress that has been made in the conduct of elections, **despite its many imperfections**, Kazakhstan has been accused of failing to meet a ‘**gold standard**’ of democracy which few countries even in the West could achieve. The existence of large numbers of well-intentioned foreign observers to wave stern fingers does not always advance the democratic cause that we all share. There is an old French peasant saying: “Let not the excellent become the enemy of the good.” This is a wise saying and one from which we might all learn.
- 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 speech in February 2005, **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.**

KAZAKHSTAN COMMITS ITSELF TO THE FURTHER POLITICAL AND ECONOMIC REFORM

President Nursultan Nazarbayev's 2007 State-of-the-Nation Address

A New Kazakhstan in a New World: President Nazarbayev's Strategic Vision

Summary

Kazakhstan's President Nursultan Nazarbayev delivered his annual state of the nation address, *New Kazakhstan in a New World*, on 28 February 2007, outlining the strategy for Kazakhstan's development over the next decade.

The most important messages of the address were:

- Ensuring a major breakthrough in the quality of life of the people of Kazakhstan;
- Raising the quality of education and healthcare to world-class standards;
- Speeding up and diversifying economic development;
- Joining the World Trade Organization (WTO);
- Implementing concrete measures to further democratize society so as to strengthen the role of both Parliament and local representative assemblies. Reforms may require amending the country's Constitution.

Kazakhstan's **foreign policy priorities**, meanwhile, are to maintain good neighbourly relations with Russia and China, develop the strategic partnership with the United States and foster multifaceted cooperation with Europe.

"We are no longer a country of the Third World. This is the main result of our work for the past 10 years," the President declared in his speech listing Kazakhstan's economic and political achievements. These include the expected doubling of the country's gross domestic product by 2008 as compared to the year 2000. Accordingly, GDP per capita has grown considerably, reaching 5,000 dollars in 2006 with the forecast of 6,500 dollars in 2007.



"Today, having secured a solid foundation for our economy and statehood, we are confidently moving into a new phase. This will put Kazakhstan's continued development on a sustainable, modern and promising economic, social, political and administrative basis," the President said.

The economy's stable development has allowed the government to **allocate more resources to social reforms**. That is why the President instructed the Government to undertake a number of measures to improve social protection for motherhood and childhood, to increase pensions, and to raise wages in the state sector. Specifically, from 2008 one-off grants for the birth of a child will be doubled, working mothers will receive compulsory social insurance from employers during pregnancy, birth and motherhood, and other meaningful measures will be taken to improve the quality of life for the most vulnerable sections of the population. During 2008 the Government will spend an additional 108 billion tenge (US\$1 = 124 tenge) on such measures.

Elsewhere in the speech, the President outlined that 100 new schools and 100 new hospitals will be built during the next three years in regions across Kazakhstan where they are most needed. “We must make the development of social infrastructure our strategic task,” President Nazarbayev explained.

He said that consistent implementation of the **Kazakhstan 2030 Strategy**, which was approved in the midst of harsh economic reforms in 1997 and which set out the master plan for the country’s development for the next quarter-century, provided a sustainable basis for Kazakhstan’s modernization.

“For Kazakhstan to become an integral and dynamic part of world markets for goods, services, labour, capital, and modern ideas and technologies”, the President said, “we should achieve the following ten goals.”

The first goal is not just to ensure and maintain sustainable economic development, but **to manage this growth**. In this context, the Government will need to develop a new approach to Kazakhstan’s industrialization, limit the areas of natural monopolies, strengthen the financial system, create an efficient stock market, ensure Kazakhstan’s accession to the WTO on conditions beneficial for Kazakhstan, and implement international technical standards. “This is my main task for the Government,” President Nazarbayev stressed.

Among the other goals set out by the President were **turning Kazakhstan into a “regional locomotive” of economic development** and a successful player in the world economy; raising the effectiveness of the extractive industries; ensuring the development of non-raw materials sectors and the diversification of the economy; developing modern infrastructure in accordance with the country’s new role in regional and global economies; swift implementation of administrative reform according to best international practices; and promoting the achievements and opportunities of a new Kazakhstan in Central Asia and the world.

Another important goal set out by the President will be to aspire to **modern education and professional training, creating the foundations for a “smart economy,” using new technologies, ideas and approaches**. The most important criteria for success of ongoing educational reform will be the achievement of a level where “any citizen of Kazakhstan, having received the recognised qualifications, can become a specialist in any country of the world.” **Teaching all the people in Kazakhstan three languages** will become one of the most important priorities for Kazakhstan. “Kazakhstan should be viewed in the world as a highly educated country whose people use three languages. These will be **Kazakh** as the state language, **Russian** as the language of interethnic communication, and **English** as the language of successful integration into the global economy,” the President noted.

Modernizing the political system will be among the ten most important goals for the year ahead, and its achievement, said the President, will ensure political stability for the future. In 2007 Kazakhstan will start implementing further democratic reforms based on the proposals elaborated by the State Commission on Democratization which brought together the main political parties, public associations, experts and citizens.

The President noted, “It is important that these proposals do not simply copy foreign experience or abstract theories. They should take into account the needs of our society, and Kazakhstan’s realities. We should see our own model of political reforms evolving, thereby developing **the Kazakhstan Way of political transition**. One of the features of our way are the preservation of the presidential form of government, phased introduction of reforms, balance in decisions, and national dialogue among and between the main political forces.”

In order to provide a legal foundation for these proposals, **a group of legal experts has already started work preparing proposals for key amendments in both the Constitution and key laws**.

First of all, the powers of Parliament will be expanded, specifically, in the formation of the Constitutional Council, the development of the authority of the Central Election Commission, the Accounting Committee and in oversight of budgetary matters. Parliament will also play a larger role in forming the Government.

Second, measures will be taken to increase the role of the main political parties. It is proposed to expand the powers of party factions in the Parliament and to finance political parties from the national budget. Kazakhstan will also review the possibility of expanding the party lists in the elections for the Majilis, the lower house of Parliament.

Third, one of the major areas of reform will be in improving the judicial system. As of 2007, Kazakhstan is introducing jury trials. Also, a decision has been made to transfer the authority to issue arrest warrants to the courts. Kazakhstan will gradually move to legal proceedings that are both modern and transparent.

Fourth, local representative bodies will develop and maslikhats (local assemblies) will be strengthened.

“The overall objective of political transformation for us is to develop a democratic legitimacy which can most effectively manage society and state, while at the same time maintaining political stability and protecting the constitution and the freedoms of our citizens,” President Nazarbayev said.

Having accumulated an impressive level of economic and political capital, **Kazakhstan also intends to assume greater responsibility internationally.** It will continue to pursue a multi-vectored foreign policy and take part in fighting global threats.

The President stressed, “Kazakhstan has been and will be an active participant in a broad international cooperation aimed at nuclear containment, the fight against international terrorism, religious extremism, drug trafficking and other modern threats.”

Working with other countries to solve critical problems ranging from energy security to fighting epidemics and environmental catastrophes, Kazakhstan will continue to strengthen its role as a reliable participant in regional cooperation and in the international community as a whole.

“This is evidenced by our good neighbourly relations with Russia and China, which are important priorities, as well as in our interest and practical steps to develop the strategic partnership with the United States of America and our multifaceted cooperation with the countries of the European Union,” President Nazarbayev underscored.

Kazakhstan also intends to play an active role in ensuring regional stability, promoting economic integration in Central Asia and creating a dynamic market around the Caspian and Black seas. Such a policy course is already seen in Kazakhstan’s constructive initiatives to intensify cooperation in Central Asia, Asia in the general and the Middle East as well as to strengthen regional structures such as the Eurasian Economic Community, the Conference on Interaction and Confidence Building Measures in Asia and the Shanghai Cooperation Organization.

According to the President’s vision, Kazakhstan intends to negotiate with its regional neighbours a more favourable business climate in Central Asia which will allow Kazakh companies to freely invest in neighbouring countries and remove bureaucratic and protectionist barriers to imports and exports, as well as to the movement of capital and the workforce. Efforts will be centred on implementing projects in the countries of Central Asia with the participation of foreign financial institutions and Kazakh companies.

Finally, **Kazakhstan intends to strengthen its position as a centre of inter-cultural and inter-religious harmony to promote a dialog of civilizations.**

Kazakhstan’s policy of promoting tolerance and inter-religious harmony among ethnic and religious groups has been recognized internationally. “If there is a need, our country can serve as an international intermediary for finding mutually acceptable political solutions for conflict situations. Secondly, together with certain countries which are also interested in expanding and deepening such a dialogue, we could jointly come forward with major international initiatives aimed at improving understanding between East and West on key issues facing the modern world,” the President said.

The President concluded: “In order for us to present a new Kazakhstan in a new world in ten years, we must meet the challenges of modern times in an adequate and timely fashion.

History provided ample evidence of what happens when people demonstrate that, working together towards a common goal, they are capable of lifting themselves to a new level of development. Achieving our goals will mean that we must redouble our efforts, and in many cases we shall need to adopt new and unfamiliar approaches in all our government agencies and businesses, as well as in our scientific and expert communities.”

*For full text of the President’s address, please visit Embassy’s web-site:
www.kazakhembus.com*

President Nursultan Nazarbayev's 2006 State-of-the-Nation Address

Kazakhstan to join the world's 50 most competitive countries and to further enhance democracy and stability

Summary



In keeping with the recent tradition of setting the country's economic and political priorities early every year President Nursultan Nazarbayev addressed the nation on 1 March 2006 with "Kazakhstan's strategy of joining the world's 50 most competitive countries" and confirmed the country's commitment to further political and economic reform.

A comprehensive strategy intends to bring about a major breakthrough in Kazakhstan's development and will focus on the following key elements:

- **The continued development of a modern and competitive market economy which is not confined to the extractive industries and which is based on property rights, respect for contract and entrepreneurship;**
- **The creation of a 'social orientated community' with high quality social provision for each age group;**
- **The creation of a free, open and democratic society;**
- **The development of 'a law and order state' based on checks and balances;**
- **Respect and encouragement for 'the best traditions of Islam' and other religions in the context of a secular state;**
- **The preservation and development of the ancient traditions, language and tradition of the Kazakh people while also promoting ethnic and cultural harmony in Kazakhstan's multiethnic society;**
- **A policy of international engagement which embraces Kazakhstan's responsibilities as a member of the world community and promotes geo-political and regional stability.**

Important priorities in the economic part of the strategy include: a set of specifically targeted measures designed to enhance the country's **economic diversification and modernisation efforts**; the promotion of **non-oil and gas exports**; further progress – currently proceeding at "full speed" – in the negotiations to **join the World Trade Organisation (WTO)**; **the development of Astana** as a city of modern international standards and one of the largest centres of international interaction in Eurasia; and **the development of Almaty as a regional financial centre**, including steps to create conditions to make the city more attractive to investors in the finance, credit and insurance sectors.

In his Annual Address the President made a special emphasis on measures to **prevent acts intended to destabilise Kazakhstan's infant democracy.**

President Nursultan Nazarbayev said that as democratic institutions were created, priority must be given to protecting them. **Democratic reform could not succeed without stability** and the country's security chiefs would be dismissed unless they took strict measures to enforce the law and to protect the Constitution.

President Nazarbayev warned that because Kazakhstan lacked deep democratic traditions there was a danger that a liberal society might be confused with a permissive one – in which case the ambitious plans for the future would be destroyed and the progress achieved so far put back.

His warning follows the killing of Altynbek Sarsenbayev, a prominent politician, the leader of “Naghyz Ak Zhol” opposition party on 11 February, 2006.

The President, who made no direct reference to Sarsenbayev’s death in the Address, said that the result of the presidential election on 4 December, 2005 – in which the President won 91 per cent of the popular vote – reflected the voters’ fear of instability.

“We should recognise that the lack of deep traditions of democracy and the perception of freedom as permissiveness are quite capable of destabilising the country, destroying all our plans for the future and throwing us far back. This is the lesson we learned from the presidential race”.

“One of the reasons for our misconceptions is that the liberalism of the authorities is perceived simply as its weakness and inability to put a stop to some of the ‘pranks’ and ‘whims’ of wilful ambitious men. We should get rid of illusions and misconceptions.”

As democratic institutions were created strict measures were needed to protect them. The heads of Kazakhstan’s law enforcement agencies should consequently not worry about possible criticism but follow the rule that “If somebody violates the law they must bear responsibility under the law.”

“Otherwise, we will end up repeating the Soviet maxim, ‘A law is just noise.’”

“Those leaders of the law enforcement bodies who do not follow this rule, cannot remain in their positions. Otherwise we will not be able to build a lawful state and a democratic society.”

Highlighting the importance of further democratic and political reform the President said that the issue is being meticulously considered and widely debated in the society under the auspices of the recently and purposely established **State Democracy Commission** which comprises representatives of the government, legislature, political parties, NGO’s and media. Following on the broad plans for political reform announced by the President in February and September of last year (for more, see Embassy’s Special Issues of News Bulletins No1 of 22 February 2005 and No11 of 19 September 2005) **the State Democracy Commission sponsored public debate focuses on such issues as the 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, including elections of local governors etc.**

The State Democracy Commission will come up with **a comprehensive summary of the extensive public democracy debate by June 2006** and the above key elements of the broad political reform programme **will be put in place in two phases between 2006 and 2011.**

Addressing the Parliament in September last year President Nazarbayev acknowledged **challenges Kazakhstan would face as it moves toward greater democracy, and confirmed his strong commitment to walk this path to its end:** “Indeed, we do not have established democratic traditions, and we will move forward through trials and mistakes. This will not be an easy path. We know that. We must carry out these complex historical changes in the hope that we will bring the people of Kazakhstan even closer together for the sake of our common future.”

For full text of the President’s address, please visit Embassy’s web-site:

www.kazakhembus.com

FURTHER DEMOCRATIC REFORM IN KAZAKHSTAN IS UNDERWAY



The State Commission for the development and concretization of the democratic reforms program (for more see p. 22) was established in March 2006 under the chairmanship of President Nursultan Nazarbayev. It comprised deputy Speakers of both chambers of the Parliament, leaders of registered political parties and public associations, MPs, Government representatives and public figures.

This type of membership enabled the State Commission to serve as a leader of the national civil dialogue on the issue of reforming the country's political system and to work in practical ways to address the challenges that Kazakhstan's society faces.

A number of important initiatives made by the State Commission significantly enhanced the political process in Kazakhstan – one third of governors were elected in districts and regional centres instead of being appointed; a Conceptual Framework for the development of civil society in the Republic of Kazakhstan for 2006-2011 has been elaborated and approved; the State Commission has made a valuable contribution in drafting the Law on local self-government in the Republic of Kazakhstan.

One of the most important aspects of the State Commission's work was to prepare proposals, including Constitutional ones, on further political development of Kazakhstan taking into account diverse views and opinions of various social and political groups.

According to decisions made at the 6th concluding session of the Commission which was held on February 19, 2007, **future political reforms in Kazakhstan will focus on strengthening the authority of the Parliament and other representative bodies, promoting the system of local self-government, further improving judicial and law-enforcement systems, developing civil society and political parties, amending the Constitution in order to provide legal base for effective democratization.** The Commission supported the idea of allocating a portion of seats in the Parliament to members of the People's Assembly of Kazakhstan which directly represents more than 100 ethnic groups living in the country.

Summing up the work done by the State Commission it was decided to establish an Ad hoc working group chaired by President Nursultan Nazarbayev which will formulate amendments to the Constitution of the country. The working group includes officials, Members of the Parliament, scientists, lawyers, experts in Constitutional law.

On February 20, 2007 members of the Ad hoc working group gathered for their first organisational meeting. However, the focus of discussion swiftly shifted from merely organisational issues to vital aspects of further democratic reforms.

Presiding over the first meeting Mr Nursultan Nazarbayev has outlined basic principles which should guide the work of the Ad hoc group. The most important priorities include preservation of social and political stability in the society as well as capable and strong government institutions as a necessary precondition for enhancing the rule of law and democratic development in the country.

“Making amendments to the Constitution does not mean its complete revision. Our Constitution has proved its strength and effectiveness. Thanks to this Constitution we enjoy stability, constructive interaction between different branches of power, and a dynamic economic development in the country”, the President emphasized.

“Ad hoc group's task is to study and summarise suggestions made by the State Commission, consider and weigh their legal and other aspects and merits and to clearly formulate draft amendments to the country's Constitution. Your work is an important stage in developing clear, verified and internally agreed legal and juridical definitions. The quality of your work will largely determine the success of political transformations in Kazakhstan”, concluded N.Nazarbayev.

THE STATE COMMISSION ON DEMOCRATIC REFORMS*

The State Commission on the Development and Concretization of the Programme of Democratic Reforms is a Government body that is headed by our country's President. But this is just one facet of its status. From another perspective, in terms of the membership of the Commission and the interests of various political parties and public associations expressed therein, including those that are not represented in Parliament, the State Commission may be viewed as a sort of civil society institution, a mechanism for consensus and expressing the political will of society.

The Commission includes the deputy speakers of the houses of Parliament, leaders of registered political parties and public associations, parliamentary deputies, Government representatives and public figures.

This type of membership enabled the State Commission to serve as a leader of the national civil dialogue on the problem of reforming our country's political system and to work in practical ways to resolve the problems we face.

Among the CIS countries today Kazakhstan is pursuing the most effective model for making the transition to a market economy and democracy. The democratic path for development of the political system has taken hold in the country as a whole while domestic stability has been maintained.

Some people take an ambivalent view of Kazakhstan achievements in the arena of political reform. Those of us who lived through and bore the full brunt of the transition from the Soviet totalitarian political system to the system in place in Kazakhstan today attach a great deal of value to what has been achieved.

In some other countries, though, where these achievements are viewed from the lofty heights of democratic experience spanning several centuries, people are somewhat bewildered by it all, shall we say. Evidently, unrealistic expectations regarding the pace of political modernization and the apparent ease with which it can be achieved are to blame.

This suggests that the availability of resources required for the modernization of the political system, the readiness of society for such steps, the existence of underlying social support for reforms and many other factors are being ignored.

The idea seems to be that if there is a noble purpose and political will, everything else will simply fall into place. In our view, this sort of perception leads to extreme subjectivity and illusions regarding political modernization.

Unfortunately, in some parts of the world today one can see signs of a disregard for tedious considerations involving the resources needed for political modernization. As a result, attempts to make headlong and hasty changes in the existing order have led not to democracy but to the destabilization of society.

For this reason, in Kazakhstan we are trying to take a circumspect and cautious approach to political reform. We have revived Kazakhstan as a State in its own right and we are seeking through our actions to enhance the effectiveness of governance for the good of our citizens.

The idea of increasing Kazakhstan's competitiveness and enabling it to take its rightful place in the modern world as set forth by President Nursultan Nazarbayev does not just come down to achieving a qualitatively new economic status, but carries more substantive weight. The point is for all of Kazakhstan, including its political system, to rise to a qualitatively new level.

A lengthy national dialogue has resulted in the drafting of a medium-term **programme for the implementation of political reforms**. The principal goal of this programme is to establish a free, open and democratic political system in Kazakhstan, which should provide for:

* Statement by Mr. Oralbai Abdykarimov, Secretary of State of the Republic of Kazakhstan - Deputy Chairman of the State Commission at the special meeting of the OSCE Permanent Council, Vienna, 26 September 2006

1. Protection and guarantees of personal rights and freedoms;
2. The development of civil society;
3. The strengthening of the State and its authority as a guarantor of the country's political stability and further socio-economic development.

The reforms should be closely aligned not only with the democratic goals that have been set, but also with the unique nature of Kazakhstan's political system, which has its own history and intrinsic characteristics.

First, the advances in economic development and improvement in the standard of living are the most impressive achievement of the people of Kazakhstan and something in which they can take pride. This is particularly striking in comparison with the state of affairs in other Central Asian States. The general public would not accept changes in the political system that would weaken guarantees of the economic and social development of Kazakhstan's society. The public views the current political system of presidential governance, above all, as just such a guarantor, as the cornerstone of the political system. The paternalistic expectations among the people are still very strong.

Second, Kazakhstan's society is distinguished by internal political stability. At the same time, it is under the sway of a number of factors, including those that could be divisive. Among these factors are geopolitical pressures, regionalism, a multinational and diverse religious and ethnic makeup, the relationship among the country's elites and the mentality of the population. Therefore, political reforms should pursue the goal of eliminating potential "fault lines" within Kazakhstan's society. The democratic process should not lead to chaos and confusion or to the inability of the State mechanism to govern.

Third, one cannot dismiss certain cultural differences in Kazakhstan. The norms and institutions of democracy that have developed over the centuries in the Old and New Worlds inevitably come into some conflict with deep-seated ethnic and cultural traits of Muslim and Eastern society. When one ignores these, as we can see from the experience in Afghanistan and Iraq, for example, there is an increase in ethnic separatist tendencies.

Therefore, the steps that are being undertaken should be sensible, gradual and rational, and they should promote more effective governance in the interest of resolving the problems of society. There is no question that society needs to consider various points of view. But the priority here is to take into account the existing realities, rather than the ambitions of certain individuals or groups.

Parliamentary and presidential elections have been held in the country in recent years. The people of Kazakhstan expressed their unqualified support in these elections for the course of the reforms that are being pursued.

The overall strategy of the political reform programme is:

- To make the liberal and democratic reforms in the country systematic and irreversible by mobilizing the efforts of the Government and civil society institutions;
- To ensure that the majority of the population embraces and adopts democratic traditions with a view to establishing a society of a "consolidated democracy", and to strengthen the social base of the reforms;
- To achieve political reforms that represent a compromise among all the forces of society who have joined together to meet the challenges facing them.

The national programme of democratic reforms encompasses virtually all aspects of the country's political life, touching on issues of decentralization of Government, more widespread application of the principle of appointment by election through the introduction of elections for top local government posts, the granting of broader authorities to Parliament and local representative bodies, establishment of local self-government, further improvement of the judicial system, development of civil society institutions and combating corruption.

Two stages of development are foreseen over the medium-term.

The first stage covers the years 2006 to 2008. The overall structure of the political system in place today should be enhanced with additional democratic elements within the framework of the existing constitution. Together with further dynamic development of that document, this should promote greater stability and progressive development of the country's political system.

At the initiative of the State Commission, all of the political reform issues on which agreement has been reached by society and State bodies have been brought together in a single document. These proposals were discussed at the second session of the State Commission. On the basis of these proposals, the Government approved the Action Plan to Deepen Democratic Reforms for 2006. For the first time in our history the central Government established a systematic, practical foundation for legislative and legal regulatory work aimed at political reform.

In accordance with this plan, the State Commission approved the conceptual approaches to the development of local self-government in Kazakhstan. The draft law "On Local Self-Government", which provides a legal basis for implementation of the system, was presented to Parliament in June 2006.

The drafting of the State Programme to Support the Development of Local Self-Government in the Republic of Kazakhstan for 2007-2009 is also anticipated this year. Following the adoption by Parliament of the Law "On Local Self-Government" there are plans to hold elections to local self-government bodies. It is possible that this will be done initially on a trial basis, with elections in all jurisdictions to follow at a later date.

Elections offering a genuine choice will be held on 20 October of this year for the *akims* (top executive officials) of 30 per cent of the districts and towns under provincial jurisdiction.

There are plans to hold elections in 2007 for the *maslikhats*, which are our local representative bodies. The new members of these bodies will then elect the *akims* of all the other districts and towns under provincial jurisdiction. The State Commission is already preparing recommendations this year for expanding the role of local representative bodies. Measures are planned for reforming the procedure for the organization and operation of local representative bodies, enhancing the status of their deputies, as well as broadening the scope of authority of *maslikhats* in their relations with local executive bodies.

With a view to promoting election transparency through broader participation by political parties and other public associations in the formation of district and precinct election commissions, as well as limiting participation by executive government bodies in the election process, a draft law is being prepared that contains amendments to the Constitutional Law "On Elections in the Republic of Kazakhstan". Recommendations made by the OSCE are being taken into account in this process. There are plans to discuss this issue at the sixth session of the State Commission to be held at the end of the year.

The Conceptual Framework for the Development of Civil Society in Kazakhstan for 2006-2011 was approved on 22 July 2006 by a Decree of the President of the Republic of Kazakhstan.

With a view to broadening the authorities of party factions in Parliament in 2006-2007, there are plans to prepare a draft law containing amendments to the Constitutional Law "On the Parliament of the Republic of Kazakhstan and the Status of Deputies" and the Law "On Committees and Commissions of the Parliament of the Republic of Kazakhstan". State financing for the activities of parties represented in Parliament will be discussed at the same time.

Given the emergence of a new political culture, the Government is becoming a participant in a common competitive environment and is consciously limiting its own opportunities for wielding administrative influence. The political competition over shaping public opinion and setting the political agenda is intensifying. In light of this a Decree of the Head of State on the establishment of public television broadcasting is being drafted.

In 2006-2007 there are plans to adopt laws “On Social Work”, “On Charitable Activities”, “On the Ombudsman” and “On Amendments and Additions to the Republic of Kazakhstan Code ‘On Taxes and Other Compulsory Payments’”, among other things.

There are plans to complete the adoption of a series of draft laws on the redistribution of government authorities between central and local bodies in 2006.

Administrative reform will be carried out in 2006-2007 to create a qualitatively new model for the operation of the executive branch of Government. Public administration should function according to the principles of corporate governance, transparency and accountability to the public, taking into account the best international practices.

An effort has been launched to introduce an “electronic government” programme in Kazakhstan, which will make it possible to maintain an ongoing dialogue with an opportunity for real-time electronic feedback between the authorities and citizens.

The mechanisms for protecting human rights will undergo some serious changes. The goal of the reforms is to strengthen the adversarial principle in legal proceedings, as well as the transparency of the legal process, its independence from other branches of government and its subordination only to the law. Parliament is currently considering the draft constitutional law of the Republic of Kazakhstan “On Amendments and Additions to the Constitutional Law ‘On the Judicial System and the Status of Judges’”. On 28 August of this year the State Commission adopted additional recommendations for inclusion in this draft law. The introduction of court-sanctioned arrest is being considered. Jury trials will be introduced as of 1 January of next year.

It is anticipated that in order to carry out all of these tasks, in December of this year the State Commission will draft comprehensive proposals for democratic reforms for 2007-2008.

In addition to the reforms described above, there are plans during the first stage to initiate a national discussion regarding amendment of the Constitution, which is to be part of the second stage of the political reforms.

The second stage of the political reforms is scheduled for the years 2009-2011. The specific elements of this stage will be determined by the parliamentary elections that are to be held in 2009 and the presidential elections slated for 2011.

By and large, the amendments will deal with constitutional norms. We are planning to discuss this in conceptual terms during the fifth and sixth sessions of the State Commission, and for this reason I am able to speak about the proposed measures only in the most general terms at this point. These are just my own personal impressions of the prevailing mood.

Proposals are being made regarding a change in the procedure for the formation of the lower chamber of Parliament (the *Majilis*), and I believe that they will be met with support. Specifically, the idea has been proposed that 50 per cent of the deputies be elected on the basis of party lists.

In the Senate, the number of senators appointed by the President would be increased through the introduction of a special quota for the Assembly of Peoples of Kazakhstan, so that representatives of national minorities would have the opportunity to serve in this body.

The institution of parliamentary inquiry will be introduced to deal with crises arising from events that have broad public resonance.

There are plans to modify the procedure for the formation of the Accounting Committee for Monitoring National Budget Execution, the Central Election Commission and the Constitutional Council, as well as the procedure for the appointment of the chairman of the National Bank, presiding judges and other judges of provincial courts and courts with equivalent status and presiding judges of other judicial panels at this level.

There are plans to introduce the election of provincial *akims* by the respective provincial *maslikhats*.

In addition, a number of legislative norms may be introduced that expand upon current provisions of the Constitution and develop them in greater detail. The constitutional norms in need of further elaboration are those concerning:

- The procedure for the Parliament to follow in holding a no-confidence vote in the Government and in appealing to the President to dismiss a member of the Government;
- The drafting and discussion of legislative acts of the Republic;
- The expression by *maslikhats* of no confidence in *akims*.

These are the broad outlines of our political reform strategy. We are confident that the modernization of public administration and the implementation of political reforms will promote the consolidation of our society and greater authority and prestige for Kazakhstan in the international arena.

A positive decision regarding the Republic of Kazakhstan's Chairmanship of the OSCE in 2009 is of strategic importance for our country. Fulfilment of this initiative will promote the further democratization of society and will accelerate the process of political reform in Kazakhstan".

President Nursultan Nazarbayev initiates a major Constitutional reform

Kazakhstan gradually moves from a presidential to a presidential and parliamentary form of rule



In a wide-ranging speech on May 16 to the Joint Session of the Chambers of the Kazakh Parliament, President Nursultan Nazarbayev summarised the stages of development of Kazakhstan's statehood since Independence in 1991, and addressed the reforms and priorities for the years to come.

"We are not attempting to copy anybody", he stated at the beginning. "We just implement those things which are required by our country and our nation."

He reviewed the lessons learned by the political leadership of Kazakhstan since 1991 and reiterated the **basic philosophy which has underpinned the development of the country's fledgling democracy, namely "first economy and then politics"**

The President has set out the principles that govern the next stage of democratization and reform:

Firstly, the effectiveness, transparency and accountability of the executive branch, the fight against corruption, decentralization of the state administration, and development of local self-governance.

Secondly, within that context, the improvement of the voting legislation, an expansion of the powers of the Parliament, the evolution of the judicial system in compliance with the best international standards, with the independence of judges to be a cornerstone of that process.

The President outlined his view that there should be more active participation of the **political parties** in the political life of the country, and an increased involvement of **non-governmental organizations** in public life, underpinned by certain guarantee of citizens' rights and liberties.

President Nazarbayev, who himself chaired the meetings of the State Commission on democratization for two years, announced that the major outcome of the Commission's activity was practical proposals on the key directions of political modernization. "These proposals", he said "are the result of team work, taking into consideration the opinions of major social and political forces in the country."

He announced that the Working Group within the State Commission, had now prepared a **draft law "On the introduction of changes and addenda to the Constitution of the Republic of Kazakhstan"**, which the President formally submitted to the Joint Session of the Chambers of Parliament.

The draft law, he explained, contained amendments to the Constitution, whereby Kazakhstan will remain a presidential republic, but with a considerable widening of the power for the Parliament.

The following is a summary of the changes proposed by the President:

- **To reduce the period of the presidential incumbency from a 7-year to a 5-year term**, to come into effect after 2012;
- To change to the proportional electoral system of voting for the Majilis, lower Chamber, deputies (but not the senators), **whereby Majilis will be elected on political parties basis**;
- To increase the number of senators by increasing the presidential quota, from 7 to 15. Part of them will be assigned, following the respective consultations with the Assembly of the Peoples' of Kazakhstan;
- To give to the Senate the power of consultation on the appointment of a President of the National Bank, thereby underpinning that institution's independence in the sphere of monetary policy.
- **To increase the number of Majilis deputies to 107.** In this way, 98 deputies will be elected by proportional representation and 9 deputies will represent the Assembly of the Peoples' of Kazakhstan. This will take into account the interests of major ethnic groups and lead to further consolidation of the society. The total number of the parliamentary deputies will increase by 38 persons and will amount to 154;
- **To strengthen the powers of political parties** by depriving members of the Majilis of their mandate in the event that they are expelled from their party. Such provisions are not applied to the senators;
- To make the **Government accountable not only to the Head of State, but to the whole Parliament**;
- To enhance parliamentary powers associated with the efficient control of the Government activities;
- To give the Government a vote of no-confidence, it will be sufficient for the Majilis to have a simple majority of deputies' votes compared with the previously required two thirds of votes;
- To simplify the procedure of giving parliamentary vote of no-confidence to an individual minister;
- To change, in compliance with the recommendations of the State Commission on democratization, the procedure of forming the Constitutional Council and the Central Election Commission. It is suggested to form these bodies on a more democratic basis, with equal participation of both Parliamentary Chambers;
- To introduce a change whereby two thirds of the Constitutional Council, the Central Election Commission and Auditing Committee will be formed by the Parliament;
- To change the procedure of forming the Government, where the Prime Minister is to be appointed by the President, so that **the main role to approve the appointment of the Prime Minister, and consequently the entire Government, is delegated to the Majilis**;
- To introduce a change whereby henceforth the composition of the Government shall be formed according to the proposal of the Prime Minister. **The Prime Minister will represent the parliamentary majority party**;
- To abolish the constitutional prohibition of state funding of NGOs;
- To develop a practical procedure for the **partial funding of political parties from the state budget**;
- To reform local government structures, so that **Maslikhats will become the basis for local authorities, as representative bodies elected by local people for resolving local issues**;
- To grant Akims (Regional Governors) the right to carry out local legitimate governance along with carrying out state duties, with the term of office for Maslikhats fixed at five years;
- To create a system whereby the **Akims of regions, large cities and the capital will be appointed after their approval by the respective Maslikhats**;

- To simplify the procedure for Maslikhats' to express no confidence in an Akim. The vote of no confidence in the Akim should be confirmed not by two thirds of Maslikhat's deputies, as it is being done now, but by a simple majority;
- In the judicial system, to abolish the Qualification Chamber of Justice and to transfer its function of selecting candidates to the positions of judges to the Supreme Judicial Council;
- **To upgrade the status of the Assembly of the Peoples' of Kazakhstan from an advisory to a constitutional one**, which enhances representation and the role of different ethnic groups in social and political life;
- Finally, **to abolish the death penalty *de jure* in Kazakhstan.**

With respect to the way in which the Constitution may itself be changed, the President proposed to adopt an amendment to the referendum procedure so that in order to pass a decision, it will be required that the majority of the citizens, who voted, should represent not less than two thirds of regions, large cities and the capital.

The President concluded: "We have been approaching this moment of political changes consistently and gradually. All views and proposals, including the most radical, have been studied and worked on. We consulted with political parties, scientists, experts, with people representing diverse ethnic groups of Kazakhstan. All of them were discussed in mass media in detail."

"Taking into account the intensive preparatory work carried out during the recent years, in which the chairmen of Chambers' committees and deputies of Parliament were involved, and that the draft law submitted by the President contains up to 80% of the State Commission on democratization suggestions, I consider, that it would be possible to consider the draft law "On the introduction of changes and addenda to the Constitution of the Republic of Kazakhstan" during this week."

"I am sure that it is the right time to introduce changes to the Constitution of the Republic of Kazakhstan and to begin a new distinctive stage in the development of our Motherland. I count on the pro-active participation of Parliament in legislative support of the new stage of Kazakhstan's democratization."

*For full text of the President's address, please visit Embassy's web-site:
www.kazakhembus.com*

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 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. 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.**

MILESTONES OF HISTORY

Kazakhstan is located in the heart of Eurasia and on the intersection of ancient social, economic and cultural routes between many nations, ethnic groups and civilisations. During different periods in history many states with their unique cultures were established and developed on the present-day territory of Kazakhstan.

The Scythian nomad civilisation existed in the steppe regions of Central Asia during the first centuries of the first millennium B.C. Some artefacts of this civilization can still be found. The most impressive artefacts from this era are household goods and personal adornments made from bronze and gold in so called "animal style". The "Golden warrior-prince" tomb is well known for its beauty and elegance. It was found near a settlement called Issyk which is located very close to Almaty city.

During the following centuries the powerful tribe called Huns established themselves in the steppe region of present-day Kazakhstan. It had a great influence on the political development of this area at the time. An army of Huns led by their great warlord Attila the Hun brought down the Roman Empire.

Later on Turkic tribes became the successors of the Huns. They created some vast states named "kaganats" which means empire. These empires covered the territory from the Yellow Sea in the East to the Black Sea in the West. These nomad states had well-developed cultures for that era: there were several cities with advanced levels of commerce and trade. Step by step the cities and caravan-sarais were established at Central Asian oases. It was a part of the historical route known as "The Great Silk Road which connected Byzantium with China. Other caravan routes were important as well. Among them were the roads leading along the Syr-Dariya River that led to the Aral Sea and the Urals, the so-called "sable road" from Central Kazakhstan and Altai to southwest Siberia. Europe and the Middle East were supplied with very valuable furs by this route. Big cities and commercial centres were built along these trade routes, the most famous among them being Farab, Taraz, Kulan, Yassy (Turkestan), Sauran and Balasagun.



The Great Silk Road trade route played a major role in the development of commercial relationships and trade and in the exchange of progressive scientific and cultural ideas. The great eastern philosopher Al-Farabi lived on the territory of the present-day Kazakhstan from 870 to 959 and was known as the Second Teacher after Aristotle for his research into philosophy, astronomy, mathematics and the theory of music. Hodja Ahmed Yassawi was a well-known Moslem bard who lived in the 12th century; he wrote a famous poem called the book of wisdom. A new form of city architecture developed at that time became a major historical achievement. This new style was famous for its elegant proportions. At the same time a unique type of portable dwelling called "yurta" (nomad's tent) was invented by nomads. Yurta has a perfectly designed structure for the life style that these people led.

In 1221 nomadic tribes led by Genghis-khan occupied Central Asia. This invasion had a great influence on the development of the Kazakh nation.

Kazakhs had emerged as a distinct ethnic group about that time, forming a tribal confederation known as the Kazakh Khanate (or Orda) which comprised three tribal unions – Elder, Middle and Lesser Zhuzes each of which were led by Khans.

The merger of different nomadic tribes began in the second half of the 15th century. These tribes had different cultures and traditions but had a similar life style. The word "Kazakh" is translated from the Turkic language as "free, independent" and perfectly reflects the character of the nation in general with its aspiration for freedom at all times.

The Kazakh khanate appeared at the time when there was a political crisis caused by the downfall and collapse of the huge nomadic empire. This caused a lot of small states to be created

Mausoleum of Alasha-Khan (XVI century)



which were in constant conflicts between themselves for control of the territory and parts of the Great Silk Road trade route. Subsequent dynasties of Genghis-Khan and their rivals also played a certain role in the political instability of the region.

Since the end of the 16th century the main goal of Kazakh khanate has been to promote the integrity and inviolability of its territory.

Certain events that took place at the beginning of the 18th century show that there was a lack of resources for the defence and development of Kazakh independence. A very powerful and aggressive neighbour called Dzhungar Khanate was on the border of the Kazakh khanate. This fact made Kazakh Khans reconsider their diplomatic relations with Russia and to change them not only for good trade relations but also into an alliance for the military defence of the Kazakh khanate and Russia against Dzhungar aggression.

At the beginning of the 18th century the political situation along Kazakh borders and in the Kazakh khanate itself was very unstable. There was a possibility of the disintegration of the khanate. That is why khans of the Lesser and the Medium zhuz Abulhair and Sameke made a decision to accept being a protectorate of Russia as it was the only condition under which Russia would agree to grant military defence and protection.

This protectorate very shortly turned into the colonisation of Kazakhstan by Russian military forces. Abylai Khan made a successful attempt to resist this process of colonisation. He managed to do the impossible by gaining the independence of the Kazakh khanate under very unfavourable internal and external circumstances. He used the fact that China and Russia had a lot of disagreements at the time (the 18th century). Unfortunately the independence of the Kazakh khanate did not continue after his death.

Some Kazakh intellectuals founded the national liberation movement in 1917-1918. The "Alash" party and the "Alash-Orda" government were established at this time to defend the independence of Kazakhstan. They wanted to liberate the Kazakh people from colonization and to provide real independence for the people of Kazakhstan. The fate of the people participating in this national liberation movement turned out to be very tragic.

Despite many uprisings, Tsarist Russia retained control over the Kazakh tribes until the Bolshevik Revolution. Incorporated into the emerging Soviet state, Kazakhstan was made an autonomous republic" and in 1936 was promoted to the status of a full Soviet republic. With the collapse of the Soviet Union, Kazakhstan declared independence on 16 December 1991. Kazakhstan's recent history as a newly-independent state is best described as transitional as the country is fast developing from a command economy to a market economy and democracy.

**OFFICIAL VISIT OF THE PRESIDENT OF THE REPUBLIC OF
KAZAKHSTAN MR NURSULTAN NAZARBAYEV
TO THE UNITED STATES
27-29 September, 2006**

On 27-29 September, 2006 President Nursultan Nazarbayev paid an official visit to Washington, D.C. as the **guest of President George W.Bush** heading a powerful delegation comprising key Government ministers and business leaders.

He held **official meetings with President George W.Bush, Vice-President R.Cheney, US Commerce Secretary Carlos Gutierrez, Energy Secretary Samuel Bodman and Director of the Central Intelligence Agency Michael Hyden**. President George Bush hosted a lunch for President Nursultan Nazarbayev and a joint press-conference at the White House.

An official lunch hosted by Vice-President was attended by members of Administration. During **meeting with members of the Congress** the Co-Chairman of the US-Kazakhstan Inter-Parliamentary Friendship Group Robert Wexler has handed to President Nazarbayev a US flag that was raised over the Capitol in honour of the Kazakhstan leader's visit.

President of Kazakhstan met heads of **US biggest energy companies and world Jewish leaders** during his visit to the USA. On September 28 he **unveiled the Independence Monument** erected in front of Kazakhstan Embassy in Washington. At the meeting organized by the **Nuclear Threat Reduction Initiative fund** President Nursultan Nazarbayev delivered a major speech on a global problem of disarmament.

Bilateral **Transport Agreement, Agreements between JSC Temir Zholy and General Electric Company as well as on using Almaty as a transport center of FedEx Company in Central Asia and Memorandum of Understanding between Ministry of Agriculture of Kazakhstan and US Department of Agriculture** were signed during the visit. The **official Joint Statement** was released upon the completion of the visit (see below).

President Nursultan Nazarbayev also met with US media during the visit.

**JOINT STATEMENT BETWEEN THE UNITED STATES OF AMERICA
AND THE REPUBLIC OF KAZAKHSTAN
(SEPTEMBER 29, 2006)**

We express satisfaction with the progress the United States and Kazakhstan have made in **advancing our strategic partnership** and declare our commitment to a shared vision of stability, prosperity, and democratic reform in Central Asia and the broader region.

We affirm our commitment to advancing that vision through an increasingly dynamic and varied partnership that advances our global and regional objectives. We will deepen our cooperation in fighting international terrorism and the proliferation of weapons of mass destruction. We will strengthen our cooperation to enhance regional security and economic integration and the reconstruction of Afghanistan and Iraq. We will expand our joint activities to ensure the development of energy resources, while supporting economic diversification and reform, market principles, and the development of small- and medium-size enterprises. We recognize that peaceful democratization invests citizens in the future of their nation. Developing democratic institutions is therefore the crucial condition of long-term stability.

The United States and Kazakhstan reaffirm the importance of democratic development and are committed to accelerating Kazakhstan's efforts to strengthen representative institutions that further invest its citizens in the political process, such as an independent media, local self-

government, and elections deemed free and fair by international standards. We note that our two governments are signatories to international human rights covenants and our common membership in organizations whose goal is to support democracy and human rights, including the Organization for Security and Cooperation in Europe. The United States supports efforts to promote democracy, strengthen religious freedoms, and bolster civil society in Kazakhstan. With the full participation of all political parties and non-governmental organizations, the United States supports the activity of the State Commission to develop a program of democratic reforms. Kazakhstan supports the assistance of American and other international non-governmental organizations promoting these objectives and will take the necessary steps to facilitate their legal functioning.

The United States commends Kazakhstan's traditions of religious tolerance and its efforts to promote inter-ethnic harmony and cooperation. We welcome the initiatives Kazakhstan has taken internationally to promote mutual understanding and strengthen religious freedoms, such as the Congress of Leaders of World and Traditional Religions, as well as initiatives to promote peace, such as the Conference on Interaction and Confidence-Building Measures in Asia. These initiatives bring important contributions to inter-religious and interethnic tolerance, as well as international security and conflict resolution. We commit to deepening our cooperation to help ensure mutual understanding and security in the world.

The United States recognizes **Kazakhstan's leadership and commends its efforts in preventing the proliferation of weapons of mass destruction thus enhancing global security.** Kazakhstan was the first country to voluntarily renounce its nuclear weapons after the break up of the former Soviet Union and also closed its nuclear test site. This example reflects our shared commitment to threat reduction and nonproliferation remains a cornerstone of our joint effort to ensure global and regional security. We welcome new agreements to down blend highly enriched uranium in Kazakhstan and Kazakhstan's strong policy of strengthening the regime of nuclear nonproliferation as concrete steps in support of the recently launched *Global Initiative to Combat Nuclear Terrorism*.

The United States and Kazakhstan are steadfast partners in the international war on terrorism. The United States is grateful to Kazakhstan for its unwavering commitment to strengthening stability in Afghanistan and Iraq. We commit to further strengthening the excellent cooperation already achieved by our two countries, and confirm the determination to strengthen our close cooperation in the fight against international terrorism and illegal trafficking in drugs, persons and dangerous weapons.

We commit to further cooperation between our armed forces in counterterrorism and peacekeeping operations, both bilaterally and through NATO's Partnership for Peace Program.

We commend our energy partnership which has helped move Kazakhstan into the ranks of the world's leading reliable suppliers of hydrocarbon reserves. The United States welcomes Kazakhstan's recent accession to the Baku-Tbilisi-Ceyhan pipeline which has made a valuable contribution to this important multilateral project. Our energy partnership will promote the participation of U.S. companies in exploring the reserves of Kazakhstan, as well as in the development of nuclear energy. Our nations pledge to enhance common efforts to expand global energy supplies and will seek new means to deliver those resources to the international market.

We share a commitment to economic diversification across a range of industries and sectors. Recognizing Kazakhstan's macroeconomic reforms and impressive economic successes, the United States will continue to assist in Kazakhstan's transformation into a strong, economically developed country. Both sides view liberalization and diversification of the economy as a key to sustained growth. **The United States supports Kazakhstan's plan to join the world's fifty most competitive nations consistent with the strategy outlined by President Nursultan Nazarbayev.** Strengthening the rule of law, taking steps to improve Kazakhstan's investment climate, and reducing business risk will contribute to that shared goal. We pledge our support for efforts under the Extractive Industries Transparency Initiative (EITI) to ensure that

companies in the petroleum and mining industries observe international standards of transparency and accountability.

The United States supports Kazakhstan's membership in the World Trade Organization and welcomes Kazakhstan's efforts to prepare for membership, recognizing that a market access agreement will enhance free trade and contribute to the continuing modernization of Kazakhstan's economy. The United States will send a team of experts to Kazakhstan in the coming months to continue this joint work. Both sides pledge to facilitate Kazakhstan's graduation under the Jackson-Vanik Amendment.

In order to strengthen friendship between our peoples, **we intend to expand our cultural and humanitarian cooperation, including exchanges of students.** We also intend to strengthen scientific and technical cooperation between researchers and students at universities, research institutes, and in the private sector.

The United States supports Kazakhstan's leadership in regional integration efforts including its significant investment throughout Eurasia and in Afghanistan. We declare our common commitment to strengthen the independence, sovereignty and security of, and to develop democratic institutions in, the countries of the region, ensuring their sustainable development and prosperity. We pledge to support legal trade by improving border crossings and customs procedures, the implementation of transportation and infrastructure projects, and the use of cross-border resources.

Confirming our commitment to this shared view to implementing the agreements achieved today, we declare our intention to further strengthen our strategic partnership through **enhanced strategic dialogues on energy, military cooperation, trade and investment, and democratization.** We express firm confidence that an enhanced strategic partnership between our countries will promote security and prosperity and foster democracy in the 21st Century.

KAZAKHSTAN: FIRST FIFTEEN YEARS OF INDEPENDENT EXISTENCE

- Fifteen years have passed since Kazakhstan declared its independence on December 16, 1991. At the end of the XXth century Kazakhstan has got a chance to become an equal partner within the family of independent nations of the world. The 15-year period of independent development proved that the chance was not wasted at all; the evidences of that are the country's achievements in all areas of development of the state, society and economy.
- **Kazakhstan is pursuing a strategic policy aimed at ensuring a staged democratization of all the fields of social and political life.** In a short span of time a transfer from one-party dictatorship to a multi-party system and pluralism has been conducted. The indicators of the true democratization processes are the promotion of the citizens' rights and liberties, development of independent mass media, formation of the civil society's institutions.
- The results of the 15-year independent state development in the economic field are also remarkable. **Liberal economy with advanced market-based infrastructure** and one of the most progressive among the post-Soviet countries financial and economic system with stable national currency Tenge have been created. Kazakhstan has a favourable investment climate. It is experiencing the growth of domestic production and development of up-to-date information technologies.
- **The social sphere** has made transfer from the ideology of state paternalism to a well-thought people-oriented social policy. A national education model is being formed and developed. Acquisition of independent statehood gave a stimulus to development of cultural and historic heritage of all ethnic groups living in Kazakhstan. The society maintains political stability and **inter-ethnic** harmony. The Assembly of Peoples of Kazakhstan - a unique body in the post-Soviet area representing the interests of all the ethnic groups living in Kazakhstan was established to deal with the inter-ethnic policy issues.
- A doubtless achievement in the military and political field for the 15-year period of independence is the **formation of the Armed Forces**, reliable guarantor of the national security and territorial integrity of the state.
- In its **foreign policy Kazakhstan** has had significant achievements too. In a short span of time Kazakhstan Government have ensured the country's smooth integration into the world community. Meeting the aspirations of Kazakhstani people and contributing to global and regional security, President of Kazakhstan closed Semipalatinsk nuclear testing ground, obtained nuclear-free state status for Kazakhstan, as well as security guarantees from the nuclear states.

Kazakhstan has gained international prestige, recognition and respect for its commitment to further promote internal economic and democratic development and contribute to global and regional stability and cooperation.

KAZAKHSTAN – POLITICAL STRUCTURE

Reformation period of Kazakhstan's political system began immediately after becoming independent. Transition to democracy commenced under the difficult conditions:

- The country was experiencing social and economic crisis resulted in industrial recession, hyperinflation (up to 3000%), and drastic decline in living standards.
- The basis for market-based economy, one of the principal economic prerequisites for democratization, was non-existent.
- In the wake of the USSR collapse the former Soviet states have been experiencing aggravation of their foreign relations.

- There was no political pluralism, multi-party system, independent mass media, NGOs in the country.
- There were no historically evolved democratic traditions and democratic institutions.

This was the context in which the new political system has started to be developed in Kazakhstan. It went through three stages:

- During the first stage (1990 – 1993) the principal goal was to dismantle the previous political structure: the Soviet control system and the Communist Party's political monopoly. This stage saw the formation of the basics of the parliament-president political structure.
- During the second stage (1993 – 1995) a new model of Kazakhstan's political system has been selected. The model was to reflect the political, economic, social and cultural, psychological, geopolitical and ethnic specificities of the country. The changes in the political structure were initiated in the first Constitution in 1993. A principle of separation of powers was fixed therein: the executive and judicial bodies were defined for the first time as independent branches of the government. The first alternative elections to the Parliament were held; new local government bodies – maslikhats – were elected.
- The third stage (1995 – 1998) brought further the evolution of the political structure – the core of which was the adoption through 1995 Referendum of the new Constitution and the election of a professional bicameral Parliament.

The current development stage (since September 1998) is characterized by further intensification and promotion of democratic principles in the political system of the country. It began with promulgation in autumn 1998 of the President's message on Democratization Programme, amendments to the 1995 Constitution and other legislative acts expanding the Parliament's powers.

A major commitment to further political reform came **in 2005 in the wake of the country's steady economic success and robust growth**. In February 2005 State-of-the-Nation Address and September 2005 Address to the joint session of both Houses of the Kazakh Parliament the President has spelled out **a comprehensive programme of further political reform**.

The programme places a special focus on such issues as **the 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, including elections of local governors etc.**

These issues have been widely and meticulously debated in the society **under the auspices of the State Democracy Commission** purposely established in 2006 and composed of representatives of government, legislature, political parties, NGOs and media.

The State Democracy Commission came up with **a comprehensive summary of the extensive public democracy debate at the end of 2006** and the above key elements of the broad political reform programme **will be put in place in two phases between 2006 and 2011** (for more see p.22).

Addressing the Parliament in September 2005 President Nazarbayev acknowledged **challenges Kazakhstan would face as it moves toward greater democracy, and confirmed his strong commitment to walk this path to its end**: "Indeed, we do not have established democratic traditions, and we will move forward through trials and mistakes. This will not be an easy path. We know that. We must carry out these complex historical changes in the hope that we will bring the people of Kazakhstan even closer together for the sake of our common future."

The commitment to a persistent political reform was **reinforced by President Nursultan Nazarbayev on 28 February 2007 in his annual State-of-the-Nation Address**. He stressed that modernizing the political system will ensure political stability for the future (for more see p.15).

Further democratization is being encouraged in Kazakhstan: the new independent institution of Ombudsman on human rights set up in 2002 is further enhanced; State

Commission on Democracy set up in 2006 provided a forum for dialogue on further democratisation (comprised authorities, MPs, leaders of all political parties, representatives of NGOs and media).

It has concluded its work in early 2007 and produced a series of major recommendations in such key areas as enhancing the role of the Parliament, political parties, civil society, local governance, media in the country. An Ad Hoc Working Group of highly respected independent experts has been set up to produce recommendations on amending the Constitution.

On May 21, 2007 the President of the Republic of Kazakhstan signed a Law amending the Constitution. These changes are based on the proposals of the State Commission on Democratization and **enlarge the powers of the Parliament, raise the role of political parties, thus transforming Kazakhstan from presidential into presidential-parliamentary republic.**

Kazakhstan has entered a new stage of its socio-political development and modernisation. The Constitutional reform is of historic value and aims to ensure further progressive development towards giving more extensive and real content to the notion of democracy.

The main provisions of the constitutional reform can be summarised as follows.

Firstly, a more effective and balanced system of checks and balances is being formed, in the form of powers and responsibility between the branches of power alongside the strengthening of the Parliament role.

Secondly, a wider participation on the part of the society in the management process is guaranteed through the strengthening of the political parties' role.

Thirdly, new opportunities to form democratic institutions and the new democratic culture are created.

Fourthly, the independence and effectiveness of the judiciary is strengthened, the volume of guarantees to protect constitutional human rights and freedoms is widened.

According to the Decree of President of the Republic of Kazakhstan dated 20 June 2007 'On Dissolution of Mazhilis of the Parliament of the Republic of Kazakhstan of the Third Convocation and Appointment of Special Elections of Mazhilis Deputies' and Resolution of the Central Election Commission dated 21 June 2007, **early elections of Mazhilis deputies, elected on the basis of party lists and regular elections of maslikhats deputies of the Republic of Kazakhstan are to be held on 18 August 2007.** Special elections of Mazhilis deputies of the Republic of Kazakhstan elected by the Assembly of Nations of Kazakhstan are to be held on 20 August 2007.

Republic of Kazakhstan – as per its 1995 Constitution (amended in 1998 and 2007) is a democratic, secular, law-abiding and social state the supreme values of which are an individual, his life, rights and freedoms. Kazakhstan is the unitary state with the presidential form of power. The State power is uniform, and carried out on the basis of the Constitution and laws according to a principle of its division into legislative, executive and judicial branches and interaction between them with the use of the system of compromises and counter-balances.

Basic principles of the activity of Kazakhstan as a state are public consent and political stability, economic development for the sake of all people, Kazakhstani patriotism, resolution of the most important issues of the state and public life by democratic methods, including voting on a republican referendum or in Parliament.

Kazakhstan admits the ideological and political pluralism. The merger of public and state institutions, creation of the units of political parties in state structures is illegal, intervention of the state into the affairs of public associations, placing of functions of the state onto public associations, state financing of public associations is also not allowed.

President of the Republic of Kazakhstan is the Head of the state, its supreme official, who determines the basic guidelines of the internal and foreign policy of the state and represents Kazakhstan inside the country and in the international relations.

On January 10, 1999 on an alternative basis Nursultan Nazarbayev was elected the President of the Republic of Kazakhstan for the first seven-year term, having received 79,78% of voices of voters (4 candidates for the Presidency).

On December 4, 2005 Nursultan Nazarbayev was re-elected for the second term in the office having contested **with 4 other candidates (two being major opposition leaders) at the election with almost 80% electors turn-out.**

The Parliament of the Republic of Kazakhstan is the supreme representative body of the Republic which carries out supreme legislative functions. It consists of two Chambers - the Senate (47 seats – where 32 seats are taken by 2 members from each electoral region (14 regions, cities Astana and Almaty) and 15 members represent the President of the Republic of Kazakhstan) and Majilis (107 seats of which 98 are filled on the basis of party lists under the system of the proportional representation with the whole area of the Republic of Kazakhstan considered as a single national electoral district. 9 deputies of the Mazhilis are elected by the Assembly of Nations of Kazakhstan). The elections to the lower chamber (Majilis) are carried out by direct, secret and universal suffrage and in upper chamber (Senate) - indirect ballot. A legal term of the Senate is 6 years, Majilis - 5 years. Last parliamentary elections to the Majilis of 19 September, 2004, were held under the new Election Law which takes into account international and OSCE standards in elections. Last elections to the Senate were held 19 August, 2005.

The Government carries out executive authority of the Republic of Kazakhstan, heads the system of executive structures. The Chief executive of the Republic is the Prime-Minister who heads the Government of the Republic which is responsible before the President and is accountable to the Parliament.

With a view of maintenance of the strict observance of the Constitution of the Republic of Kazakhstan the **Constitutional Council** is created.

The Supreme Court - the supreme independent judicial body of the Republic on civil, criminal and economical cases.

Electoral system has been reformed. The new Election Law has been signed by President of Kazakhstan Nursultan Nazarbayev on 15 April, 2004, (was further amended and perfected in autumn of 2005). The reforms take into account international and OSCE standards in elections. The signing took place after prolonged and at times dramatic public debate with active participation of political parties and non-governmental organizations. Participants in the discussions included international groups such as the Organization for Security and Cooperation in Europe (OSCE) and the U.S.-based National Democratic Institute and International Republican Institute.

Under the new law, electoral commissions are being **elected** by maslikhats (local elected assemblies) based on proposals from all political parties. Representatives of candidates, political parties, NGOs as well as of foreign/international bodies and organizations are able to observe the entire process, from the beginning of campaign to the end of vote count. Among many other innovations are the introduction of transparent ballot boxes, and a provision for future introduction of electronic voting.

The law established a new framework for people to freely express their political opinions in the parliamentary elections in 2004 and the presidential one in 2005, and on into the future. Under the new Election law foreign representatives are given unimpeded access to all stages of the electoral process as observers.

On June 21st 2007 the renewed Constitutional Law “On elections in the Republic of Kazakhstan” entered into force, introducing reforms unprecedented in Kazakhstan and the entire region. A proportional representation system for election into Majlis is introduced. Concurrently, to foster further development of the societal consensus and to ensure ethnic groups

representation in the highest legislative body of the country and further consolidation of the multiethnic society, the Assembly of the People of Kazakhstan gained the status of the constitutional body together with the fixed quota of seats - 9 mandates in the lower chamber of the Parliament. The transition to the procedure by which the Government is formed by the parliamentary majority party has been completed. Depending on the outcome of the elections, partial state funding of political parties is introduced. From now on the maslikhats become the basis of local self-government, which maslikhats may be delegated state powers, according to the special law.

A number of ODIHR recommendations and suggestions have been implemented, from the ODIHR/OSCE Final reports on observing the Majlis elections in 2004, Presidential elections in 2005 and the Evaluation by the Constitutional Law Bureau of the Republic of Kazakhstan, "On the elections in the Republic of Kazakhstan".

Today it is widely acknowledged that our country has accomplished a lot on its way to a free and independent Kazakhstan. This has become possible due to the internal political stability, persistent economic and democratic reforms and the recognition and support of the world community. Kazakhstan has crossed the threshold of the third millennium being dedicated to the values and principles of democracy. The country has set up the basic social and economic conditions for further development of democratic processes.

PACE Chairman Peter Schieder said on 27 April, 2004, in Strasbourg at the signing ceremony of the agreement on cooperation between the Kazakh Parliament and PACE, that the signing of the agreement became possible as Kazakhstan moved further on along the path of democratisation and fulfilled a number of PACE democratic requirements. For instance, **it introduced a moratorium on capital punishment and set up the Office of Ombudsman** and PACE looks forward to working on joint projects with Kazakhstan, including those in parliamentary activities and is ready to render assistance to Kazakhstan in this sphere, in particular, in preparations for parliamentary elections.

US Secretary of State Condoleezza Rice spoke during her visit to Astana in October 2005: "Kazakhstan has a leading position in the region, a leading position in international security and economic development. Kazakhstan is an island of stability in the Central Asian region and a key partner in strengthening stability and security ... Kazakhstan has an unprecedented opportunity to lead Central Asia to a democratic future ..."

Former U.S. Secretary of State Henry Kissinger on October 15, 2005 in Astana: "Kazakhstan, a country located at the crossroads of great civilizations and a leading supplier of energy to world markets, is playing a very important role both in the region and in the entire world. The country is witnessing significant economic and political progress".

Vice-President of the United States Richard Cheney stated on May 5, 2006 during a press-conference in Astana: "I have previously expressed my admiration for what has transpired here in Kazakhstan over the past 15 years, both in terms of economic development as well as political development"

In the course of his visit to Astana on August 28, 2006 **Japanese Prime Minister Junichiro Koizumi** emphasized Kazakhstan's regional role: "Japan attaches major importance to relations with Kazakhstan which can become a driving force for Central Asia's development."

Speaking on September 29, 2006 at a White House press-conference after the meeting with visiting President of Kazakhstan Nursultan Nazarbayev **President of the United States George Bush** said: "I have watched very carefully the development of this important country from one that was in the Soviet sphere to one that now is a free nation. And I appreciate your leadership, Mr. President (Nursultan Nazarbayev). And I welcome you here to the White House".

Kazakhstan's proactive position with regard to international organizations is also gaining widespread recognition. Meeting the President of Kazakhstan Nursultan Nazarbayev on 4 December, 2006 in Brussels **NATO Secretary General Jaap de Hoop Scheffer** mentioned:

“Kazakhstan being the most active partner in the region, having an Individual Partnership Action Plan with NATO uses that to the full extent. Kazakhstan is a very important regional player, economically and politically”.

Delivering a speech for students in Astana on 17 October, 2006 **European Commissioner for External Relations and European Neighbourhood Policy Benita Ferrero-Waldner** said: “The European Union is now waking up to the importance of Kazakhstan and Central Asia as a whole. We are two regions with a great deal in common, whose interests are intertwined, and who should have much deeper and more developed relations... The European Union has realised there’s a serious strategic gap in our relations, and we are now beginning to make major efforts to address that gap”.

On July 25, 2007 **President of the United States George Bush** said: “I particularly welcome your government’s commitment to build a genuine and lasting democracy in Kazakhstan. The United States strongly supports Kazakhstan’s development as a just and democratic society in which human and political rights are fully respected, civil society vibrant and free, and the fruits of economic development are delivered to all. I hope that Kazakhstan’s constitutional reforms will establish open and representative political institutions, with the full participation of civil society, and governed by the rule of law”.

DEVELOPMENT OF A CIVIL SOCIETY IN KAZAKHSTAN

The ideas of a **civil society**, a **law-abiding** state and **free market economy** were taken as a basis of our country’s development. Basic principles of a civil society in Kazakhstan are the recognition of ideological and political **pluralism and** separation of state and public institutions. Citizen’s rights to **establish** political, public and professional organization are **legally** protected.

The development of **non-governmental organizations** is one of the most significant achievements. They carry out a role of intermediaries between the State and citizens, commit many functions of social transformations in the society, contribute a lot to **various areas** of social life: **human rights, democracy, election**, ecology, equal rights of women in the society, consumer rights, youth rights, lonely mothers and families with many children, orphans, invalids, victims of illegal reprisals, etc.

More than 5000 non-governmental organizations are functioning in the country today, solving social problems and promoting more active involvement of citizens in the society’s democratization processes. **About 50 thousand individuals** are permanently employed by NGO, **50 thousand** are temporary employed as experts and **more than 100 thousand individuals** act as volunteers.

At the first stage of the development, non-governmental organizations existed basically on foreign grants. During this time, more than 500 non-governmental organizations were established. These non-governmental organizations were aimed basically at civil rights protection. The 1998 Program of democratization of the country increased the role of non-governmental organizations as key element of democratization of Kazakhstan society.

Conditions of non-governmental sector development have changed cardinally today. The comprehension of the **important** role of this social institute by the society is progressing now. The quality of organizational and practical support by the state of non-governmental organizations acquires now a special meaning.

In 2001 **the Law of the Republic of Kazakhstan "On not-for-profit organizations"** was adopted and became a real step towards the recognition of the role and place of non-governmental organizations. Registration of the non-governmental organizations was greatly simplified.

The code of the Republic of Kazakhstan "On taxes and other obligatory payments in the budget" № 209-II, June 12, 2001 stipulates **significant tax advantages for the non-governmental organizations**.

The Concept of the State support of the non-governmental organizations was adopted in January 2002. It determines the purposes and priorities of the state support of the non-governmental organizations. Recognized leaders of non-governmental sector, as well as representatives of international organizations (UNDP, TESIS and Counterpart Consortium) took part in the development of the Concept.

The Resolution of the Government of Republic of Kazakhstan "On the Program of the state support of non-governmental organizations of Republic of Kazakhstan for 2003-2005 years", was adopted in 2003. The purpose of the Program of the state support to non-governmental organizations of the Republic of Kazakhstan is the creation of conditions for sustainable development of non-governmental organizations as **an indispensable** part of the civil society and strengthening of their role in **resolving** significant social problems of the society on the basis of interaction with the Government.

Development of the new Laws "On non-governmental organizations in the Republic of Kazakhstan" and "On the State social order" has begun. **Laws are aimed at** the formation of the new model of relations in realization of the social policy in the Republic of Kazakhstan, creation of steady and effective system of relations between the state and public sector, maintenance the legal basis of activity of non-governmental organizations and carrying out of the State social order by them on a competitive basis.

LEGAL, JUDICIAL REFORM, JURY TRIAL AND ALTERNATIVE DISPUTE RESOLUTION IN KAZAKHSTAN

Legal Framework

The legal system of Kazakhstan owes its origin to the Continental (Roman-German) legal family. The Constitution, respective normative legal acts, international treaties, as well as the normative resolutions of the Constitutional Council, and Supreme Court of Kazakhstan constitute the actual law in Kazakhstan. The international treaties ratified by Kazakhstan generally have priority over its laws and, such treaties can either apply directly/automatically, or, after the adoption of a law where the treaty itself provides that, for its application, a law must be adopted.

Each of the regulatory legal acts of a subordinated level must not contradict regulatory legal acts of the higher levels. All regulatory legal acts shall have direct/automatic effect, unless it is otherwise stipulated in the regulatory legal acts themselves, or in acts regulating their entering into force.

Judicial functions

Judicial functions are exercised only by courts of law. Judicial functions are exercised by application of civil, criminal and other forms of judicial proceedings as established by law. The courts of the Republic are as follows: the Supreme Court, and local courts of law of the Republic.

Recent legal and judicial reforms

Kazakhstan has successfully reformed its legal and judicial sectors and constantly continues the modernization process by introducing the best world practices. Such reforms as **the move of penitentiary system from the Ministry of Interior (Home Office) to the Ministry of Justice, introduction of a moratorium on death penalty with a view of future total abolition, introduction of jury trials for the most serious crimes** have all won international acclaim and praise.

**Relevant Extracts from Mr Nursultan Nazarbayev's 2005 State-of-the Nation Address
"Kazakhstan on the Road to Accelerated Economic, Social and Political Modernization"
(18th of February 2005)**

Reforms of the Judicial System and the Legal Defence of Citizens

We are on the threshold of full-scale reforms of the judicial system, corresponding to generally accepted standards in the democratic community. A commission has been created to prepare proposals on improvement of the legal system and on the effective practice of justice, which answers the needs of modern society. We still have work to do on the following tasks:

- To simplify legal proceedings, ensure their objectivity, and also the stability and timely disposition of legal acts;
- To strengthen the guarantees of the rights of citizens in the framework of legal proceedings and at the stage of executing judicial decisions;
- To ensure the independence of judicial officials, which will become a guarantee of due process within the limits of the law;
- To raise the qualification of judges, which will ensure that the judicial system of Kazakhstan be equal to the economic, investment, and trade challenges of the 21st Century;
- To secure a greater role for public defenders in the framework of criminal proceedings and adjudication;
- **It is imperative to introduce into the practice of criminal proceedings the institute of juries. Toward this end, in 2005 a law “On Jurors” should be passed. Changes and additions should be made in the Constitutional provision, “On the Judicial System and the Status of Judges”, and other legislative acts on the question of introducing juries should be adopted.**
- It is essential to provide for maximum openness and transparency of judicial proceedings.”

Justice Administration Reform

In 2004 Kazakhstan’s courts took up over 900 thousand lawsuits, whilst the number of complaints reduced by 3-4 times against 2001. Hundreds of litigation cases with infringed procedural terms recorded three years ago have declined to only 64 in 2005 – the reasons for delays were the need for fugitive retrieval, extradition or medico-legal expertise. Cancelled verdicts do not exceed 2% of all cases tried by courts.

Jury Trial Introduction

The main task of the judicial reform is to introduce jury trial for most grave cases. The corresponding draft law required joint efforts of Supreme Court, and other concerned structures including international organizations and NGOs. Within numerous workshops, international scientific research conferences and round tables the concept of jury introduction has been developed in Kazakhstan. Jury trial introduction is aimed at strengthening of democracy, fairness and humanity in the court system of Kazakhstan. Continental model of jury is considered to suit Kazakhstan’s legal system best - the jury trial will aim at joint decision of jurors and judges on the issues of culpability or innocence of defendants and penalty infliction. Such jury model will ensure greater community participation in justice dispensation and all public justice matters will be taken conjointly with magistrates. Thus Kazakhstan’s courts will retain their high professional quality. At the initial phase only cases imposing either death penalty or maximum imprisonment term will be handled by jury trial.

Judicial transparency and openness

Kazakhstan plans to introduce single judgment database as well as introduction of program for automatic cases distribution to exclude partiality. All legal judgments of court are placed and available on the Supreme Court’s internet site (www.supcourt.kz). Project implementation will ensure judicial transparency.

All courts act as public and open institutions whose decisions are to be available to anybody except for special statutory cases. Currently court presidents distribute suits among judges. Lately their bias activities roused much unfavourable criticism. The latter is fraught with corruption upsurge.

Judicial education and training

Judicial Academy was established with due regard to world experience for judges' professional education and training. A special magistracy for judges' training was also established.

Concurrently Kazakhstan introduced tight requirements to judicial candidates. According to Law "On court system and RK judges' status" all candidates are to pass 3-6 month internship in regional court and are to be appointed on competition basis. Justice qualification collegiums assigned for judges selection is comprised of judges, Parliament deputies, representatives of public prosecutor office, justice ministry, members of the Bar and scientific community.

Kairat Mami, Chairman of the Supreme Court of Kazakhstan said people's confidence in Kazakhstan's courts grew in 2004. "People began to seek protection of their legal rights and interests more [through the courts]," Mami credited strengthening of confidence on the fact that courts make fewer mistakes today and review cases in a timely fashion. According to the Supreme Court statistics, only about one tenth of all court decisions in civil suits are later appealed. At the same time, the share of reversed decisions decreased by half since 2000 and currently stands at 1.5 percent of all court rulings. "A similar trend can be observed regarding criminal cases," explained Mami. The share of reversed convictions decreased by half, and stands at 0.9 percent during the same time period.

The Supreme Court Chairman also stressed the Kazakh courts now "use incarceration more rarely" which is in line with the country's drive to humanize its criminal prosecution system. The proportion of those convicted sentenced to prison terms decreased from 51 percent in 2000 to 45 percent in 2004. At the same time, the number of acquittals doubled. "All of these facts point to the strengthening of our courts as institutions of real rights protection," Mami concluded.

Alternative Dispute Resolution (Arbitration)

Arbitration mechanisms exist in Kazakhstan. In December 2004 Kazakhstan has adopted Laws "On international commercial arbitration" and "On courts of arbitration" to provide alternative dispute resolution mechanisms.

ADR System Description

Arbitration courts consider controversies arising between organizations and citizens. In order for a case to appear before an arbitration court, the case requires the written approval of all parties involved. Any civil dispute that does not affect the public interest may be settled by an arbitration court. According to the International Arbitration Court of the Juridical Center "IUS," the most common cases brought for arbitration are property disputes, labor disputes, and family disputes. There are approximately 35 arbitration courts in Kazakhstan. However, there are only 5 that handle a substantial volume of cases and they are all located in Almaty and Astana.

In Kazakhstan, there are two kinds of arbitral courts - continuingly operating arbitrage and ad hoc arbitrage to consider individual disputes. Kazakhstan arbitration courts can proceed both on the standards of local procedural law, the standards of international procedural law (for example, the UNCITRAL Arbitration Rules), and the substantive law of any foreign state. The decisions of arbitration courts have equally binding force as the decisions of state courts.

Kazakhstan International Arbitrage

Kazakhstan International Arbitrage is the first arbitration court in the Republic of Kazakhstan which was established after adoption of the Law of the Republic of Kazakhstan “On Arbitral Tribunals” and Law of the Republic of Kazakhstan “On International Commercial Arbitration” on 28 December 2004.

Kazakhstan International Arbitrage (hereinafter – KIA) is permanent arbitration institution, which considers disputes under legislation of the Republic of Kazakhstan, and also under norms of legislation chosen by the parties of dispute.

Since realization of right to apply to arbitration court for dispute resolution depends solely on the will of the parties, KIA Rules of Arbitration, first of all, take into account interests of the parties in order to provide rapid and effective dispute resolution in accordance with common international standards.

Quality of arbitration proceedings depends not only on thoroughly elaborated procedural mechanisms, but also on qualification of Arbitrators. Therefore, KIA list of Arbitrators include leading Kazakhstan and international specialists in the sphere of law, which have high prestige among scientific groups and practicing lawyers. Professional qualities of the arbitrators and procedure will comply with highest requirements of the parties.

In recent years, such mechanism of alternative dispute resolution as mediation became prevalent worldwide. In mediation, the neutral mediator assists the parties in reaching a settlement but does not have the authority to make a binding decision or award. Mediation is administered by the KIA in accordance with its Rules of Mediation.

According to the Rules of Administering Arbitrations under UNCITRAL Arbitration Rules KIA has the right to assist parties, which have chosen ad hoc arbitration as instrument of dispute resolution, as competent body or by providing administrative services of secretarial and/or technical character.

Academician of National Academy of Sciences of Kazakhstan, Doctor of Laws, Professor Maidan Suleimenov is the Chairman of Kazakhstan International Arbitrage.

State's Regulation of ADR Agents

The International Arbitration Court of the Juridical Centre "IUS" is recognized for its implementation of ADR mechanisms, and its supervision of the enforcement of arbitration decisions.

MASS MEDIA DEVELOPMENT IN KAZAKHSTAN AND PROTECTION OF JOURNALIST RIGHTS

A capable information market has been developed in Kazakhstan by today. One can refer to appearance of a prevailing sector of non-governmental mass media, considerable diversity of information theme field, creation and activity of large media companies.

If by 1990 only 10 national newspapers and magazines were published and 21 TV and radio stations broadcast, in early 2007 number of registered mass media bodies had reached 7697, 2509 of them work on regular basis, including more than 1700 independent newspapers and magazines. There are 88 electronic media outlets in Kazakhstan. 2886 foreign newspapers and magazines as well as 218 television and radio programmes are distributed in Kazakhstan

Above 80% of media outlets in Kazakhstan are non-governmental ones. The media market is characterized by considerable theme diversity. Political newspapers and magazines (16.5% of all publications) as well as information (52%), advertising (11%), entertaining, religious, women's, youth's, children's (2% each), scientific and technical (9.2%) and many other special publications are issued.

The newspapers and magazines are published and TV and radio stations broadcast in 11 languages. Besides the main ones that are Kazakh and Russian they include Ukrainian, Polish,

English, German, Korean, Uigur, Turkish, Dungan, etc. **These ethnic minorities' mass media outlets are provided with government financial support.**

Internet, air-cable and cable TV are rapidly developing. Up-to-date technologies are widely used in the information market - national TV and radio stations broadcast via national satellite TV system, Kazakhstan TV and radio broadcasters widely use digital technology, the **international CaspioNet satellite channel (the operator is Eutelsat) was opened in 2002.**

Programs of the BBC, CNN, Deutsche Welle, Freedom Radio Station, Polish TV Polonia, Russian and other TV channels are widely telecast. Over 80 representatives of foreign mass media from 20 countries including the largest news agencies such as **the BBC, Associated Press, Interfax, France Press, Xinhua, Reuters, ITAR-TASS, Bridge news, etc. are accredited in Kazakhstan.**

This diversity of companies and languages promote rapid development of the Kazakhstan mass media and create a unique palette of the information field in Kazakhstan.

A liberal and democratic government information policy is a basis for these processes. The main mechanisms of the policy are:

- legal guaranties and practical insurance of the principles of freedom of speech, free receiving and spreading of information, censorship prohibition;

- continuing improvement of legal framework of mass media activity;

- annual placing of budget financed government order for implementation of the government information policy. A right to get this order is assigned through a contest among mass media bodies irrespective of their ownership. This measure allowed to create equal conditions for receiving government financial support by both government and non-government press consequently encouraging their creative activity and business initiative;

- transparent process of receiving frequencies for TV and radio broadcasting. The Commission on providing rights for radio frequency use comprises representatives of the Parliament, international and Kazakhstan public associations. Activity of the Commission is widely covered by the mass media;

- creation of economic conditions for mass media growth. **All the publications and TV stations are exempted from VAT.** Charges for use of radio frequency decrease almost every year;

- continuing and constructive cooperation with public associations, international organizations, media research institutes in the area of mass media development. Journalists rights associations such as the Journalists Congress of Kazakhstan, Journalists Union of Kazakhstan, Teleradiobroadcasters Association of Kazakhstan, offices of international organizations (the OSCE, Human Rights Watch, Internews network, Adil Soz, etc.) fruitfully work in Kazakhstan;

- close attention to journalists development. To this end every year the government provides grants and loans for education in this field, a TV Journalism School was established.

An important event in the area of mass media was creation of a Public Council on Mass Media (information policy). This entity comprises MPs, the Chairman of the Board of the Journalists Union of Kazakhstan, President of the Tele-radiobroadcasters Association of Kazakhstan, Editors-in-Chief and journalists of leading mass media bodies.

At the moment a new draft Law on Mass Media that is aimed at further improvement of journalist's rights protection and accordance of information law of Kazakhstan with international standards and practice has been submitted to the Parliament for its consideration.

INTERETHNIC CONSENT

The population of Kazakhstan is various by its ethnical compound. Representatives of 130 nationalities live here. The local ethnos – Kazakhs make the largest part of the population – 58.9%, while Russian – 25.9%, Ukrainians – 2.9%, Uzbeks – 2,8%, Uighur, Tatar and German - 1.5% each, and other groups 4,3%. There are more than 100 other ethnic groups living in peace in Kazakhstan.

Many nationalities have come to Kazakhstan not on their own will, but were driven here by political repression and persecution. **In the time of Stalin Kazakhstan hosted 1.5 million of political prisoners from Russia and other regions of USSR. And more than 1.3 million of people were deported by Stalin regime during World War II years** “as representatives of unreliable nations”. All these people found understanding and support of Kazakh people, found their second Motherland on the land of Kazakhstan.

The principle of equality of nations that inhabit our country is strictly **adhered by**. All conditions for a full national self-expression have been created as well as the rights for the fulfilment of their ethno cultural interests **are ensured**.

Legal guarantees and respectful treatment of all the languages used in the republic defend the integral right of citizens of any nationality to develop their language and culture. Figures witness the balance and harmony of the national policy: about 40% of secondary schools use Russian language in teaching. The higher education for 70% is available in Russian language. In **areas of residence of compact ethnic** groups schools function with Uigur, Tadzhik, Ukrainian, German, Polish and other languages of teaching.

The Sunday schools of national and cultural unions also receive support in the teaching of native languages. **Today** 23 languages of ethnic groups of Kazakhstan are taught in 170 Sunday schools and 3 schools of national revival.

Magazines and newspapers are published, TV and radio programs are broadcast in 11 national language in Kazakhstan. Books in the languages of ethnic minorities of Kazakhstan are published annually on the state order with a total number exceeding 80 000. Besides Kazakh and Russian theatres there are also Uigur, German and Korean ones.

Ethnic cultural centres have been established in all areas of Kazakhstan, **to support ethnic identity of different nationalities**. Their highest forum is the **Assembly of peoples of Kazakhstan**.

Today this powerful social force has become an organic part of the civil society and expresses its views in the chambers of the Parliament, political parties, mass-media, state and non-government organizations. The Assembly of peoples of Kazakhstan has become an important element of the political system of Kazakhstan. It has forged the interests of all the ethnos **and ensures the** rights and freedoms of all citizens regardless of their ethnic origin and religion.

27 republican and regional, more than 300 district ethnic cultural unions enter the Assembly of people of Kazakhstan. Three centres have an international status.

The Assembly deals with **16 Small Regional Assemblies of peoples of Kazakhstan** which act as **consultative** bodies by the regional administrations and comprise representatives of local ethnic-cultural and social unions.

Kazakhstan’s efforts to ensure inter-ethnic peace and accord are essential for internal stability and are widely recognized in the world. The Pope as well as UN General Secretary Koffi Annan who paid visits to our country **over the last five years cited Kazakhstan as the example of inter-ethnic consent and sustainable development of a multi-ethnic society**.

The interethnic policy is based on the principle of unity in variety. The civil peace and consent in Kazakhstan are the result of a persistent policy of the Government which enjoys the support of the whole society.

INTERCONFESSIONAL RELATIONS

There are 2993 religious unions representing more than 40 confessions in Kazakhstan. Of the total number of religious unions 1638 are Muslim, 237 – Orthodox Church, 949 – Protestants of different directions, 73-Catholic, 21-Jewish and 75-other, mainly untraditional. 262 foreign missionaries preach, 2225 cult buildings exist on the territory of Kazakhstan.

The main principles of interaction between the state and religion and mutual relations between different confessions are defined in the Constitution of the Republic of Kazakhstan according to which:

1. The State and its bodies do not have the right to control the attitude of its citizens towards religion and to consider its citizens on this criterion.
2. The State doesn't interfere with the activities of religious organizations (unless laws are violated)
3. The State provides no material or any other support, including financial aid, to religious organizations.
4. Religious organizations don't exercise any state functions
5. Religious organizations don't interfere with the matters of the State.

The State undertakes the duty to guard lawful activities of religious unions, it doesn't evade the legal regulation of their status and takes care of the legislative frames of their activities which provides a balance of relations between confessions and state power.

The State considers religious people as equal citizens of Kazakhstan endowed with all rights and views religious unions as an integral part of the social structure of the country. The State supports and encourages religious unions and believing people in the fulfilment of a socially useful activity seeking to attract religious unions to the solution of social problems, creation of a favourable spiritual and moral climate in the society as well to discussion of draft laws concerning the questions of religion.

In Kazakhstan the state power contributes to the development of interconfessional dialogue, to creation of the climate of mutual understanding and tolerance between the representatives of different religions. For this purpose the Government's Council on the relations with religious unions, the Ministry of culture, information and social accord help in arranging of round tables, seminars, conferences on the questions of the interconfessional dialogue and religious tolerance. Existing various connections between the state and religion allow the latter to influence the decisions of state institutions. Representatives of religion take part in the work of consultative bodies of the President (Assembly of people of Kazakhstan) and akims (small Assemblies).

It must be noted that these basic principles defining the **legal** bases of religious unions activity is the result of **efforts done in the last years.**

At the beginning of 90s the independent Kazakhstan inherited the legacy of the militant soviet atheism - the discrimination of religious groups that were outside the legislative field being subject to the regulating activity of the official power. Not a single word could be said of the freedom of consciousness and religious self-definition.

In post-soviet Kazakhstan the official approach to religious unions and faithful people has radically changed: for the first time not only their duties but also their rights were recognised and they became the subjects of social and legal interaction enjoying full rights. In 1992 the law of the RK "On the freedom of religion and religious unions" was adopted giving many opportunities to the people to satisfy their religious needs. This law was drafted according to international acts, principles and norms and established a liberal policy of the State in the field of religion.

The idea of spiritual accord and interconfessional cooperation was chosen as a basis of state policy in this sphere. **The importance of the dialogue between the confessions is stressed on the background of religious extremism and religious conflicts emerging throughout the world.**

It's notable that Kazakhstan is one of the first countries which managed to transform the idea of spiritual accord into reality. In spite of difficulties of the first years of independence it was our republic where in 1992 the I congress of spiritual accord was held. Since then the 18 October is celebrated as the Day of spiritual accord in Kazakhstan.

Kazakhstan attaches a great importance to the promotion of peace and development of interconfessional dialogue globally. In **September 2003** Kazakhstan has organised and hosted the first ever **Congress of Leaders of World and Traditional Religions** which gathered senior clerics from Islam, Christianity, Buddhism, Judaism, Hinduism, Taoism and other faiths. The Congress, held at the initiative of President Nursultan Nazarbayev in Kazakhstan's capital, drew wide-spread support from political leaders of both Western and Asian nations. **The US President George W. Bush** has sent his message to the participants of the Congress and backed the idea of this event. Group of senators and members of the US Congress have also supported the Congress and wrote a letter to President Nazarbayev.

Meetings of the Secretariat of the Congress are held at least once a year. The first such meeting was held in Turkestan, Southern Kazakhstan, in October 2004. The meeting of the Secretariat in Almaty in June 2005 gathered representatives of 19 religious associations from the UK, Iran, Egypt, Saudi Arabia, Indonesia, Pakistan, France, Russia, China, Mongolia, Israel and other countries. The meeting has adopted the Concept of the Second Congress and agreed its theme - "Religion, Society and International Security". The participants have also developed and adopted The Principles of the Interreligious Dialogue which state that "the interconfessional dialogue must be based on the honesty, tolerance, humility and mutual respect". The Secretariat has also drafted the Charter of the Congress for the consideration at the Second Interconfessional Congress in 2006. In April 2006 Kazakhstan hosted the Fourth Meeting of the Secretariat of the Congress which took place in Astana. Its participants from all over the world have approved the draft declaration, themes and agenda of the Second Congress. The main themes of the agenda are: the freedom of conscience and recognition of leaders of other religions, as well as the role of religious leaders in international security. **Special envoy of the National Council of Churches Rev. Dr. Shanta Premawaradhana** was taking part in the Secretariat meetings.

Taking note of Kazakhstan's interreligious initiative the UN General Assembly adopted the Resolution on Promotion of Interreligious Dialogue on 12 November 2004. This document stresses the commitment of all religions to peace and stability all over the world and appeals to the international community to promote in every way the development of the interreligious dialogue. By adopting this Resolution the community of nations has expressed support to Kazakhstan's effort to promote the culture of peace and the dialogue among civilisations.

On 12-13 **September 2006** Kazakhstan's capital Astana hosted **the Second Congress of Leaders of World and Traditional Religions** which gathered over 40 religious leaders, their representatives and envoys representing world and traditional religions as well as the representatives of international religious organisations. The religious leaders signed a solemn Declaration "together to tackle and ultimately eliminate prejudice, ignorance and misrepresentation of other religions" as a contribution in the global fight against terrorism. The Congress's participants confirmed their intention to reinforce the process of inter-religious dialogue and to meet again in Astana in three years' time in 2009.

Kazakhstan's efforts to ensure inter-religious harmony have been fully approved by international religious leaders, including Pope John Paul II, Patriarch of Moscow and Russia Aleksiy II, Dr. Mohammad Seid Tantawi, Sheikh and Great Imam of the Al Azhar Mosque in Egypt and Jonah Metsger, the Chief Rabbi of Israel.

Kazakhstan has been successful in avoiding potentially dangerous religious conflicts. One of the brightest examples is the peaceful coexistence of Muslims and Jews in our country.

More than 70 thousands Jews live today in the republic. Kazakhstan is the only Muslim country in the world where 10 synagogues were opened during the last three years.

Today religion plays a big role in Kazakhstan.

Appreciation of the values of religious tolerance, dialogue of confessions and cultures by the population of the country, the well-conceived state policy in the field of religion and the tradition of uniting representatives of different religions for the strengthening of society's stability lead to a conclusion: **spiritual accord in Kazakhstan is not an abstract idea but a reality.**

KAZAKHSTAN – ECONOMIC OVERVIEW

The next Asian Tiger

Kazakhstan is important to world energy markets because it has significant oil and natural gas reserves. Within the next decade Kazakhstan would become one of the world's largest oil producers and exporters. But Kazakhstan's strategic aspiration is to become a modern, diversified economy with a high value added and high-tech component, well integrated into the global economy. Energy sector is viewed as a good basis to achieve this goal

GENERAL BACKGROUND

The perspective of the Kazakhstan economy is closely connected with further integration into international economic relations, utilisation of unique reserves of energy and mineral resources, vast possibilities to export industrial and agricultural products, optimum employment of country's transit potential and also with availability of highly qualified specialists in different spheres.

During the Soviet period Kazakhstan was an agrarian, raw materials supplier of the former Soviet economy, where the military industry played the major role. **The main economic content of 15 years of independence has become transition from the central command planning to a market system. During these years, Kazakhstan has made considerable progress in implementing complex political, economic and social reforms to establish a democratic state with a market economy.**

While the country has not experienced political disturbances during the transition period, it has faced numerous economic, social and environmental challenges.

The first few years of Kazakhstan's independence were characterized by an economic decline (mostly due to the destabilizing force of disintegration of the Soviet Union): by 1995 real GDP dropped to 61,4% of its 1990 level. **This economic deterioration exceeded the losses experienced during the Great Depression of the 1930s.**

The wide-ranging **inflation observed in the early 1990s** peaked at annual rate of up to **3000%** in mid-nineties.

Since 1992, Kazakhstan has actively pursued a programme of economic reform designed to establish a free market economy through privatisation of state enterprises and deregulation and today is generally considered to be more advanced in this respect than most other countries of the CIS.

Kazakhstan remains one of the most successful reformers in the CIS, and it has the strongest banking system in Central Asia and CIS.

The main goals of current structural policy are diversification and the strengthening of the non-oil sector. A number of development agencies and research centres (Development Institutions) have been established and the Government is looking at establishing techno and science parks to support the diversification of higher-value added industries. But there are certain obstacles inherited from the past to quickly achieve this.

The EU and USA have recognized Kazakhstan (first in CIS) as a country with market economy in 2001 and 2002 respectively. In October 2002 international rating agency Moody's upgraded Kazakhstan by two notches to Baa3, thus Kazakhstan has become the first country in the CIS to reach investment grade status. Current ratings as of 5 April 2007: (LTFC/LTLC/Outlook): **Moody's** Baa2/Baa1/Positive; **Standard&Poor's** BBB/BBB+/Positive; **Fitch** BBB/BBB+/Positive. In January 2005 the Organization for Economic Cooperation and Development (OECD) has upgraded Kazakhstan's country export risks rating, moving it from the 5th to the 4th group of risks.

Kazakhstan possessing **sizable amounts of oil and gas, coal, uranium** is an important energy player in the world. However, having these abundant resources, the Government and the country's energy sector keep an attentive eye on **global energy trends**. **Optimal energy mix, energy use efficient, significant environment component of energy policy, research and development of renewables** are all on the country's energy policy agenda. **In 2006 Kazakhstan has produced its first wheat-based bioethanol** and this private sector programme will expand further.

Energy transportation and infrastructure are key elements of a viable energy policy. **EU and its Energy Commissioner** have identified last year their strong interest to cooperate with Kazakhstan in this area, particularly on trans-continental gas and oil transportation issues. **Kazakhstan** has made it clear that this fully meets its own vision for the development of **multiple energy transportation routes** from and through Kazakhstan.

Commercial viability, technical and environmental safety and financial soundness are the guiding principles for Kazakhstan's strategy in this crucial area.

The **main economic priority for Kazakhstan** is to avoid overdependence on its oil and gas and minerals sector, but to use these natural assets **to build a modern, diversified, highly-technological, flexible and competitive economy with a high value-added component**. This is the central goal of the **National Strategy until 2030** and of the recently adopted **State Industrialization and Innovation Programme until 2015**.

In 2006 Kazakhstan has additionally announced a major drive for **the strategy to enter the 50 most competitive nations** in the world in ten years time.

Diversification of the economy, introduction of **international technical, financial, business standards**, accession to the **WTO**, promotion of **corporate governance, greater transparency and accountability, education** and a concerted **administrative reform** have been identified as the key drivers to implement the strategy (for more, please see p.15 and p.19).

- In 2006 the Government has drastically increased the budget of a **state-run scholarship programme "Bolashak" ("Future")**. If to date only about 800 Kazakh students could enjoy the benefits of "Bolashak" scholarship since its inception in 1994, **starting from 2006 the Government fully funds 3000 Kazakh students annually to study in the world's best universities**. The 2006 intake of "Bolashak" students in the University College London (UCL) alone reached 50 young Kazakhstanis.
- Aiming to cut bureaucracy the Government is widely introducing the **"e-government"** in all major sectors. This measure coupled with other **result-oriented administrative reform steps** is viewed, among other things, as an important tool in **the fight against red-tape and corruption**.
- In order to further improve the country's competitive edge and regional role through **enforcing the principles of efficient corporate governance and management, greater transparency and accountability** as well by boosting its financial markets the Government has taken major steps in early 2006, namely it established the **"Samruk"** State holding company, **"Kazyna"** Fund for sustainable development and initiated the establishment of the **Regional Financial Centre in Almaty (RFCA)** (for more details, please see pp. 69, 73, 75 respectively).
- Over the last two years (2005-2007) **18 Kazakhstan companies have been listed at the London Stock Exchange** (7 – on the main market, and the rest on AIM). This has proved **de-facto Kazakhstan's leadership in the former Soviet Union in implementing Western instruments, managerial skills and business standards** in the country's economy.
- Starting from 2005 Kazakhstan has been practically implementing the UK's **Extractive Industries Transparency Initiative** with the aim to deliver a clear signal to international investors community and financial institutions that the Government of Kazakhstan commits itself to greater transparency to further improve investment climate, strengthen accountability

and good governance, as well as promote greater economic and political stability throughout the country which will be based on the principles of decentralization, industry specialization, free market competition and transparency.

- **Kazakhstan** has officially announced its aspiration **to become a trilingual nation** to help meeting its ambitious goals. These will be **Kazakh** as the state language, **Russian** as the language of interethnic communication, and **English** as the language of successful integration into the global economy and community.

Social and political stability, along with tremendous natural resources, make **Kazakhstan one of the most attractive destinations for capital investments** among the republics of the former Soviet Union.

KEY ECONOMIC INDICATORS

Key indicators	2006	2007	2008	2009	2010	2011
Real GDP growth (%)	10.6	9.0	8.3	9.8	10.1	9.5
Consumer price inflation (av; %)	8.6	8.1	8.0	7.3	6.9	6.8
Budget balance (% of GDP)	0.8	0.2	0.1	0.1	1.5	0.6
Current-account balance (% of GDP)	-2.3	-4.3	-3.4	-3.8	-2.0	-1.4
Short-term T-bill rate (year-end; %)	4.8	4.4	3.9	3.1	3.0	2.8
Exchange rate Tenge:US\$ (av)	126.09	122.35	117.38	113.40	109.00	104.59
Exchange rate Tenge:€(av)	158.33	162.63	158.76	146.86	138.43	131.78

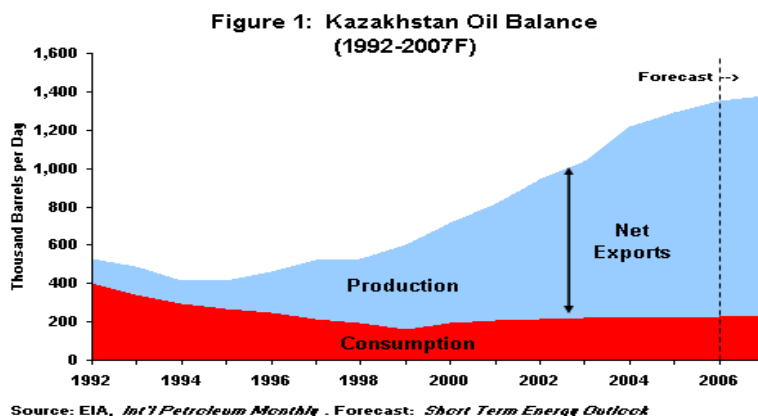
Source: The Economist Intelligence Unit

Economic Structure

Origins of gross domestic product 2006	% of total	Components of gross domestic product 2004	% of total
Agriculture	5.7	Private consumption	53.5
Industry	30.6	Public consumption	11.6
Construction	9.2	Gross fixed investment	25.1
Trade	12.5	Change in stocks	1.0
Transport & communications	11.5	Net exports	8.7
Principal exports fob 2006	% of total	Principal imports 2006	% of total
Mineral products	71.9	Machinery & equipment	45.2
Metals	16.1	Mineral products	14.3
Chemicals	4.2	Metals	13.3
Food products	2.8	Chemicals	10.8
Machinery & equipment	1.8	Food products	7.0
Main destinations of exports fob 2006	% of total	Main origins of imports cif 2006	% of total
Italy	18.0	Russia	38.3
Switzerland	17.6	China	8.1
Russia	9.8	Germany	7.6
China	9.4	US	4.7
France	8.8	Ukraine	4.2

Source: The Economist Intelligence Unit

OIL AND CASPIAN OFF-SHORE DEVELOPMENT STRATEGY AND PIPELINES POLICY



After Russia, Kazakhstan was the second largest oil-producing republic in the former Soviet Union at the time of its collapse, with production of about half a million barrels per day (bbl/d) in 1991. Kazakhstan has significant petroleum reserves. Proven oil reserves as of today are 30 bln barrels. Its possible hydrocarbon reserves, both onshore and offshore, dwarf its proven reserves,

with **estimated possible reserves—mostly in the Kazakh sector of the Caspian Sea—of between 60 billion and 100 billion barrels.** Some estimates say that the offshore Kashagan field alone may contain up to 50 billion barrels of oil. **Kazakhstan’s vast natural resources are projected to provide 2-3% of the worlds expected oil demand within the next decade.**

State-run Program of Development of the Kazakhstan’s Sector of the Caspian Sea (KSCS) (herein after referred to as the Program) was elaborated with due consideration of the Government Program for 2002-2004, Strategy of Energy Resources Exploitation, and Strategic Plan of Development of the Republic of Kazakhstan up to 2010.

The ultimate goals of the Program have been defined as contribution to sustainable economic growth and upgrade of life quality of the Kazakhstan’s citizens through rational and safe development of the Caspian hydrocarbons; and encouragement of related sectors’ development.

By 2002, most O&G fields under development had reached peak levels of annual production. Further growth of ashore production output was first of all linked to intensified development of such oilfields as Tengiz and Karachaganak. At the same time, research has shown that major gains in explored reserves and in hydrocarbons production are expected to take place in the Caspian aquatic area. According to world practice, starting from the point of exploration works in offshore, it normally takes 8-10 years to get to the commercial production stage.

“Kazakhstan is important to world energy markets because it has significant oil and natural gas reserves. With sufficient export options, Kazakhstan could become a major world energy producer and exporter over the next decade. “

Source: EIA

The Program provides forecast for up to 2015. The Program takes into account growing importance of off-shore O&G, and integrates principles of rational subsoil use and environmental safety requirements. The Program envisages turning of the KSCS into a major hydrocarbons production zone in Kazakhstan.

Apart from development of O&G in the KSCS, the Program provides for development of associated production, social and environment-protection facilities.

For the recent 30 years there have been certain trends formed that have the global GDP growing 3,3% per annum, with the demand for oil as the major energy source growing by 1% per annum.

Hydrocarbons consumption lagging behind from GDP growth is attributed to resource-saving programs implemented primarily in industrialized nations. At the same time, the share of developing countries in the global GDP and in hydrocarbons consumption has been steadily increasing. This adds to the problem of hydrocarbons supply sufficiency.

According to international experts, with the current trends maintained, the global explored oil resources will only suffice for the next 40-50 years. Inclusion of the KSCS (Kazakhstan's Sector of the Caspian Sea) resources into the global explored reserves has become a major component of global energy strategies. Kazakhstan is to be ready for flexible mix of strategies of systematic relocation of oil production to the Caspian aquatic area with speed-up of selected promising projects.

Proximity to such dynamically developing nations as Russia and China opens wide opportunities for Kazakhstan's hydrocarbons exports. To ensure entering into the markets of the two countries, it is vital to develop and enhance trunk pipelines system.

Legal status of the Caspian Sea

Emergence of independent states in the post-soviet territories entailed search for solutions to multiple problems arising upon gaining sovereignty by the once Soviet republics. One of the problems was territorial issues. Caspian littoral states faced the necessity to ensure fair and civilized delimitation of the Caspian Sea. If up to 1991 the Sea had belonged to only 2 states, now its waters wash the coastlines of 5 sovereign states – Russia, Iran, Azerbaijan, Kazakhstan and Turkmenistan.

As of today, the Kazakhstan's Sector of the Caspian Sea is regulated by the following agreements:

- July 6, 1998 Kazakhstan and Russia signed agreement on delimitation of the Caspian Seabed, with a Protocol to the Agreement being signed in Moscow May 13, 2002.
- November 29, 2001 Kazakhstan and Azerbaijan signed agreement on delimitation of the Caspian Seabed, with a Protocol to the Agreement being signed in Baku February 27, 2003.
- May 14, 2003 Kazakhstan, Azerbaijan and Russia signed agreement on the junction point of lines delimiting adjacent zones of the seabed and subsoil of the Caspian Sea, which finalized the process of legal registration of the national sea bottom sectors of the three states.

Speed-up of elaboration and adoption by all of the littoral states of the Frame Convention on the Legal Status of the Caspian Sea incorporating issues of the seabed delimitation is an important political move in putting in place legal ground for the Kazakhstan's sector exploration.

Investments

Up to recently, investments into development of the Caspian hydrocarbons potential were channeled within the frameworks of two projects – Northern Caspian Project and KazakhOil – JNOC Project. Northern Caspian Project is a logical continuation of the works started in 1993 by the International Consortium; it has been implemented on the basis of the PSA signed [on sea blocks] by Kazakhstan. As of December 31, 2002, investments within the Northern Kazakhstan Project reached USD 1 714,9 million.

Works on the KazakhOil – JNOC Project started in March 1999. Expenses totaled USD 50 million. According to the basic agreement signed by KazakhOil and JNOC there was geological exploration performed, including areas Terenezek – Prorva and Northern Slope of the Bozashin Arch located in hard-to-reach zones of the intermediate part of the Caspian Sea.

KSCS development calls for solutions to problems reflecting inter-industry nature of tasks of long-run extension of maritime O&G operations, dependence of many development parameters on the composition of hydrocarbons and on geologic and technical conditions at the oilfields.

Main targets in KSCS development:

- gains in explored hydrocarbons resources and bringing of production to a stable high level;
- development of multimodal system of hydrocarbons transportation;
- reprofiling and modernization of domestic machine-building enterprises;
- development of the maritime fleet and sea ports;

- build-up of the local engineering capabilities; training of domestic specialists;
- enforcement of health protection and environment protection measures;
- development of petrochemistry enterprises.

The order of the KSCS resources development will be based on uniform allocation of blocks to subsoil users in northern, central and southern parts of the sea. Blocks adjacent to protected natures sites, recreation zones, defence sector facilities and large population clusters can be an exception.

The Government shall be in charge of defining blocks to be offered for tenders, and of defining the order and conditions of setting them forth for tenders.

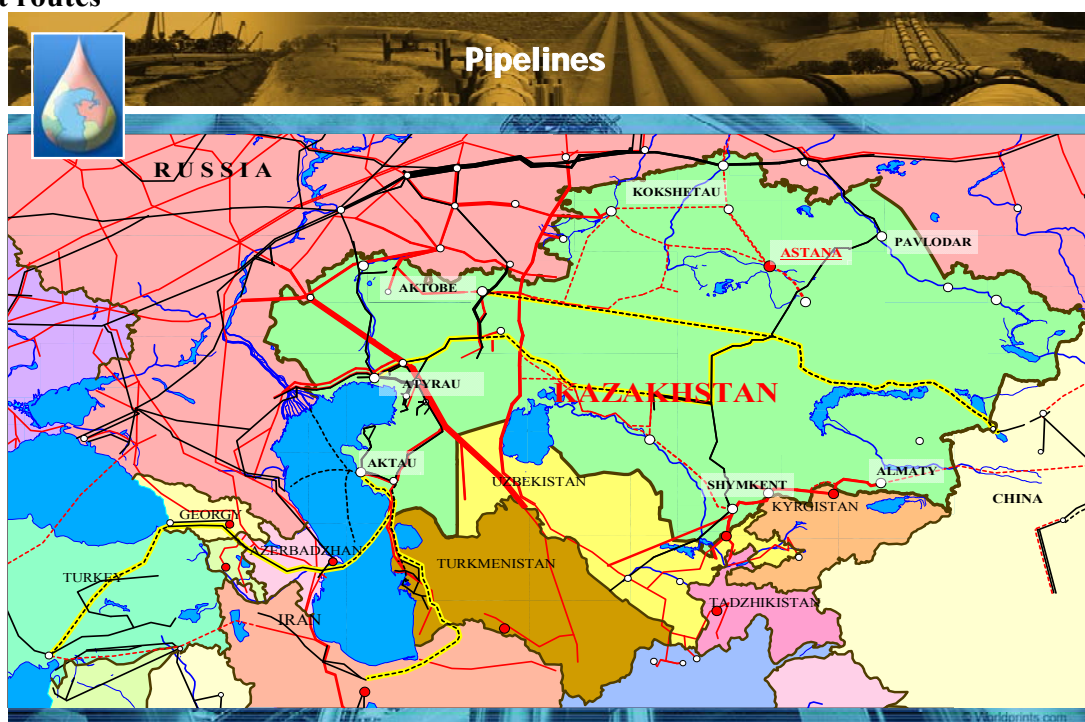
The order of setting of blocks forth for tenders is a package of procedures targeted to ensure staged and rational development of production potential; the package includes defining of blocks' territory, arrangement of tenders and negotiations with prospect investors.

At the present time, there are about 23 undistributed blocks, exploration of some of them is planned to be financed out of the state budget. To define the most suitable subsoil users for both exploration and development, the plan is to offer for tenders at least 3 blocks per annum. At the same time, there will be blocks offered for additional exploration. Thus, the initial stage will cover 7-8 years (up to 2010), in the course of which necessary amendments could be inserted in the schedule of development up to 2015 with a view of transportation and marketing issues. On-land production has been performing by 33 companies at over 100 oilfields located in 5oblasts. Major gains in production take place at Tengiz, Karachaganak, Uzen and some other oilfields.

Research showed that substantial gain in hydrocarbons production is expected to take place in the KSCS. Recoverable reserves of the KSCS stand at 8 billion tons. At the first stage – up to 2005– major works included drilling of exploratory wells in blocks of first priority. Forecast KSCS resources allow bringing production at the KSCS oilfields to 100 million tons per annum and maintaining the said level for 25-30 years. Ad-initium extractable resources at the Kashagan oilfield make up somewhat 1,7 billion tons. Annual production at Kashagan will make up: 0,5 million tons in 2005, 22 million tons in 2010, and 60 million tons in 2015. Production at other blocks of first priority is expected to start in 2009-2010.

According to preliminary estimates, the Program implementation will allow bringing production at maritime oilfields to 40 million tons in 2010, and 100 million tons by 2015.

Export routes



As KSCS oilfields get developed, the need for diversification of export routes keeps growing. Enhancement of export routes implies multimode transportation of hydrocarbons, with efficient combination of capabilities of pipe, railway and sea transport.

Below is the list of current and prospect routes for transportation of hydrocarbons from the KSCS oilfields:

- Main oil pipe Uzen – Atyrau – Samara. One of transit export routes for Kazakhstan’s oil via Russia. Given planned growth of oil production in Western Kazakhstan, there is a plan of staged build-up of the pipe’s carrying capacity.
- Baltic Pipelines System is a promising route to increase Kazakhstan’s oil supply to the market of East Europe and Baltic States.
- Caspian Pipeline Consortium (CPC). Given the attractiveness of the Mediterranean market for high-quality grades of Kazakhstan’s oil, CPC is a major export route. In this connection, carrying capacity of the pipe is planned to be expanded to 58 million tons by 2008, and to 67 million tons by 2011.
- Sea port of Aktau. Oil transfer capacities of the port and/or those of the Aktau port branches in the bays of Bautino and Kuryk is planned to be increased to 8 million tons per year.

The current transport systems will be sufficient for export of domestically produced oil up to 2009.

When in 2009 oil production in Kazakhstan hits the target of 92 million tons per year, including 21 million tons at KSCS, there will be a need for construction of the first new export pipeline. When production hits the mark of 140 million tons per year, including 54 million tons at the KSCS, there will be a need for construction of a second new export pipeline by 2012.

In this context, the following oil transportation routes are being considered:

- Aktau – Baku (Baku – Tbilisi Ceyhan (BTC) pipe).
- Project Western Kazakhstan – China. Access to the Chinese market and to Asia Pacific market for the Kazakhstan’s as a promising export route. There’s a master agreement between the Kazakhstan Ministry of Energy and Mineral Resources and the CNPC to construct a pipeline running from Western Kazakhstan to Western China.
- Project Kazakhstan – Turkmenistan – Iran. According to preliminary research, this route is economically viable to export Kazakhstan’s oil to the Gulf countries. The project stipulates that the oil pipe starts in Western Kazakhstan and runs via Western Turkmenistan to northern Iran.

Financial Strategy

In 2006-2010, investments into the KSCS development are expected to reach USD 0,3 billion, and another USD 15,6 billion in 2011-2015 (with the exchange rate being KZT 161 =USD 1).

The core of the financial component of the Program is full assumption of exploration-related risks by subsoil users and investors up to the approval of the first plan of development.

To ensure gains in O&G production, it is possible to attract additional financial resources from Kazakhstan’s sources through issues of debt by subsoil users. The securities can be then purchased by domestic accumulation pension funds, second-tier banks, and other financial institutions, as well as individuals.

Maximum possible attraction of internal investment capabilities for the Program implementation should be a priority component of the financial strategy.

The Program implementation allows bringing oil production in the KSCS to 100 million tons in 2015. Assumed gas production will make up 63 billion cubic meters in 2015.

Performance of oil operations in the KSCS calls for vast investments: the need for investments in 2006-2010 will reach KZT 1545 billion (\$10,3 billion).

Inflow of major part of oil revenues is expected upon completion of the first and second stage of development. At the third stage, the state budget is expected to enjoy substantial revenues coming from maritime operations.



STATUS REPORT ON KAZAKHSTAN'S

WTO ACCESSION PROCESS

*Ms Zhanar Aitzhanova,
Deputy Minister of Industry and Trade, Special Representative for
Kazakhstan to WTO Accession Negotiations*

www.wto.kz

1. Status of multilateral and bilateral negotiations

Kazakhstan submitted its official application for WTO membership in 1996. The Working Party on Kazakhstan's accession to the WTO consists of 39 WTO member-states with 27 European Union member states as one party.

Negotiations are taking place around four key issues:

- Multilateral negotiations on systemic issues, where Working Party members review the existing regulatory framework for Kazakhstan's economic and trade policies, and make recommendations on how to bring them into conformity with WTO agreements.

- Plurilateral negotiations on agriculture, where Working Party members review the types and volumes of state support to the agricultural sector, and negotiate on the specific amount of the so-called "amber box" measures, which are considered as "trade distorting" and impacting on the price of agricultural products.

The US, EU, Australian, Swiss and Canadian delegations are active participants in the above two forms of negotiations. Bilateral negotiations on market access for goods, as a result of which Kazakhstan will bind its import duty rates for both agricultural and non-agricultural goods imported from WTO member-states.

Bilateral negotiations on market access for services, as a result of which Kazakhstan will undertake specific commitments in terms of market access for foreign suppliers of services, such as financial, construction, telecommunication, legal and other types of services.

Kazakhstan has signed protocols concluding bilateral negotiations with 16 WTO member-states including Oman, Pakistan, Turkey, China, Georgia, Kyrgyzstan, South Korea, Cuba, Mexico, Japan, Norway, Honduras, the Dominican Republic, Bulgaria, Switzerland and Egypt.

2. Progress made in addressing systemic issues

Within the framework of multilateral negotiations on systemic issues, the following steps were undertaken.

a. In accordance with the new Law of the Republic of Kazakhstan "On Currency Regulation and Currency Control" of 13 June 2005, the currency regime has been significantly liberalized. Most notably, as of 1 January 2007, the licensing requirement for capital account transactions has been removed. It should be noted, however, that Kazakhstan has never applied any limitations with regard to capital inflow to the national economy.

As an alternative mechanism replacing the licensing requirement, as of 1 January 2007, Kazakhstan is applying registration and notification requirements for currency transactions with the sole purpose of maintaining accurate balance of payment, foreign investment, and foreign debt statistics. Hence, the registration and notification requirements will not be of a "permission requirement" nature.

b. In accordance with the WTO Agreement on Technical Barriers to Trade (TBT), the Technical Regulations Law of November 2005 introduced the mandatory nature of technical regulations and voluntary nature of standards, providing the legislative basis for developing an international system of technical regulations and standards. According to the Law, both technical regulations and standards are applied equally, regardless of the origin of a product or service. In December 2006 the Law adding amendments to the existing 33 laws on technical regulations in various sectors (fire safety, construction safety, and others) was signed by President Nazarbayev.

To date, four new laws on technical regulations in key areas have been developed and submitted to Parliament, including laws (i) On Food Safety, (ii) On the Safety of Machinery and Other Equipment, (iii) On the Safety of Chemical Products, and (iv) On Toy Safety. In accordance with Working Party recommendations made at the last informal consultations on Kazakhstan's SPS/TBT policy, changes are being made to the Technical Regulations Law. For example, the provision stating that increased product competitiveness is one of the main objectives of mandatory technical regulation will be removed. This task will be restated as one of the main objectives of voluntary standards.

c. In accordance with the WTO Agreement on Sanitary and Phytosanitary Measures (SPS), amendments were made to national legislation on veterinary, plant quarantine and sanitary-epidemiological measures. For example, Kazakhstan ensured that its veterinary measures were based on an assessment of risks to human and animal life or health, taking into account available scientific evidence. Where relevant scientific evidence was insufficient, Kazakhstan could provisionally adopt sanitary or phytosanitary measures on the basis of the available information, including from relevant international organizations.

d. It should be noted that Kazakhstan has brought its national legislation into compliance with the WTO Agreement on Trade-Related Intellectual Property Rights (TRIPS). In particular: Amendments have been made to the Criminal and Administrative Codes of the Republic of Kazakhstan to increase responsibility for violation of the intellectual property rights through stricter penalty sanctions.

In April 2004, Kazakhstan acceded to the World Intellectual Property Organization's (WIPO) Copyright Treaty and the Performances and Phonograms Treaty (so-called "internet treaties"). Amendments were made to several national laws in June 2004 to ensure retroactive protection of intellectual property rights (IPRs) in accordance with the Berne Convention for the Protection of Literary and Artistic Works. To prevent the import of counterfeit products to and from Kazakhstan and to enforce domestic trade regulation measures, the Government of Kazakhstan has adopted Rules on Trade of Audio, Audiovisual and Software Products and Data Bases.

In November 2005, amendments were made to 11 laws regulating intellectual property rights protection. In accordance with Article 61 of the TRIPS agreement, the amendments introduced into Kazakhstan's Criminal and Administrative Procedural Codes are called to increase responsibility for violation of intellectual property rights through strengthening the penalty sanctions. The Criminal Procedural Code was amended to ensure the ability to launch criminal proceedings for infringement of intellectual property rights without a formal complaint. Unlawful purchase, storage and transportation has been criminalized. In order to protect proprietary information, Kazakhstan has amended the relevant regulations for registering pharmaceuticals and agrochemical products. It should be noted that we fully recognize that having the proper legislation and IPR policy in place is only a first step and the challenge for Kazakhstan as for many other WTO member-states, is on the enforcement side. I want to assure you that the Government is making every effort to strengthen enforcement, and to raise public awareness of IPR issues.

e. In accordance with the General Agreement on Tariffs and Trade (GATT) provision of the WTO to gradually eliminate quantitative restrictions and other measures:

A quota on imported ethyl spirit and alcoholic beverages products was eliminated in June 2004; Export bans on aluminum and nickel waste and scrap was abolished in December 2004;

and As of March 2006, export prohibitions on mazut and diesel during the agriculture season in support of local farmers was discontinued.

f. In accordance with WTO Agreements on Rules of Origin and Customs Valuation, in June 2005, the Government introduced changes to the Customs Code ensuring that the country of origin may only designate a country, group of countries or a custom unions (not parts of a country).

To address concerns raised by some WP members in January 2007, the Customs Code of Kazakhstan was amended and signed by President Nazarbayev. This law will: Eliminate use of the double MFN rate of Duty applied to goods of unknown origin; Introduce an amendment to Article 42 of the Customs Code to ensure full compliance with Article 2 (h) and Annex II, paragraph 3 (d) of the WTO Agreement on Rules of Origin. This Amendment will also clearly stipulate that the preliminary decision will be applicable to both preferential and non-preferential trade; Introduce Interpretative Notes to the WTO Customs Valuation Agreement as integral part of the Article 307 of Kazakhstan's Customs Code.

g. In order to comply with WTO Agreements on safeguards, anti-dumping, subsidies, and countervailing measures, the necessary amendments to national legislation on trade remedy measures have been introduced. In particular, the definitions of "subsidy" and "domestic industry" have been modified, and the meaning of normal value in conducting anti-dumping investigations has been introduced. Investigation procedures have been brought into conformity with WTO norms to ensure transparency and mechanisms for consultations with the concerned parties.

h. Changes have been made to the Tax Code to align government policy to develop priority sectors of the economy with WTO norms. In addition, current excise tax regime for alcoholic beverages and tobacco products will be unified to conform to WTO non-discrimination and national regime principles.

The laws establishing special economic zones in Kazakhstan are being scrutinized by WTO member-states for compliance with WTO norms regarding subsidies to non-agricultural industries. It should be stressed that preferences in these zones will be available to both domestic and foreign investors.

i. Lastly, in accordance with a key WTO principle - transparency in developing and implementing economic and trade policies, Kazakhstan has adopted a new methodology for calculating fees for services applied to customs escort, import licensing and registration of legal entities. The new methodology will ensure that these fees reflect the real cost of services rendered.

3. Liberalization of Key Service Sectors

The gradual liberalization of key sectors of the economy is proceeding together with Kazakhstan's bilateral negotiations on access to the services market. For example: Amendments made to Kazakhstan's legislation of licensing and consolidated supervision of financial services envisage eliminating existing requirements that:

(i) the total paid-up capital of banks with foreign participation not exceed 50 percent of the aggregate paid-up capital of all banks in Kazakhstan;

(ii) the total paid-up capital of insurance companies with foreign participation, providing general and life insurance services shall not exceed 25 and 50 percent of the aggregate paid-up capital of general and life insurance companies respectively;

(iii) at least seventy percent of employees of a bank shall be residents of Kazakhstan; and at least one member of the Board of Directors of a bank with foreign participation shall be a resident of Kazakhstan.

The Program to develop the telecommunications sector provides for creation of a competitive framework for the telecommunications market. The exclusive license for a national operator was eliminated on January 1, 2006. The 49 percent foreign-capital restriction currently

in force for foreign companies supplying architectural, urban-planning, construction and engineering services will be eliminated by the time of Kazakhstan's accession to WTO. Juridical entities of Kazakhstan with 100% foreign ownership will be allowed to provide those services.

Steps taken by the Government to liberalize the energy and transport sectors have also contributed to Kazakhstan's negotiations on access to the services market.

4. Conclusion

The process of Kazakhstan's accession to WTO represents an set of comprehensive reforms aimed at building sustainable market economy policies and institutions in the country. One of the major challenges still being addressed by the Government within the framework of the multilateral negotiations with WTO member-states is how to balance effective implementation of Kazakhstan's key economic priorities, economic diversification and development of processing industries with the country's commitments arising from WTO accession. We are carefully reviewing the policies and mechanisms applied by WTO member-states to facilitate development of "infant" industries, which supply new types of services and produce high value-added goods, in a WTO-consistent way.

Enhancement of customs administration and support to agricultural development are also among our key priorities. We fully recognize that we need to pursue further liberalization reforms in a systematic stage-by-stage manner in order to promote national economic interests. However, we also need to ensure that Kazakhstan's economic and trade policy and regulatory changes are backed by strong institutional and human capacity.

EBRD KAZAKHSTAN'S STRATEGY OVERVIEW 2007-2008



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Over the last two years Kazakhstan has continued to make progress towards implementation of the principles envisaged in Article 1 of the Agreement Establishing the Bank. Economic transition was visible and widely acknowledged, but there are many challenges in the political field. Strong presidential power is not adequately balanced by legislature and judiciary. Corruption and lack of transparency remain a problem, as recognised by the authorities. There are restrictions on the independent media. The latest amendments of the media law represent a setback for media freedom in Kazakhstan. The 2004 parliamentary and the 2005 presidential elections fell short of a number of international standards for democratic elections, although reflecting an improvement over previous polls.

Strong economic growth

The economy remained robust during the strategy period, underpinned by sound macroeconomic policies. As a natural resource based economy, the medium and long-term macroeconomic challenge is to adopt an appropriate policy mix that will maintain the diversification of the economy and insulate itself from commodity price volatility. Recent tightening of regulations in the financial sector to restrain externally financed credit growth should relieve pressure on the foreign exchange and decelerate the growth in domestic demand. However, further strengthening of banking regulation is needed, as the sector is increasingly vulnerable to shocks. Fiscal policy should also move towards non-oil revenue deficit targeting.

The previous strategy highlighted the importance of a diversified economic structure which will be resilient to oil price fluctuations in line with the objectives of “Industrial-Innovation Development Strategy of the Republic of Kazakhstan for 2003-2015” and the challenge to develop a competitive private sector. In the strategy period, the authorities have demonstrated a great capacity for institutional innovation and adaptation, e.g. through the establishment of the two state holding companies Samruk and Kazyna. While acknowledging the potential of these initiatives to contribute to sustainable development, the difficulties and risks should also be recognised. Institutional experience is not easily transferred across countries and, once established, dysfunctional organisations are not easily phased out.

Investment climate

The overall investment climate for the private sector has improved in some areas, as evidenced by various surveys including the Business Environment and Enterprise Performance Survey (BEEPS) conducted jointly by EBRD and the World Bank (WB). The transparency of revenue flows from the oil and gas sector is expected to improve as Kazakhstan joined the Extractive Industries Transparency Initiative (EITI) in 2005. However, specific challenges identified in the previous strategy are largely unaddressed and should continue to be the focus of the authorities during the forthcoming strategy period in order to achieve the stated medium-term goal for the country to become one of the world's 50 most competitive economies (under the World Economic Forum's rankings).

Key challenges

Create fair and competitive environment for businesses. Ownership of private businesses is increasingly becoming concentrated, potentially stifling competition and entrepreneurship. The

authorities should focus on establishing an effective competition policy framework enhancing access for new competitors and protecting markets from restrictive business practices. Efforts must also be made to create an enabling environment for SMEs, in particular by reducing the regulatory burden. Addressing the issue of corruption is critical and essential in order to improve the investment climate.

Increase openness to foreign trade and investment in order to further strengthen competition and competitiveness of enterprises. WTO accession should be the priority to improve access of local companies to international markets and increase the attractiveness of the country for investments, especially in non-extractive industries. As a landlocked country, increased regional co-operation on trade and transport is also important to improve access to international markets.

Improve corporate governance of enterprises and banks in order to enhance access to long-term debt and equity capital. As credit conditions ease, banks and enterprises are increasingly gaining access to local and international capital markets, but access to strategic equity continues to be very limited due to lack of transparency and inadequate corporate governance standards. Recent overseas listings by some Kazakh private companies are expected to demonstrate the benefits of increased transparency and corporate governance standards, and similar rigorous disclosure standards should be adopted in the domestic market in order to mobilise savings accumulated in the local pension funds.

Attract private sector investment in infrastructure services and improve public sector tendering process. As the economy expands, bottlenecks in infrastructure are increasingly becoming evident. Authorities have opted in recent years to address this issue through channelling funding both directly from the budget and investments by state-owned infrastructure companies. However, whilst building on the strengthened capacity of the network infrastructure regulator the authorities should also consider attracting more private sector involvement in infrastructure. This should also help address regional disparities in the availability of basic infrastructure services.

Strategic orientations

Considering these challenges, the Bank's strategic orientation is to support the Government's priorities by addressing transition challenges in a context of high global and local market liquidity. In particular, the Bank would:

- Engage actively in further reforms by working with both private and public sector.
- Broaden the Bank's operations and increase its impact with a special focus on the corporate sector to support the diversification of the economy of Kazakhstan, and to promote competition.
- Increase its role in financing infrastructure, supporting transport and power sectors.
- Stay engaged in financial sector, enhance competition in the banking sector and develop non-bank financial services.
- Promote higher transparency standards and support foreign direct investment (FDI).

Operational objectives

The Bank's main operational objectives for 2007-2008 are the following:

- **Enterprise sector**
Support economic diversification and enhance competition by working directly with corporates across various sectors such as general industry, power, agribusiness, telecoms and property. Promote projects leading to higher energy efficiency and increase the capitalisation of enterprises through equity investments. Increase competition in the natural resources sector by working with smaller operators and on higher risk projects.

Dedicate resources in order to directly finance smaller projects and continue to provide micro and small financing and tailored capacity building using Kazakhstan Small Business Programme (KSBP) and leasing facility. Promote high standards of corporate governance, integrity and transparency of ownership, including through FDI to Kazakhstan. Selectively support regional cross-border expansion of reputable Kazakh companies to neighbouring markets.

- **Infrastructure**

Increase its support in transport, energy and telecommunication infrastructure development to satisfy the growing needs of the economy and promote respective sectoral reforms. The Bank will focus on non-sovereign projects. On selective basis, it will take leadership in developing and actively engage in appropriately structured public-private partnerships (PPPs) that involve competitive tender processes. Work with state holding company Samruk on finding synergies between different parts of infrastructure and improving corporate governance in respective of state owned enterprises. Support further regulatory and tariff development that promotes investments and fair access to infrastructure. Given Kazakhstan's remoteness from major markets and low population density, the Bank will continue to work closely with the private sector, government authorities and other IFIs on sustainable solutions for infrastructure, and promote regional co-operation.

- **Financial sector**

To promote strategic FDI to the financial sector, but also open up the capital base of local banks to reputable financial investors through initial public offerings (IPOs) or private placements. To continue to work actively with existing shareholders of the Kazakh banks to achieve better transparency of ownership and corporate governance. Facilitate competition in the financial sector by providing debt and equity, particularly to medium size banks and non-bank microfinance institutions (NBMFIs), supporting additional micro, small and medium-sized enterprises (MSMEs). On debt products, in view of the developed access to capital markets, the Bank will be particularly attentive in developing those projects with specific attributes which meet additionality concerns and contribute to transition. A special emphasis will be on the provision of financial resources outside the capital cities and in the rural areas, as well as improving the efficient delivery of financing to the micro and small sectors. The Bank will support development of financial services such as leasing, mortgages, insurance and pensions, and facilitate the securitisation of assets by Kazakh financial institutions. The Bank will assist the Government in privatising the few remaining state-owned financial institutions concerned with pensions and mortgages.

- **Policy dialogue**

Support the Government in their efforts to improve the investment climate and drive long-term economic diversification, leading to improved global competitiveness. Co-operate with newly created state holding companies Samruk and Kazyna to achieve corporate governance and operational improvements of state-owned enterprises. Promote adequate behaviour and transparent practices and fight corruption to improve the business environment. Promote adoption of the anti-money laundering (AML) legislation, especially in light of the government initiative to create the Regional Financial Centre in Almaty (RFCA).

AVOIDING “THE OIL CURSE” - THE STRATEGY OF KAZAKHSTAN ON NEW INDUSTRIAL DEVELOPMENT AND INNOVATIONS AND TO JOIN THE WORLD’S 50 MOST COMPETITIVE NATIONS FOR THE YEARS 2003-2015

New development institutions of 2003 and the National Oil Fund of Kazakhstan

From the very outset the Government of independent Kazakhstan have sought **to lay the foundations of a market economy, civil society and democracy** – simultaneously through pursuing economic growth and rising living standards whilst maintaining stability. It clearly understood that without all three there was little realistic expectation that newly won freedom could be preserved.

Of course, it had to rely on rich energy resources and spared no effort to ensure speedy development of this sector of the economy. **But there was an early understanding that the oil could become a curse unless proper policies are developed, that oil is an opportunity, not a guarantee of economic success.**

At the beginning of 2003 the Government of Kazakhstan has adopted **The Innovative Industrial Development Strategy for the years 2003-2015** (New Industrial Development Strategy). The Strategy came at the time when basic economic reforms have been completed successfully replacing the old system of economic relations with market economy. In the first decade of its independence Kazakhstan was successful in fostering market-based institutions, the country’s energy industry saw a rapid growth and the banking sector has taken the leading positions within the CIS countries. In the last seven years Kazakhstan’s GDP grew by more than 75% and it is the leader within the CIS on inbound foreign direct investments per capita. To date Kazakhstan has attracted about **60 bln. USD of FDIs** whereas **internal investments reached the mark of 80 bln. USD**. It has been recognised by the leading industrial nations (US and EU) as a country with market economy.

However, being aware of the economy’s heavy reliance on the energy and minerals sectors the Kazakh Government adopted an **ambitious three-stage New Industrial Development Strategy to ensure sustainable development of the domestic economy through its genuine diversification, creation of new competitive industries, modernisation and expansion of the existing infrastructure with the ultimate goal of moving from an extraction-based industry to a service and technology based economy.**

On top of the successfully operating **National Oil Fund** (see next section on p. 64) and **Development Bank of Kazakhstan** (first ever institution of the sort in the FSU) established back in 2000 and 2001 respectively **new development institutions have been established in 2003 within the Strategy**, all deriving millions of dollars from oil revenues (*this is apart from US\$ 1.5 bln. set aside by the Government in the state budget from oil revenues for 2003-2005 to implement two more programmes – for further agricultural reform and for rural development*). These new institutions are - **the Investment Fund, Innovation Fund, Export Credit Corporation, Centre for Engineering and Transfer of Technologies and Centre for Market Research and Analysis.**

In general, the development institutions should form a unified system, the sustainable functioning of which will be based on the principles of decentralization, specialisation, competition and transparency.

Following is the brief overview of these institutions.

NATIONAL OIL FUND OF KAZAKHSTAN (www.nationalfund.kz)

The National Oil Fund of Kazakhstan is managed by the Ministry of Finance of the Republic of Kazakhstan (www.minfin.kz)

Perspectives on the Kazakh Oil Fund: Lessons from the Norway Oil Fund

Important producers

- Norway is one of the largest oil and gas exporters in the world
- Kazakhstan's production is growing fast

Oil Funds

- **Kazakhstan**

(Est. 2000, Net Worth by 2007—\$15,9 bln, 17% of GDP)

Goals:

1. Ensure stable social and economic development of the country
2. Accumulate financial resources for future generations
3. Reduce the economy's susceptibility to unfavourable external factors

- **Norway**

(Est. 1990, Worth - \$82B)

Goals:

1. Financial buffer to smooth short-term variations in oil revenues
2. Mechanism to cope with long-term challenge of funding pensions in the face of declining oil revenues

Oil Funds

- **Kazakhstan**

Funded by proceeds from oil royalties, the sale of mineral assets and privatization

- Operations require annual **approval by Parliament**
- Assets held at the National Bank of Kazakhstan and managed according to Ministry of Finance guidelines
- **Oversight** by a Management Council formed by the President, the Prime Minister, **and members of Parliament, with an annual independent audit**

- **Norway**

Income sources: central government cash flow from petroleum activities and return on invested capital

- Distribution: only for transfers to government fiscal budget with approval of Norwegian Parliament
- Managed by Norwegian Central Bank according to Ministry of Finance guidelines
- 60% of investments in bonds, 40% in equities. 50% in Europe, 30% in Americas, 20% in Asia

The National Fund is believed to be very sizeable financial cushion making the country's budget much less dependent on the oil conjuncture and more protected against external shocks. Previously, the fund had been kept in dollars, but now its currency structure has been diversified.

Fund's structure: 48.5% is kept in dollars, 27.9% in euros, 10.1% in pounds sterling and 8.8% in yens. Altogether the fund composition includes 15 currencies. 54% of the fund is managed by the NBK while the rest is under external management.



Development Bank of Kazakhstan

Development Bank of Kazakhstan was formed on April 25, 2001. It has an authorised capital of KZT (tenge) 71,5 bln. (approx. US\$ 534 mln.).

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The main task of the DBK is financial support for the initiatives of the private sector and state (infrastructural projects) by lending long- and short-term low interest loans, including export credits, as well as by issuing guarantees on the loans and credits being granted by other credit institutions.

The significance of DBK is explained by the fact that the financial system cannot ensure long-term and low interest loans to the economy in view of significant risks and necessity of lowering the interest rates in the banking sector. As the private sector becomes fully capable to cope with such functions, the Development Bank of Kazakhstan will be focusing its activity mainly on the infrastructural, social and regional projects.

A decision on giving financial support is made after a comprehensive analysis on the methodology - the Chain of added value (CAV), and finding more significant elements of the chain. Analysis on CAV assessment also concentrates on the technological and other important elements of the project. One of the main criteria of the projects' evaluation is their commercial viability.

The Bank carries out its projects within and without Kazakhstan and as of December 2006, supervised 86 projects worldwide with total amount of 2 bln USD of which 808 mln from its own funds.



Investment Fund of Kazakhstan

Investment fund of Kazakhstan was formed in May 2003. It has an authorised capital of KZT (tenge) 28,9 bln. (approx. US\$ 220 mln.).

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The aim of the Investment Fund of Kazakhstan (IFK) is to lend financial support to the initiatives of the private sector in the economy's non-mineral sector by taking part in the authorised capital (having shares or non-control packages) of the enterprises in Kazakhstan as well as abroad.

A decision on giving financial support is made after a comprehensive analysis on the methodology - the Chain of added value (CAV), and finding more significant elements of the chain. If the results of CAV analyses show the necessity and viability of the project then it is given encouragement. One of the main criteria for projects' evaluation is their commercial viability.

While considering a project the experts take into account whether the project leads to creation of an enterprise which produces products competitive in the external markets and capable of replacing imported goods. The analyses mainly focus on the initiatives of the private sector with respect to the economy's non-mineral sector.

In order to make the projects' financing easier in case of shortage of finances in the private sector IFK makes co-financing by taking part in the authorised capital (purchase of shares), but without acquiring a control package. Moreover, it should be stipulated that the state package will be sold once the project has been realised.

It gives IFK opportunity to facilitate not only to the creation of new industries, including high tech enterprises, but also development of the securities market.

The Fund is currently searching opportunities for establishing relations and developing ways for enhancing partnerships with highly reputable strategic investors and private equity funds interested in emerging markets.



National Innovation Fund

The Innovation Fund of Kazakhstan was formed in May 2003. It has an authorised capital of KZT (tenge) 9.5 bln. (approx. US\$ 68 mln.).

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The Innovation Fund is to stimulate the venturing function of the market economy which does not exist even in all of the developed countries. This function is important for the creation and development of high tech fields of economy such as IT, electronics, biotechnology and others. Thus the main aim of the Fund's activity has to be facilitation of the growth of innovative activities, development of high tech industries in the Republic of Kazakhstan.

The efforts of IF are aimed at encouraging and development of infrastructure for innovations.

As the domestic venture capital comes into existence and grows, IF will reduce the scale of its activities on financing venture projects and focus on strengthening the innovative infrastructure and financing applied scientific researches.

The main tasks of the Fund are:

- participation in creating the elements of infrastructure for innovations (technical policies and science parks, informational and analytical centres, etc.);
- creation of venture funds together with domestic and large international venture investors;
- participation in the authorised capital of new or existing enterprises with the aim to manufacture high tech products and develop new technologies;
- financing of certain types of Research and Development aimed at creating new technologies, products, services which are commercially viable and may have a positive impact on the technological advancement of the country.

A decision on issuing grants by IF is taken after holding an independent scientific and technical expertise with involvement of foreign experts. Scientific researches, which have been selected for financing, have to be up to the projects within the framework of financing via the Investment Fund of Kazakhstan and Development Bank of Kazakhstan.



Export Credit Corporation

(State Insurance Corporation for the Insurance of Export Credit and Investment)

Export Credit Corporation was formed on August 8, 2003. It has an authorised capital of KZT (tenge) 7.7 bln. (approx. US\$58 mln.).

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The main task of the Export Credit Corporation is facilitation to the export of goods and services of Kazakhstani producers by insuring and reinsuring from political and regulatory risks. The Corporation holds marketing researches for the development of Kazakh goods export, studies and distributes information on potential export markets. Such an export promoting tool is widely recognised in the world and it is to make easier export transactions from financial and administrative viewpoints. As the domestic insurance market grows and it becomes ready to cover risks connected with export and import operations, the Export Credit Corporation will focus its activity on insuring from political risks and distribution of commercial information on the international markets.



Centre for Engineering and Transfer of Technologies

The Centre for Engineering and Transfer of Technologies of Kazakhstan was formed in September, 2003. It has an authorised capital of KZT (tenge) 100 mln. (approx. US\$ 720 000.).

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The main task of the Centre is to enhance the competitiveness of Kazakhstan's economy's real sector by means of transfer of technologies as well as creating infrastructure for the development of innovative activities.

The Centre for Engineering and Transfer of Technologies along with other development institutions takes part in the realization of large projects, which have to serve as stimuli for the overall economic growth. The Centre takes part in setting up as well as managing the science parks, renders its services on the technological leasing, engineering services, holds a technological expertise of innovative investment and commercial projects, gives consultations, information and other services during the transfer of technologies, carries out international cooperation in the sphere of engineering services and transfer of technologies, carries out search, acquisition and transfer of patents for introduction into production, licences, technologies, know-how and other innovative products abroad and in the territory of Kazakhstan as well, carries out search and attraction of foreign experts with aim to render engineering services and transfer of technologies, prepares and trains qualified specialists in the field of engineering and technologies transfer.



KazInvest

Kazakhstan Investment Promotion Centre

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Kazinvest is a state centre that assists investments in Kazakhstan. The founding of Kazinvest was one of the elements of the Government policy aimed at encouraging an investment inflow in the economy and creating a favourable investment climate.

KazInvest's objective is to create an efficient mechanism for informing potential investors of investment opportunities existing in Kazakhstan, and to provide practical assistance to foreign and domestic companies in implementing investment projects.

Kazinvest is a state company founded in order to encourage and promote investment. We have acted as a reliable guide for investors and a bridge between business and the state for more than eight years. Kazinvest has been a member of Kazyna Sustainable Development Foundation since 2006.



Centre for Marketing Research and Analysis

The Centre for Market Research and Analysis of Kazakhstan was formed on August 12, 2003. It has an authorised capital of KZT (tenge) 866 mln. (approx. US\$ 623 000).

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The task of the Centre is to ensure supply of analytical data to the process of diversification and enhance the competitiveness of the national economy.

The main tasks of the Centre are:

- making analyses of the state of domestic and external markets, trends in their development;
- defining of important sectors of the markets and advantages of certain fields and companies;
- making more optimal recommendations for the development of domestic business and expansion in the new markets.

The purpose and outcome of interaction of state bodies and newly created development institutions of Kazakhstan (Investment Fund, Innovation Fund, Export Credit Corporation, Development Bank of Kazakhstan) is to provide and enhance measures of state support to the investors for the realization of investment projects with involvement of direct investments.

Kazakhstan's "Troika" – Samruk, Kazyna and RFCA. New 2006 institutions to foster further diversified growth

As of 2006, three years into the implementation of the **Innovative Industrial Development Strategy**, the Government realised that it needs to take further practical steps to **sharpen the country's competitive edge** in a fast globalizing world economy.

The principles and the **culture of corporate governance, greater transparency, accountability** as well as widest possible introduction and **use of international technical, financial and business standards** have been identified as the key drivers to successfully implement the **diversification strategy to join the world's 50 most competitive nations** in ten years time.

Three new institutions, the "Samruk" state-holding company, the "Kazyna" sustainable development fund and the **Regional Financial Centre, Almaty (RFCA)** have been established in Kazakhstan in 2006.

Following are the highlights of the above institutions.



JSC Kazakhstan Holding for the Management of State Assets SAMRUK

*In Kazakh mythology Samruk is a legendary bird of revival,
equal to Phoenix*



Mr Sauat Mynbayev.
CEO



Sir Richard Evens,
Chairman of the Board

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Samruk, a state-holding company headquartered in Astana, was created by Presidential Decree on 28 January 2006. The following month **McKinsey & Company** was hired to provide leadership and guidance for Samruk's operations. The single shareholder of JSC Kazakhstan Holding Samruk is the **Ministry of Economy and Budget Planning**. A Board of Directors was created for Samruk consisting of a Chairman (an independent non-executive director from the UK), another independent non-executive director from Kazakhstan, the Deputy Minister of Economics and Budgeting, the Deputy Minister of Finance, and the CEO of Samruk Holdings. **Sir Richard Evans** – a former CEO of BAE Systems was appointed as **the Chairman**.

The major challenge facing Samruk was to maximize the long-term value of state-owned companies by **improving corporate governance and bringing it up to international standards**. To achieve this, McKinsey & Company:

- analyzed 13 similar state-holding companies or state-asset management agencies;
- surveyed the activities of Kazakhstan's national companies;

- developed the concept for Kazakhstan's state-holding companies.

Samruk set three major objectives for its work:

- increasing the competitiveness and cost-efficiency of the national companies;
- applying best practices in all corporate governance matters in Samruk and the national companies;
- assisting the Government of Kazakhstan in achieving its industrial development goals.

In order to achieve these objectives, Samruk's methods were the following:

- active participation by Samruk in the Boards of Directors of national companies;
- active participation by Samruk in national companies' planning and reporting processes.

The following **management tools** were created for Samruk as it set out to evaluate and, where necessary, change corporate governance at Kazakhstan's national companies:

- presiding over or participating in the Boards of Directors of national companies;
- setting and monitoring ambitious short-term (1 year), medium-term (3 years), and long-term (5 years) development targets;
- reviewing, approving, and monitoring regulatory compliance;
- selecting, assessing, and motivating top managers at the national companies;
- controlling internal audit services and monitoring selection and performance of external auditors;
- supporting government institutions in the task of improving Kazakhstan's corporate governance code.

One of the most tangible results of good corporate governance is the close correlation between the quality of corporate governance as perceived by the market and the respective JSC's market capitalization. The 'Governance Premium', that is, the average premium investors are willing to pay for a well-governed company, has been evaluated on a percentage scale for the following countries: International practice has thus demonstrated that applying best-practice corporate governance is one of the key tools for creating shareholder value, an important motivation to strengthen corporate governance practices for Kazakhstan's national companies.

The Samruk concept of key aspects of corporate governance may be outlined as the following:

- corporate governance involves a set of relationships between a company's management, its Board, its shareholders, and other stakeholders;
- corporate governance also provides the structure through which a company's objectives are set, and the means of attaining those objectives and monitoring performance are determined;
- there is no single model of corporate governance, but all systems of corporate governance focus on such key aspects as:
 - the rights of shareholders, equitable treatment of shareholders;
 - disclosure and transparency;
 - Board responsibilities.

Two of the leading international sets of standards for corporate governance have been provided by the OECD and the UK, which were instrumental in drawing up the Samruk model that has been applied to Kazakhstan's national companies; a work in progress. The Kazakhstan **Code of Corporate Governance** formalized on February 21, 2005, (the year before the creation of Samruk) provides a model with which all companies listed on the Kazakhstan Stock Exchange are obliged to comply. Its basic principles correspond to international standards, but require further elaboration:

- protection of shareholders' rights;

- effective company management by the Board and executive body;
- transparency and objectivity of disclosed information about company activity;
- lawfulness and ethics;
- effective dividend policy;
- effective personnel policy;
- preservation of the environment;
- a policy to regulate corporate conflicts.

As a case study, Samruk tackled internal governance issues at KMG Exploration and Production before its flotation according to the 2005 Ernst & Young analysis disclosing that E&P would not satisfy international investor requirements for LSE-listed companies. Major discrepancies were:

- Financial reporting was only in line with Kazakhstan's accounting standards;
- budgeting was only in line with Kazakhstan's accounting standards and was not consolidated;
- no monthly management report was compiled;
- E&P was operationally dependent on KazMunaiGas (its parent company);
- the relationship with KazMunaiGas was not formalized;
- a considerable number of related-party transactions;
- use of unlicensed software;
- risk management was insufficient;
- internal audit functions were limited.

Considerable resources were brought to bear under Samruk leadership to restructure the E&P corporate governance structure to better prepare it for the London IPO. As noted above, the successful flotation of 40% of E&P took place in London and Kazakhstan in October 2006, raising more than US\$ 3 billion - a successful IPO by any standards.

Beyond the E&P case study, Samruk has introduced the following internal governance changes at Kazakhstan's state-owned enterprises:

- the institute of independent non-executive directors has been firmly established in all State-Owned Enterprises (SOE) boards;
- audit committees have been established within each Board of Directors in all SOEs;
- internal audit services accountable to the Boards of Directors have been established within SOEs;
- a dividend policy has been agreed upon with all SOEs;
- appointment and remuneration committees have been established within each Board of Directors;
- the accounting and risk management systems in the SOEs were evaluated by external advisors;
- a tailor-made performance evaluation system for each SOE is being jointly developed with external advisors.

Samruk has made an impressive start in its first year of existence, demonstrating the wisdom of adopting a professional approach based on international best practices towards reforming corporate governance standards at Kazakhstan's state-owned companies, major conglomerates with heavy impact on the country's economy. As Kazakhstan positions itself for WTO accession in 2007 and for entrance into the world's 50 most competitive economies, corporate governance will be a vital element in meeting these ambitious economic targets.

Samruk was officially presented to the UK business community by its CEO Mr Sauat Mynbayev at the Mansion House during President Nazarbayev's official visit to the United Kingdom in November 2006.

List of companies that form Samruk:

		<i>State Share</i>
	JSC “National Company KazMunayGas”	100%
	JSC “National Company “Kazakhstan Temyr Zholy”	100%
	JSC “KEGOC”	100%
	JSC “Kazpost”	100%
	JSC “Kazakhtelecom”	55,6% voting shares

Other assets:

Power generation & distribution

JSC «KazKuat»	100,00%
JSC «Ekibastus Energy Centre»	100,00%
JSC «Kazakhstan Electrical Energy & Capacity Operator»	100,00%
JSC «Mangistauskaya Electrical Distribution & Grid Company»	94,25%
JSC «Shulbinskaya Hydro Power Station»	92,13%
JSC «Bukhtarminskaya Hydro Power Station»	90,00%
JSC «Ust-Kamenogorskaya Hydro Power Station»	89,99%
JSC «Astana Energy Service»	61,72%
JSC «Kazakh Scientific Research Institute of the Power Sector»	50,00%

Transportation

JSC «Airport Pavlodar»	100,00%
JSC «International Airport Aktobe»	100,00%
JSC «International Airport Astana»	100,00%
JSC «Air Astana»	51%
JSC «National Sea Shipping Company «KazMorTransFlot»	50,00%

Mining & metals

JSC «Akbaikai Mining & Metals Combine»	33,00%
JSC «Maikainezoloto»	25,00%

Engineering

JSC «National Company «Kazakhstan Engineering»	100,00%
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Sustainable Development Fund KAZYNA

Kazyna – a Kazakh word for treasure or treasury

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Mr Kairat Kelimbetov
Chairman

Sustainable Development Fund “Kazyna” was created in April 2006 with the purpose to increase and stimulate investment and innovation activities. Kazyna is pursuing a two-pronged strategy: one to build on Kazakhstan’s industrial capacities; the other is to develop innovation and hi-tech activities which will create value-added products.

As part of the long-term programme out-lined by the **Innovative Industrial Development Strategy 2015** Kazyna was established as an “umbrella” holding company and principal shareholder in **seven development institutions**.

The first of these is the **Development Bank of Kazakhstan** which provides both short and long-term loans. The principal aim of this institution is to provide credits strictly focused on social areas. The best way, of course, is to be similar to the bench mark such as EBRD, but locally. Other institutions under this umbrella include the **National Innovation Fund** which is focused on grants for R&D and venture funding, or the **Investment Fund**’s equity injection into suitable projects, through to dedicated ‘think-tanks’ on markets and policy analysis like **CMAR (Centre for Marketing and Analytical Research)**.

Other key agencies include the **SME Support Fund**, which provides loans for the many small and medium-sized enterprises that remain an essential part of economic activity and employment in Kazakhstan, and the more outward-looking **KazInvest** which furnishes information and assistance to potential investors. Kazyna’s capabilities are rounded off by the **State Insurance Corporation**’s arranging terms for Kazakh exporters and investors alike.

As with Samruk, Kazyna’s board of directors is to provide a mechanism for managing these different institutions, avoiding overlaps and deciding on key appointments and remuneration packages. On the other hand, each of these entities will retain independence in its day-to-day operations.

By using oil revenues to build an ‘an innovation infrastructure’, Kazakhstan can ‘leapfrog’ the normal development cycle and move directly to hi-tech enterprises. **The National Innovation Fund** is tasked with creating the necessary innovation infrastructure, such as the **IT Park in Alatau**. But an innovation economy also requires a broader industrial base. The approach adopted so far has been to identify **seven pilot clusters of economic activity** where Kazakhstan has certain competitive advantages, and to develop these on a sustainable basis (**services and machinery for the oil & gas industry, construction, metallurgical sector, food processing, textiles, tourism, transshipment and logistics**).

Mission - Effectively manage state investments to diversify and increase competitiveness of economy of the Republic of Kazakhstan.

Strategy - Identification and implementation of investment projects in non-extractive sector through coordination of National Development Institutions

For more information on Kazyna please visit www.kazyna.kz



Sustainable Development Fund “KAZYNA”

Kazyna

Total Charter Capital: \$1.5 B

Project portfolio: 149

Portfolio value: \$4.1 B

Participation: \$1.4 B

Development Bank
of Kazakhstan

long-term
loans

Investment Fund
of Kazakhstan

equity
financing

National Innovation
Fund

venture funds, grants for R&D
innovation infrastructure

State Insurance
Corporation

insurance of Kazakhstani
exporters and investors

Small Business
Development Fund

SME
financing

CMAR

market and policy
analysis

Kazinvest

investment
promotion



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Singapore Exchange Ltd



Mr Mark Holtzman,
ABN Amro Corporate Finance



Mr. Oliver Hemsley, Chief Executive
Numis Corporation PLC

Kazakhstan's vision is to become the financial centre for Central Asia offering companies a diversified investment platform to raise equity finance on the national and international markets. With this aim on July 7th 2006 the Regional Financial Centre was established in Almaty, former capital and countries largest city, business and financial hub of the region.

The activities of the Regional Financial Centre of Almaty are aimed at developing the region's securities market and ensuring its integration with international capital markets, attracting international investment into the economy of Kazakhstan, and facilitating the investment of Kazakhstan's capital in foreign securities markets.

The Regional Financial Centre of Almaty City provides a special legal regime for registered market participants. The RFCA's special trading floor provides tax benefits and economic incentives to both Kazakhstan and foreign RFCA participants.

The RFCA has an **International Advisory Board** of local and foreign experts to advise on matters relating to strategy and development of the RFCA.

The Agency of the Republic of Kazakhstan on Regulation of Activities of the Regional Financial Center of Almaty City (RFCA) recognises rating issued by the following agencies: **Moody's Investors Service, Standard & Poor's and Fitch.**



On 21 November 2006 during the President Nazarbayev’s official visit to the UK the RFCA and the London Stock exchange signed a co-operation agreement to formalise the existing strong ties between the two organizations.

Under the agreement, the Exchange and the RFCA will establish systems for regular meetings between senior executives and agree to exchange information. The agreement will assist in the development of the RFCA and will aim to promote international investor awareness of Kazakhstan and the central Asian region.

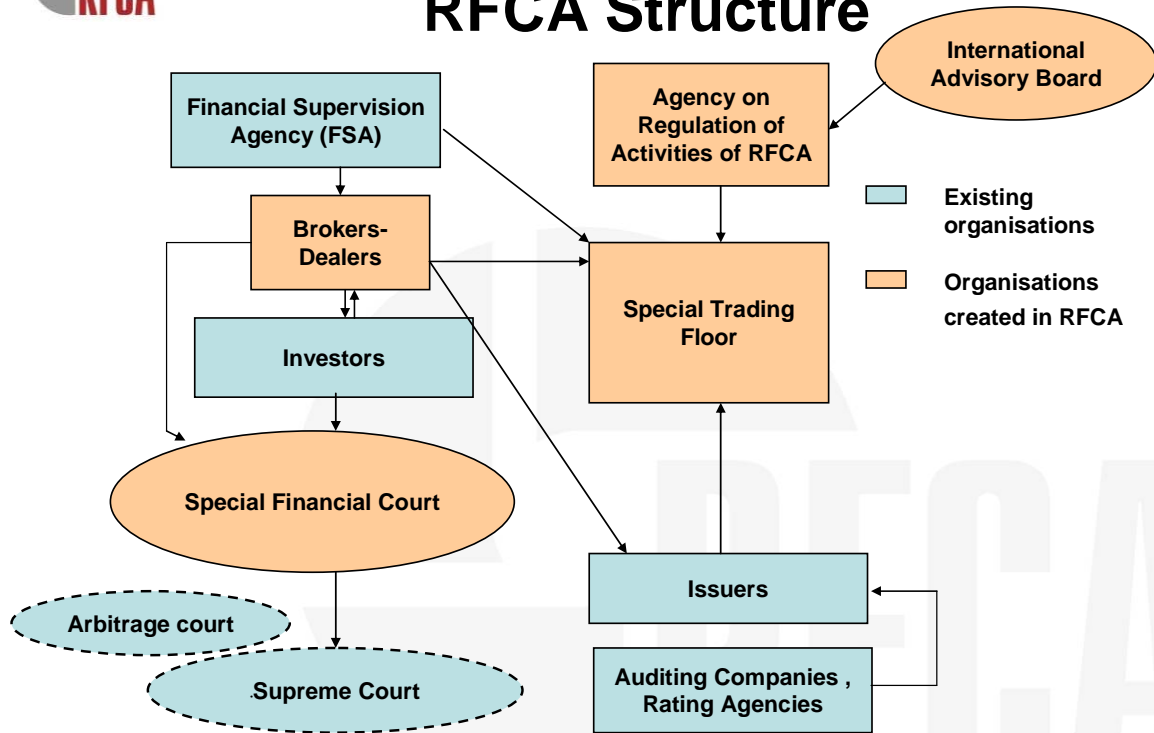
Tax benefits for RFCA participants

- Exempt from corporate income tax are:
 - Execution of securities deals on behalf of and for clients (broker services);
 - Nominal holding services;
 - Underwriter services;
 - Informational, analytical and consulting services;
 - Announcement and maintenance of securities prices.
- Exempt from corporate and individual income tax are:
 - Stock dividends and bond interest, on securities purchased on the Special Trading Floor;
 - Realized capital gains on securities listed on the special Trading Floor, provided such deals were made on the Special Trading Floor.

Special Financial court (Commercial court) was established within the RFCA with the support from the City of London.



RFCA Structure



AGENCY OF THE REPUBLIC OF KAZAKHSTAN ON REGULATION OF ACTIVITIES OF THE REGIONAL FINANCIAL CENTRE OF ALMATY CITY



BANKING AND FINANCING

Left – symbol for national currency Tenge

To date Kazakhstan has had the most successful financial-sector reforms in the CIS and the creation of the Regional Financial Centre of Almaty was another bold step to further develop this sector.

Since the mid-1990s banks have had to adopt international banking standards, including the risk-weighted 8% capital-adequacy ratio set by the Bank for International Settlements. In addition to raising capital requirements, the National Bank of Kazakhstan (NBK, the central bank) has relicensed smaller institutions as credit unions or credit partnerships. Mergers have also driven consolidation in the sector.

Foreign banks have generally preferred to open representative offices in Kazakhstan, rather than take shares in domestic banks. At the moment **33 banks operate in Kazakhstan** (17 domestic and 16 foreign).

The ongoing remonetisation of the economy is allowing Kazakhstan's banks to become more effective financial intermediaries, with commercial banks in a strengthening financial position.

Although banks lend primarily to the oil and gas sector, which carries fewer risks, the rapid growth in credit raises concerns over a deterioration in the quality of loan portfolios, especially since there is a concern that credit analysis is still inadequate. Kazakhstan's commercial banks are aware of the risks attached to local borrowers, and impose a high intermediation spread.

Consumer demand for banking products and services is also on the rise. A deposit insurance scheme, providing for the security of deposits in case of bank failures, was implemented in 1999. The rising share of tenge-denominated deposits in household accounts suggests that the population has growing confidence in the local currency.

Kazakhstan's monetary policy has been well managed. In 2006, inflation remained relatively steady at 8.6%, up from 7.5% in 2005. Inflation from 2001-2003 was 6.4%, 6.6%, and 6.8%, respectively. Because of its strong macroeconomic performance and financial health, Kazakhstan became the first former Soviet republic to repay all of its debt to the International Monetary Fund (IMF) in 2000, 7 years ahead of schedule.

In March 2002, the U.S. Department of Commerce graduated Kazakhstan to market economy status under U.S. trade law. The change in status recognized substantive market economy reforms in the areas of currency convertibility, wage rate determination, openness to foreign investment, and government control over the means of production and allocation of resources. In September 2002, Kazakhstan became the first country in the former Soviet Union to receive an investment-grade credit rating from a major international credit rating agency.

Kazakhstan's Sovereign Ratings

	Ratings	Outlook
Standard & Poor's	LTFC:BBB LTLC:BBB+	Positive (April 5, 2007)
Moody's Investors Service	LTFC: Baa2 LTLC: Baa1	Positive (June 9, 2006)
Fitch Ratings	LTFC:BBB LTLC:BBB+	Positive (Dec 21, 2006)

Financial markets

The Kazakhstan Stock Exchange (KASE) has been operating since the tenge was introduced in 1993. The exchange acts as Kazakhstan's universal financial market and comprises the foreign-currency market, the government securities market, the shares and bond market and the derivatives market. The main bond issuer has historically been the government, but in recent years corporates have become increasingly able to tap capital markets, with maturities of seven to nine years.

Corporate borrowing

Companies in Kazakhstan are making increasing use of international financial markets, with the banks leading the surge. Although banks were initially the only sector to tap international markets, companies outside banking are now becoming involved as well. The move by industrial firms into the international bond market is only to be expected. The country's oil and gas enterprises need additional finance; high oil prices alone will not generate enough finance to fund the development of new oilfields or the construction of new pipelines.

Sovereign borrowing

The high level of FDI into Kazakhstan and the government's prudent borrowing practices mean that Kazakhstan has a low level of government and government-guaranteed debt. Official debt is generally of long maturity and taken out on favourable terms. The modest debt burden, coupled with rising export revenue, has made Kazakhstan more creditworthy. Kazakhstan has been awarded investment-grade ratings by two international ratings agencies, Standard & Poor's (S&P) and Fitch. S&P also operates a national credit rating scale that provides both debt ratings, which apply to a specific debt instrument, and issuer credit ratings, which apply to a specific obligor.

Insurance and other financial services

The insurance sector is also growing rapidly. Growth in Kazakhstan's insurance market has meant the entry of new players in the market, after an earlier process of consolidation.

The list of instruments available to pension funds has expanded in recent years. The limit on the amount of pension assets that can be held in commercial banks is now 15% of the total; pension funds can invest in foreign government securities up to a rating of BBB, and in foreign mutual funds with ratings above A (the higher the rating, the higher the investment limit—from 10% up to 30% for AAA); and pension funds can also invest up to 5% of their assets in gold and precious metals. The industry is composed mainly of leasing firms that are either fully owned by, or directly linked to, commercial banks.

TRANSPORT AND COMMUNICATION COMPLEX

Kazakhstan Government has elaborated and approved Strategy of Transport Sector Development of up to 2015; the amount of investments required for construction of respective infrastructure within the 10 years will make up USD 26 billion.

Ultimate goal of the Transport Strategy is to ensure progressive development of transport and communications complex in line with economic strategy of the state.

The Strategy covers 2006-2015 and is supposed to be implemented in two stages: 1st stage – 2006-2011, 2nd stage – 2011-2015.

The Strategy implementation is expected to ensure bringing of the national transport system to a higher level, and forming of an optimum transport network. Financing of the infrastructure on the self-sufficiency principles will allow accommodating resources for its further sustainable development and maintenance at a high technical level.

Kazakhstan's transport sector is bound to smoothly integrate into the global transport system. Transport infrastructure is supposed to be brought in compliance with the worldwide standards.

All this will enable to sufficiently increase the share of transit traffic, the core of which will be container traffic. Transit traffic will ensure substantial revenues for the central budget and transport companies.

The Strategy covers railways, automobile, in-city passenger, air and water carriage, efficient performance of which to a great extent depends on respective policy pursued by the Government.

The Strategy is intended to facilitate growth of trade ties between the West and the East by means of reliable and accessible transit routes. The Strategy provides for implementation of a customized model of meridian and latitude arrangement of the main routes and connecting legs.

The Strategy provides for modernization of already operating and construction of new «rectifying» routes and infrastructure facilities, with all transport fleets being renewed.

Development of pipelines with due consideration of the O&G sector specificity is being effected within the framework of the State-run Program of Development of the Kazakhstani Sector of the Caspian Sea and within the Concept of Gas Sector Development up to 2015.

Economic and geographic features of Kazakhstan (its vast territory, land-locked position, uneven spatial distribution of population clusters and of natural resources) make the transport component of the economy one of the most sizeable in the world and determine high dependence of the economy on the transport networks.

Being sandwiched between Europe and Asia, Kazakhstan boasts of a great transit potential, as there is no alternatives for Asian states to link to Russia and Europe.

Relatively diverse landscape and availability of natural stone reserves allow unrestricted development of railways and automobile routes.

Automobile and railways routes account for a major share of the total above-ground transport routes (about 88.4 и 14 thousand km respectively). Total length of navigable waterways makes up 3.9 thousand km, and the total of air routes makes up 61 thousand km. Density per every 1000 km² stands at 5,1 km for railways, at 32,4 km for automobile routes with hard surface, and at 1,5 km for in-land navigable waterways.

At the current stage, there is a problem of poor condition of the transport sector fixed assets, obsolete infrastructure and technology.

The share of transportation costs in the final cost of the goods makes up 8% and 11% for in-land railways and automobile traffic respectively, while in industrialized countries these indicators normally make up 4-4,5%. As a result, the transport burden on the economy exceeds that on the major industrialized nations twice on average. By cargo intensity index Kazakhstan's

economy is about five times less efficient, as transport component of every 1 USD of GDP makes no less than 9 ton-km, while in EU cargo intensity is less than 1 ton-km/dollar of GDP.

4 international transport corridors cross the territory of Kazakhstan and are formed on the basis of transport infrastructure existing in the country. They are:

- **Northern Corridor** of Trans-Asian Railway Main (TARM): Western Europe – China, Korean Peninsula and Japan via Russian and Kazakhstan (section Dostyk – Aktogai - Sayak – Mointy – Astana – Petropavlovsk (Presnogorskovskaya)).

- **Southern Corridor** of TARM: South-Eastern Europe – China and South-Eastern Asia via Turkey, Iran, Central Asian states and Kazakhstan (section Dostyk – Aktogai – Almaty – Shu – Arys – Saryagash).

- **TRACECA**: Eastern Europe – Central Asia via the Black Sea, Caucasus and the Caspian Sea (section Dostyk – Almaty – Aktau).

- **North-South**: Northern Europe – Gulf States via Russia and Iran, with Kazakhstan's participation in the following sections: sea port Aktau – Ural regions of Russia and Aktau – Atyrau.

Besides routes included in the transcontinental mains, **Central Corridor of TARM** should also be mentioned, as it is of great significance for regional transit in the direction Saryagash – Arys – Kandagach – Ozinki.

Corridors help significantly decrease distances in East-West connection, as well as cut down time of cargo delivery.

Robust growth of China's economy, in particularly of its western regions, boosts the demand for deliveries of a large specter of goods to global markets even today.

At the same time, according to experts, current transit in Kazakhstan doesn't fully employ the potential of the sector and that of the republic in general.

Sources of funding

As virtually all transportation services will be rendered by private enterprises, these enterprises will be covering their exploitation and capital expenditures out of their own funds.

As for passenger railway transportation, special mechanisms of funding that are being developed in the framework of the Program of Railway Transport Reconstruction for 2004-2006, will be applied.

Main network of motor and rail ways, as well as internal shipping infrastructure will remain in government ownership. Terminals will be gradually passed into private ownership.

System of air navigation will be made as much self-supporting as possible through navigation fees collected at airports and route navigation fees. Air terminals will be owned by airports and funded from terminal fees. Main airports will be passed into private sector that will be responsible for maintenance and renewal of infrastructure funded from take-off/landing fees in the airports.

Largely, private sector will also be responsible for construction and maintenance of terminals at sea ports. State will be responsible for sea infrastructure of public use.

Fees for usage of automobile routes will be charged at the spot.

Participation of private sector in different segments of transportation sector will be promoted, including conclusion of long-term concession agreements under which infrastructure in the final end is returned back to the state.

Besides state funding of transport infrastructure units, institutes of development (such Bank for Kazakhstan Development, Innovation Fund), other domestic and foreign financial institutions (EBRD, ADB, World Bank, IDB and others) are going to be attracted. Creation of favorable climate for development of private industry will be achieved through rendering tax allowances and preferences stimulating renewal of fixed assets. So, the projects will be funded from budgets of all levels, through attraction of investments and on commercial basis: through state-private partnerships, concessions, creation of joint ventures.

MINING IN KAZAKHSTAN

The Republic of Kazakhstan is one of the world's best-endowed states, possessing world-class deposits of minerals and raw materials. Vast quantities of base and precious metals have been discovered, with countless others waiting for discovery and development. Kazakhstan is the ultimate mining and metallurgical country with ferrous and non-ferrous minerals. Some 233 mining enterprises produce a wide variety of commodities: coal, iron ore, chromites ores and ferroalloys, alumina, copper, lead, zinc, steel, titanium sponge, uranium, barites and others.

In general, about \$55bn has been invested in the mining sector over the past decade, of which 15% was in prospecting. The bulk of this was spent on developing natural resources. According to forecasts for 2006-2010, investment in the raw material sector is expected to exceed \$48bn, and reach about \$52bn in 2010-2015.

Mining activities are currently being carried out at 2,000 mines in Kazakhstan, which consists of prospecting at 132 mines (7%), extraction at 1,213 (61%) and both activities at 641 (32%).

Energy Resources

Hydrocarbons. The proven large reserves of oil and gas (about 3% and 1% respectively of the world's total) and significant forecast reserves (13-18 billion tn of standard fuel) in Kazakhstan, the existing and proposed routes to export hydrocarbons and the growing global demand for energy make investing in the fuel and energy sector a priority.

At the moment, hydrocarbons are being developed at 241 fields, consisting of extraction being carried out at 74 fields (31%), extraction and prospecting at 106 (44%), prospecting at 59 (24%) and operations unrelated to extraction at two (1%). A total of 142 companies are operating in the sector: 20 joint ventures, 48 foreign companies and 74 local companies.

In total, \$40.6bn in investment was attracted to the sector. Most of the investment was in extracting hydrocarbons; as a result, output doubled and exceeded 60 million tn of oil and gas condensate and 27 billion cu.m. of gas. And the limit has not yet been reached: according to forecasts, the country will extract up to 100 million tn of oil by 2010 and about 150 million tn of oil by 2015.

It should be noted that Kazakhstan occupies the eighth place in terms of proven oil reserves in the world and second place in the CIS. In addition, the proven reserves will ensure extraction for 50 years for oil and 75 years for gas which is in line with the world average figure for oil-extracting countries. The future development of the domestic oil sector mainly depends on developing the Kazakh sector of the Caspian Sea, whose forecast reserves are quite promising.

Coal. The coal sector is also a priority investment area. Kazakhstan is among the world's top 10 coal-rich countries, after the USA, Russia, China, Australia, India, South Africa and Ukraine. The state register records 49 mines with 197 structures that are defined as separate facilities, which consists of 142 are closed mines and 55 are open-pit mines. Most mines are located in central Kazakhstan (the Karaganda and Ekibastuz coal basins and the Shubarkol mine) and north Kazakhstan (the Torgay coal basin). Recoverable reserves account for 45% and unrecoverable for 55%.

Mining is carried out at 53 mines, including 15 in the Karaganda coal basin, by 34 companies (one joint venture, five foreign and 28 local companies). The major companies are: Bogatyr Access Komir, Shubarkol Komir, Mittal Steel Temirtau, the Eurasian Energy Corporation, Maykuben West, Karazhira Ltd, the Kazakhmys Corporation and Gamma. These companies invested over \$3bn in mining coal (however, only 1% of it was spent on prospecting). The annual volume of investment grew 10-fold in 2005 from 1996 volumes and totalled \$375m; output reached about 80 million tn. This figure is expected to grow to 90 million tn by 2010 and 95 million tn by 2015.

The sector has enough reserves to last over 100 years. In future, the development of the raw materials base will be achieved through enriching and improving the quality of the coal and the deep processing of coal to obtain fluid fuel and synthetic substances. Developing shale is also topical. As an alternative source of energy, methane from coal mines in the Karaganda basin can be used. The high concentration of methane in coal layers and the existence of a well-developed infrastructure and major gas consumers make it possible to extract it and utilise it on a large scale. This will also increase central Kazakhstan's energy potential and provide gas not only to enterprises in Karaganda, Ekibastuz and Pavlodar districts but also to the country's capital.

Uranium. The world's major uranium producers are Australia, Kazakhstan (occupying second place in reserves) and Canada. They are followed by South Africa, Brazil, Namibia, Uzbekistan, the USA, Niger and Russia. These 10 countries account for 96% of the world's total uranium reserves. Our country has 55 uranium deposits, 70% of which are feasible for development using the underground leaching method. The Kazatomprom national atomic company, the Inkay and Katko joint ventures and the Stepnogorsk Mining and Chemical Combine are involved in uranium extraction. They are now extracting over 4,000 tn of uranium, 85% of which is extracted by Kazatomprom.

Over \$551m was invested in the sector in a decade, and 98% of this in extraction. Uranium output is expected to reach 10,000 tn by 2010 and 15,000 tn by 2015.

The sector has enough of a raw material base to last it 100 years. Taking into account the growing capacities of nuclear power engineering and shortages of uranium, joint investment projects in Kazakhstan have already generated great interest among companies from the USA, Europe, Russia, Japan and China.

Precious Metals

Gold. Kazakhstan's territory is a major auriferous province. In terms of gold reserves, the country occupies eighth place after South Africa, the USA, Australia, China, Russia, Canada and Indonesia, whereas in terms of output Kazakhstan is only among the top 20 countries. Gold reserves are concentrated in 260 deposits in our country (40% in sulphide ore and 60% in gold ore). The Vasilkovskoye Zoloto joint venture, the Bakyrchik mining enterprise, the Kazakhmys Corporation, Kazzinc and the Kazakhaltyn mining company have large gold reserves (together accounting for 52% of the country's total reserves). Gold is being mined at 105 deposits, with extraction being carried out at 37 (35%), prospecting at 12 (12%) and both activities at 56 (53%).

A total of 71 companies are operating in the sector: 48 local, 18 foreign and five joint ventures. These companies have invested about \$1bn over the past decade (82% in extraction).

Most extraction (about a half) comes from composite sulphide deposits developed by Kazzinc and the Kazakhmys Corporation. A further 40% is extracted by Vasilkovskoye Zoloto, Altynalmas, Kazakhaltyn, Yubileynoye, Andas-Altyn, Altyn-Tobe and Dank companies which are developing their own gold deposits.

These companies have gold reserves that will last between 10 and 80 years. These resources can be increased through placer deposits, mineralised formations and secondary quartzite that have a quite high concentration of gold in ore. Developing hard and complex ore will also increase the ore base. As a result, according to forecasts, Kazakhstan will become a leading gold producer by 2015.

Nonferrous Metals

Copper. In terms of proven copper reserves Kazakhstan occupies fourth place in the world's reserves, behind Chile, Indonesia and the USA. The state register records 93 copper deposits, half of which are being developed. The major enterprises operating in the sector are the Kazakhmys Corporation and Kazzinc (in total, there are nine companies, including two foreign).

During the past decade, over \$1.7bn was invested in the sector; 99% of this was into extraction. Kazakhstan will be among the world's top 10 copper producers by 2015. The sector has reserves to last from 20 to 30 years. An additional source that will strengthen the raw

material base are a number of sulphide, polymetal and copper disseminated deposits and cupriferous sandstone.

Lead, zinc. In terms of proven zinc and lead reserves Kazakhstan occupies fourth place (behind Australia, the USA and Russia) and sixth place (behind Russia, Australia, Canada, the USA and China), respectively. The state register records 85 lead deposits and 79 zinc deposits. The mining of polymetals is being carried out at 32 deposits, consisting of extraction at twenty (63%), prospecting and extraction at nine (28%) and prospecting at three (9%). The main raw material base is composite sulphide and polymetal deposits in Rudnyy Altay, which produces over two-thirds of the country's total lead and zinc outputs. Deposits are developed using underground methods. The main enterprise in the sector is Kazzinc. Kazakhmys is involved in collateral production and accounts for a third of the total lead and zinc ore outputs. In total, there are 14 enterprises operating in this sector (11 local, 2 foreign and 1 joint venture) and they enable Kazakhstan to occupy sixth place in the world in terms of lead and zinc production.

Over the past decade, about \$2.5bn was invested in the sector. Investment grew three-fold to \$463m in 2005-06 from 1996 volumes. Almost 100% of this was spent on extraction. Kazzinc accounted for 62% of the total investment and Kazakhmys accounted for 25%.

The sector has reserves to last about 25 years. Replenishing reserves is a topical issue at the moment. The prospects for developing the raw material base in this sector depend on discovering new high-quality deposits, developing major deposits with complex and poor ores and reprocessing scrap metal.

Aluminium (bauxite). In terms of proven bauxite reserves, Kazakhstan occupies tenth place behind Guinea, Australia, Jamaica, Brazil, India, China, Guyana, Suriname and Venezuela. The state register lists 28 bauxite mines. Aluminium of Kazakhstan, which includes the Pavlodar Aluminium Plant and the Krasnooktyabrskoye and Torgay bauxite mining departments, accounts for the entire bauxite and marketable aluminium outputs.

Investment in mining bauxite totalled \$394m in the past decade. Almost all the funds came from Aluminium of Kazakhstan. Kazakhstan is currently producing 4.5 million tn of bauxite a year, and this figure is expected to grow to 5 million tn by 2010.

The sector has sufficient reserves to last about 50 years. Adopting a new technological line at the Pavlodar Aluminium Plant has created conditions to produce alumina from low-quality bauxite which makes it possible to increase the raw material base of the sector from the existing deposits. Technology to extract gallium, aluminium sulphate and sodium-sulphate mixture has been improved to boost the deposits' productivity.

Kazakhstan does not yet produce metallic aluminium because the main consumers of our raw material are Russian enterprises. However, our country has already started to build its own plant to produce primary aluminium.

Nickel, cobalt. In terms of nickel and cobalt reserves Kazakhstan occupies twelfth and seventh places in the world, respectively. The state register records 39 nickel deposits and 55 cobalt deposits. Kazakhstanskiy Nikel, Kyzyl Kain Mamyt and the Sokolov-Sarbay Ore-enrichment Production Association own major deposits. Five companies, two foreign and three local, are operating in the sector.

They invested over \$1bn in the sector during the past decade, 63% in extraction. The annual volume of investment grew four-fold over this period and totalled \$8.6m (2005).

Almost the entire Kazakh nickel output is exported. Taking into account that the sector has reserves for many years and the growing world demand for nickel, intensifying extraction and enriching and processing nickel ore are topical issues for Kazakhstan.

Ferrous Metals

Iron, manganese. In terms of proven iron reserves Kazakhstan occupies sixth place in the world (behind Russia, Australia, Ukraine, China and Brazil) and fourth place (behind South Africa, Ukraine and Gabon) in terms of manganese. The iron and manganese sector is a major sector in the country's raw material industry. The state register records 47 iron deposits and 31

manganese deposits. Orken, the Sokolov-Sarbay Ore-enrichment Production Association, the Zhayrem Ore-enrichment Combine and the Kazkhrom transnational company have largest raw material bases (accounting for 98% of the entire industrial reserves). Mining iron and manganese is being carried out at 32 deposits, with prospecting at seven (22%), extraction at 10 (31%) and both activities at 15 (47%). There are 23 companies operating in the sector, of which 3 are foreign and 20 are local.

They invested \$1.7bn in the sector over the past decade – almost all of it went to extraction. Kazakhstan is expected to produce 55-60 million tn of iron ore and 4-5 million tn of manganese ore in 2010 and 80 million tn and 7 million tn, respectively, in 2015. The current output levels provide the enterprises with reserves for over 80 years in terms of iron ore and over 100 years in terms of manganese ore. This is enough not only to fully satisfy the demands of domestic ferrous metallurgy, but also to allow for efficient export activities.

Chromium. In terms of proven chromium reserves our country is an unconditional leader – Kazakhstan has a third of the world's chromium reserves. The raw material base of the local chromium sector is the most qualitative and competitive sector. The state register lists 23 deposits with almost all industrial reserves owned by the transnational company, Kazkhrom. Mining is being carried out at nine deposits owned by Kazkhrom and one by Voskhod-Oriel. The sector attracted investments totalling \$1,092.7m in the past decade. The Our country is currently producing about 4 million tn of chromium ore and this figure is expected to grow to 7 million tn in 2010 and 9 million tn by 2015.

The chromium reserves are enough to last for over 90 years. The raw material base covers both domestic consumption and the country's export potential. In addition to investing in developing fuel and energy resources, precious, non-ferrous and ferrous metals, investment is being made in mining precious stones (diamonds and emeralds), rare metals (for example, tungsten and molybdenum) and other natural resources (including widespread ones), underground waters and mud used in medical treatment.

The investment activities of mining companies have had and are continuing to have a positive impact on the country's socioeconomic development. Mining companies spent \$63.4m on training and education and \$195.8m on the social sphere. The share of companies with foreign involvement in the total amount of investment was 16% a decade ago, whereas this figure stood at 76% last year.

Subcontracting was worth \$7,731.4m in 2005 and grew almost 30-fold from 1997. Subcontracting accounted for only 9% of the total investment in 1997, whereas this figure was 61% in 2005. In addition, the share of services and goods supplied by Kazakh companies has also grown by type of activity: to 34% in supplying services, to 56% in supplying goods, to 29% in supplying equipment, to 35% in construction services and to 23% in other types of activities,

Between 1996 and 2005, the country's budget received over \$16.5bn in taxes and payments by mining companies, including over \$3.5bn in royalties. The budget payments grew by 19-fold to \$5.8bn in 2005 from 1996, including royalties to \$1.3bn.

AGRICULTURAL SECTOR

Kazakhstan is rich in land resources; **more than 74% of the country's territory is suitable for agricultural production**, representing 5.5% of GDP and employing over 20% of the labour force with 43% of population living the rural area. Although Kazakhstan's vast territory ranges from forest-steppes and steppes to half-deserted and deserted zones, the natural and climatic conditions in Kazakhstan are highly favourable to growing a wide variety of crops. **It is expected that in 7-8 years agricultural development of Kazakhstan may reach the level of the Eastern European countries.** Meanwhile the Agro-Industrial Complex of Kazakhstan still suffers from a number of problems which bar from productivity and profitability. According to the World Bank, currently Kazakhstan's labour efficiency in agriculture five times lower than in the Eastern Europe, even lower than in Russia and Ukraine. In order to reach the European level it is also necessary to enhance production and competitive ability of the national producers. It is also necessary to implement international quality standards, including switching to modern technologies, thus the Kazakh producers will be ready for accession to the WTO.

At five times the size of France, it is no great surprise that **Kazakhstan is one of the world's largest grain producers and exporters.** The main grain crop is milling wheat, which is typically high in quality and protein. There is a growing trend for Kazakhstan to export its grain to other international markets, apart from its traditional market in the CIS.

In 2006 Kazakhstan produced 18 million tons of wheat, exporting around 6,2 mln. tons. Other food crops include **barley, maize, rice, potatoes, soybeans, and sugar beets, cotton, tobacco, sunflower, flax, soybean, and mustard.** Cotton is the most important industrial crop grown on the irrigated soils of southern Kazakhstan. **Orchards and vineyards** are widespread. The rich soil and climate provide ideal conditions for growing wheat, barley, rice, corn, millet and buckwheat.

Food industry is one of the fastest growing sectors of the Kazakh processing industry. The growth of the food industry in 2006 reached \$4,2 bln.

For a country with a long nomadic history, it is not surprising that **stockbreeding is the traditional and dominant agricultural sector.** No less than three quarters of all agricultural land is used for grazing. **Sheep breeding** is predominant, while **cattle breeding and growing of pigs, horses and camels** are also well developed. Animal husbandry typically accounts for about 40% of the production value in agriculture in Kazakhstan. Primary **meat products include beef, veal, chicken, horse, lamb, pork and rabbit.** The livestock sector is gradually growing. Output of meat rose by 5% during 2006, egg production went up by 8.5% and milk output by 4.3%. Similarly, herd sizes are recovering after a period in the 1990s in which livestock were being slaughtered for meat but not replaced. There were 3.8% more head of cattle in 2006, along with 6,2% more sheep and goats, 1.6% more pigs, 4,8% more horses, 4,1% more camels and 8.8% more poultry. Export is growing accordingly and reached \$616,8 mln in 2006.

It is worth to mention that growth of the food processing industry is triggered by increase of investments. Since 2002 the volume of capital investments reached \$1 bln. Modern technologies were brought to Kazakhstan from different countries like Finland, Germany, Italy and others. In order to support this industry the government is implementing several programs of development aimed to improve technical and technological modernisation as well as promotion of entrepreneurship and competitiveness of the Kazakh products on the international market.

State-Run Program of Rural Territories Development

Solutions to the acute problems of rural territories were defined as priorities in the strategic course taken by the Kazakhstan Government for 2003-2005.

Presidential Decree as of July 10, 2003 approved the State-run Program of Rural Territories Development for 2004-2010.

Against the background of overall economic growth, disproportions in the income levels of urban and rural population have been growing; regional income differences have also become considerable. 43% of the population of the country lives in rural areas, third of it has income below subsistence level. Further in attendance to this condition would intensify income differentiation, would have a negative impact on social-political atmosphere of the society, and would be reflected on the indicators of human development and investment image of the country.

Taking into consideration development of agro-production sector and growth of revenues coming from agriculture, current excess of rural population is one of the reasons behind hindered growth of the population's living standards, and it has become a serious issue in planning of sustainable development of the country.

Problem is furthermore intensified by irrational schemes of settling, preserved from the times of planned economy; as a result of that, investment of funds directed at development of the social infrastructure of rural areas remains ineffective in the course of investment programs implementation, while migration processes still have spontaneous and unmanageable character.

The major objective of the State program of development of rural territories is to ensure adequate life support to rural territories, based on optimization of rural population's spatial distribution.

To hit the targets set by the Program, responsible agencies are supposed to take the following steps:

- analyze the current situation/define major indicators of socio-economic development through certification of rural settlements;
- work out primary measures to encourage economic activities, including investments into construction and rehabilitation of engineering infrastructure;
- fine-tune monitoring of socio-economic development of rural settlements and of ecological safety of arable lands, enhance the land resources appraisal system;
- work out and implement programs to stimulate migration of rural population;
- work out a model of effective rural population's spatial distribution and take measures to implement the model.

The scale and novelty of the issues attended to within the Program, the need for coordination of the planned measures with capacities of the central and local budgets call forth for two-staged implementation of the Program.

With the first stage accomplished in 2006 the second stage (2007-2010) provides for evaluation of potential capacity of every rural settlement; implementation of measures is expected to optimize rural population's spatial distribution, ensure high living standards of rural population, and lay solid foundation for sustainable development of rural territories.

Elaboration of the Program was called forth by the need for measures that could ensure effective development of rural territories, and the need for optimum schemes of spatial distribution of rural population with a view of concentrating resources in economically viable regions, where satisfactory income level could be maintained.

Thus, one of the main targets of the Program is elaboration of an effective model of spatial distribution of rural population and its further implementation.

Regulation of migration flows is a core component of the Program of Rural Territories Development.

An important point is that the Program will contribute to adaptation of rural population to liberal market reforms.

The program is bound to boost economic growth in the agrarian sector and facilitate jobs creation in rural settlements of medium and high potential for development.

The Program provides for evaluation of agricultural organizations' demand for manpower for the following several years.

As a result of the Program implementation, income level in rural territories is bound to rise through upsurge of small business initiatives of rural population and widened scope of activities; internal migration will be encouraged and regulated.

By late 2006, the optimum model of spatial distribution with consideration of climate zones and location of factors of production have been finalized; the model is to be fully adopted by late 2010.

Main areas of the development which will require significant amount of investment as well as western best practice in the development of rural area:

- 1) Encouragement of creation of large scale processing units
- 2) Encouragement of investment in agriculture
- 3) Introduction of new technologies to agro business
- 4) Further development of production infrastructure in rural areas
- 5) Rational nature management
- 6) Further development of social entrepreneurial corporations
- 7) Development of motor roads in the rural area
- 8) Providing the rural area with qualitative drinking water
- 9) Poverty reduction
- 10) Development of healthcare and education in the rural area

HOW TRADE ACTIVITY IS REGULATED IN KAZAKHSTAN¹

Trade development is a primary component in Kazakhstan's successful development. There are new players in the market, and the extension of trade with Kazakhstan is becoming a priority direction for an increasing number of foreign companies. This is an overview of the main regulatory mechanisms for imported goods trade on the territory of Kazakhstan. Organizational and legal forms for carrying out trade activity are considered. The main requirements of customs and currency control, licensing, certification and the introduction of other protective measures undertaken with regard to goods imported to Kazakhstan are described in detail.

It should be noted that the legislative requirements considered in this article are applicable only to those organizations that carry out trade activity directly on the territory of Kazakhstan. In case the purchase and sale agreement is fulfilled outside of Kazakhstan, compliance with the requirements on customs clearance, licensing, certification, etc. becomes the obligation of the purchaser. Accordingly, all risks associated with these procedures as well as the obligation to make payments as envisaged by the law are incurred by the purchaser.

Organizational and Legal Form of the Trade Enterprise

In case a foreign company intends to sell goods to Kazakhstan consumers abroad and plans to start trade activity within Kazakhstan, the company shall choose the organizational and legal form of an enterprise carrying out such activity in Kazakhstan. With regard to the possibility to conduct entrepreneurial activity, the law does not distinguish between resident and non resident legal entities. Therefore, a foreign company may carry out activity in Kazakhstan in the form of a Kazakhstan legal entity, with charter capital fully established by a foreign company, in the form of a joint venture, or through the establishment of a branch.

Tariff Regulatory Measures of the Foreign Economic Activity

From the moment that goods are conveyed across the customs border of Kazakhstan, they fall within the scope of the legally established rules on conveyance and customs clearance, i.e. the tariff regulatory measures. These rules are established by the RK Customs Code. The customs legislation envisages 16 types of customs regimes. The customs payments depend on the chosen customs regime and include customs duties, customs fees and payment for a preliminary decision.

In order to pass customs clearance, the customs value of the goods must be determined. There are several methods that have been established in order to determine the customs value: transaction value of imported goods method; transaction value of identical goods method; transaction value of similar goods method; deduction of costs method; composition of costs method; and the reserve method. The method based on the transaction value of the imported goods is the method most commonly used. If this method can not be applied, then other methods are applied consecutively.

The declarant independently determines the customs value of the goods, and the customs authority controls the correctness of such determination. At the same time the customs authority is entitled to correct the customs value depending on their information regarding the price of goods.

Below described the customs regimes most often used when goods are imported.

¹ The information provided in the above article does not constitute legal advice with respect to any matter and may not be relied upon for such purposes. Readers are advised to take appropriate legal advice before entering into any transaction related to matters discussed herein. Published in *2006 Invest Kazakhstan*

Regime of release of goods for free circulation envisages that the goods imported to Kazakhstan shall be used and consumed in Kazakhstan. The person importing the goods is to pay customs duties and taxes, comply with non-tariff regulatory measures (licensing, certification, etc.) and conduct full customs clearance.

Under the ***regime of processing goods for free circulation***, foreign goods undergo processing on customs territory under customs control without payment of customs duties or taxes and without non-tariff regulatory measures being applied. This regime is completed with the placement of the processed products under the customs regime for release for free circulation.

Free customs zone regime envisages that goods placed and used within the relevant territorial special economic zones are exempt from customs duties and taxes, except for excise on imported goods, and without non-tariff regulatory measures being applied to them, except for requirements regarding their safety. This category of goods includes goods from the list established specifically for the purpose of the creation of special economic zones. For example, the Decree of the President “On the creation of the ‘Ontustik’ special economic zone” contains a list of goods including vehicles, equipment and goods necessary to conduct construction work on the territory of the economic zone, as well as goods and materials necessary to conduct scientific and development work.

Kazakhstan grants tariff preferences to certain countries either in the form of a release from or reduction of the rates of customs duties or by means of establishing quotas for the preferential import of goods. Customs duties are not collected when goods are imported from countries which are members of the customs union with Kazakhstan as well as from country members of a free trade zone. When goods are imported from the countries indicated in the list specifically established by the Government, reduced rates of customs duties are applied. Decisions on granting tariff preferences are also made by the Government.

At first glance it seems that such a detailed legislative regulation of customs issues would allow for imported goods to be cleared through customs quickly. However, in practice, there are a number of documents that must be submitted when importing goods. This affects the speed of clearance, leads to a delay in the market for the goods, which in turn leads to an increase of price for the imported goods. Although the law envisages that the customs value is determined by the declarant, the final decision is made by the customs agency, which may or may not agree with the declared value and can increase the perceived value of imported goods, thus increasing the rate of collected customs duties again leading to an increase in the price of imported goods.

In order to avoid delays in customs clearance it is necessary to review carefully all requirements established with regard to the list and the contents of the submitted documentation. It is also possible to request a preliminary decision of the customs authorities on classification of goods and to undergo preliminary and periodic declaration of goods.

Currency Regulation

The main aim of currency regulation on the import of goods is the legal and well-founded use of funds in foreign currency and Tenge for the purposes of import. The basis for currency control is established in the Law “On Currency Regulation and Currency Control” and the Instruction on Organization of Export and Import Control in the Republic of Kazakhstan. The system of currency control envisages preparation of the transaction passport by means of which the National Bank of RK, importer’s bank, and customs authorities are able to track the compliance of the importer with the currency legislation. For the purposes of currency control, the importer means a resident of the Republic of Kazakhstan (legal entity, branch, individual entrepreneur) who has concluded a contract on acquisition and import of goods to the customs territory of Kazakhstan.

A transaction passport is necessary if:

- Contract value exceeds the equivalent of ten thousand (\$10,000) US dollars:

-upon conveying goods across the customs border of Kazakhstan, according to the purchase and sale contracts;

-upon release of goods for free circulation in connection with transfer of the ownership for goods from non-resident to resident provided that previously such goods were placed under a different customs regime than the release for free circulation regime.

- Goods are conveyed across the border within the release for free circulation regime under the contracts for rendering services and value of goods exceeds the equivalent of ten thousand (\$10,000) US dollars as of the date of conclusion of the contract.

The transaction passport for import of goods is not required:

- under contracts which envisage that payment of goods is made at the expense of state foreign loans or foreign loans secured by the guarantee of the state;

- under contracts which do not envisage conveying goods across the customs border of the republic and which accordingly do not require customs clearance;

- under contracts and invoices with the sum not exceeding the equivalent of ten thousand (\$10,000) US dollars, provided that the banks and customs authorities exercise control over such operations of the importers;

- upon conveying goods under the agreements of gratuitous character which do not require counter execution of the obligations.

Registration of the transaction passport starts in the customs agency, in the zone where the importer is registered, by submitting the documents established by the law. After registration of the transaction passport in the customs agency, the importer submits a copy of the contract and the registered transaction passport to the bank. The payments for the purpose of import can be made only after the bank registers the transaction passport.

A contract for the import of goods is required to contain an indication regarding the timing of fulfillment of the obligations by non-residents. In case the transaction envisages that goods will be delivered within a period of time exceeding 180 calendar days, the importer is obliged to obtain the appropriate license and/or registration certificate and/or certificate on notification of the currency operations from the National Bank. In case goods are not delivered within ten (10) working days from the moment of the expiration of the term, the importer is obliged to submit a written explanation stating why the goods were not delivered to the customs agency and attach the certifying documents. At the same time the importer shall undertake all measures to return advance payments or goods to be delivered.

In case of non-delivery or only partial delivery of goods under the contract envisaging conveying goods across the customs border within the time period established by legislation or National Bank's license, the importer be subject to administrative liability.

Thus, it is the importer who shall comply with the requirements of currency legislation. The obligations on fulfillment of these requirements will be distributed depending on the status of the company and its involvement in the transaction (either as importer -a Kazakhstan legal entity -or as the seller of goods – a non-resident).

Non-Tariff Regulatory Measures

Apart from payment of the customs payments, the import of goods is also subject to the non-tariff regulatory measures, including licensing, quotas, certification and other protective measures established by law.

Licensing

The main purpose for the licensing of imported goods is restricting import of certain categories of goods in order to protect the internal market as well as to protect national security and public order. Issue of licensing of import and export is regulated by several normative legal acts including the Law "On Licensing" and Rules on Licensing Export and Import of Goods.

Licensing does not mean any quantitative restrictions with regard to import. Not all goods must be licensed, only those which are included into the special list prepared by the Government. Included on this list are such goods as pesticides, equipment with use of radioactive substances, cryptographic equipment, industrial wastes, etc.

Obtaining the license is a mandatory procedure for every imported category of goods, falling within the established list regardless of whether such goods are imported by a legal entity registered in Kazakhstan or a foreign legal entity (or its structural subdivision). In order to obtain the license, the applicant needs to submit the documents envisaged by the legislative acts to the authorized agency.

The license issued for the purpose of export and import operations for one transaction is valid for one transaction. Such license is issued to the applicant for the period of up to one calendar year and for one category of goods regardless on number of names of goods included into the contract. The term of validity of such license may be prolonged upon request of the applicant for the period not more than one calendar year. The license is issued within one month from the moment of submission of all necessary documents. In case of non-fulfillment by the licensee of the requirements established by the license the licensor may suspend the license for the period of up to six months. If the licensee does not remedy the defects which caused suspension of the license the license can be revoked by the decision of the court.

Certifying Compliance with the Standards and Safety Requirements

Mandatory certification is the form of certifying the product's compliance with the requirements established by the normative legal acts in the sphere of technical regulation, presuming the participation of state authorities, and obtaining the document certifying the compliance. Certification of the compliance is exercised in two forms: by adoption by the goods producer of the declaration on compliance and by mandatory certification. The list of goods and services to be mandatorily certified such as vehicles, weapon, electro-technical, radio-technical, electrical equipment, communication equipment, household chemical goods, etc. is established by the Government. The Government also establishes the list of goods which must comply with the standards and safety requirements and which may be certified by the declaration on compliance.

When conveying goods across the customs border of Kazakhstan, the importer is required to fill out the application declaration which needs to be registered by an accredited company providing certification services. The application declaration has legal force only for the purpose of customs clearance for imported goods. In order to sell goods it is necessary to certify their compliance with the standards in the company that registered the application-declaration.

The agreements on sale and purchase of goods requiring mandatory certification must contain the obligation to obtain a certification of compliance with the standards and safety requirements. Such agreement also envisages provision of information in the state (Kazakh) and Russian languages including information pertaining to the name of product, country and plant of the producer, shelf life, conditions of storing and method of usage. The person producing goods or importing goods to Kazakhstan for release for free circulation has an obligation to ensure availability of such information. Both the producer and seller are responsible for the safety of the products sold at the market, for any violation of the requirements established by normative legal acts regarding technical regulation as well as for non fulfillment of the instructions and decisions of the agency exercising state control and supervision.

Kazakhstan has concluded a number of international agreements under which the certificates of some foreign states are recognized on the territory of Kazakhstan. Recognition of the foreign states' certificates is carried out by means of their re-issuance in the form established in Kazakhstan. In case there is no international agreement, the certification of imported products is conducted according to the rules established for Kazakhstan producers.

Application of Protective Measures and Competition Regulation

In the context of this article the protective measures refers to protective duties, quotas for import of goods, as well as antidumping measures applied on the basis of the Government's decrees. The most important legislative acts in this sphere are the Law "On Measures on Protection of the Internal Market When Importing Goods", the Law "On Antidumping Measures" and the Rules on Conducting the Investigation Preceding Introduction of Protective, Compensatory or Antidumping Measures.

The protective measures and quotas for import of goods are established in case the product is imported to Kazakhstan for free circulation in such amount and on such conditions which seriously damage, or which could seriously damage, a national producer of similar or competing goods. The protective measures may be applied by the authorized agency only after an investigation conducted in accordance with the established procedures and rules.

If the authorized agency makes a preliminary decision that there is material damage or the threat of material damage as a result of increased level of import, the Government may take the decision on introduction of temporary protective measures, i.e. by establishing a quota and/or temporary protective duties. The time period for the temporary protective measures cannot exceed 200 days. During the period of investigation, the party importing goods may conduct custom clearance of such goods. However, from the date of the commencement of the investigation and until its completion, this category of goods shall be licensed without any quantitative restrictions, i.e. all imported goods with regard to which investigation is undergoing shall be licensed.

If upon completion of the investigation, the decision is made that there is material damage or threat of material damage the Government introduces protective measures. The time period for protective measures is determined by the Government but it shall not exceed four years. Exceptions are made in cases when the time period for protective measures is prolonged upon request of the authorized agency or upon the Government's own initiative, if this protective measure is deemed necessary to prevent or eliminate material damage. Decisions on introduction of the protective measures may be appealed to the court.

Antidumping measures are the protective measures introduced in order to protect the internal market and prevent unfair competition. Antidumping measures may be applied only upon conducting antidumping investigation initiated either by the applicant (national producer or their group) or authorized agency upon request of the Government, in case there is information in respect of dumping.

In case the authorized agency as a result of investigation establishes that there is material damage or threat of such damage, the Government takes the decision on introduction of antidumping duties. If, upon completion of antidumping investigation, the company not connected with other providers of goods on which the duties are imposed starts import of similar goods, the antidumping investigation shall be initiated against such company within one month. In the course of the antidumping investigation no antidumping duties are imposed against such company, although the temporary antidumping measures (guaranteed deposits and/or guarantees of Kazakhstan banks) may be introduced. The order of conducting antidumping investigation, criteria according to which the dumping is established, as well as other issues connected with introduction of antidumping duties, are regulated by special rules established by the Government.

Analysis of the normative acts regulating the issue of introduction of the protective and antidumping measures indicates that the investigation procedure is rather transparent and provides for the protection of participants being investigated. In practice the introduction of protective measures is quite rare in Kazakhstan.

Kazakhstan legislation contains provisions intended to protect the internal market and prevent unfair competition both from the side of importers and local goods producers. Unfair competition, i.e. any action (omission to act) of the legal entity and/or individual as well as state

authorities with the intention to gain (provide for) unfounded advantages in entrepreneurial activity by means of elimination or restriction of competition leads to liability established by the legislation. Therefore, a decision of the state on introduction of any measures with regard to goods importation is considered not only from the point of view of protecting the local goods producer but also from the competition point of view.

State authorities are prohibited from adopting acts or committing actions which restrict economic independence and from creating either discriminatory or favorable conditions for activity in the market if such acts or actions lead or might lead to restriction of competition. In connection with this it could be noted that if the share of one Kazakhstan goods producer, who supported the application on introduction of protective measures exceeds 35% of Kazakhstan production of similar goods, the opinion of the anti-monopoly agency is required to assess the effect of the protective measure upon competition. The same opinion is required in case the total volume of import of certain goods constitutes less than 25% of the total volume of realization of goods on the internal market of Kazakhstan. By such means the legislator intends to maintain a balance between the interests of local goods producers and importers and not to admit the actions directed to gain unfounded advantages in entrepreneurial activity.

Regulation of Wholesale and Retail Trade

The main requirements towards the trade from the point of view of civil legislation are established by the Civil Code and the RK Law “On Regulation of Trade Activity”. The law distinguishes wholesale and retail trade.

Wholesale trade represents entrepreneurial activity for the realization of goods intended for subsequent selling or other goals not connected with personal, family, household or other similar use. Wholesale trade can be carried out in specialized shops, trade centers and markets. Trade in mixed objects is allowed only if there are isolated places separated from the places of retail trade.

As a rule the seller establishes prices for sale goods. Only in certain cases related to antimonopoly regulation, the competition agency can set limits of the prices. Conclusion of the wholesale contract is regulated by general rules envisaged for the purchase and sale contracts as well as by the rules established for the supply contract. The wholesale contract shall be concluded in writing. Condition regarding the name and quantity of goods (subject of the contract) is the material condition for this type of contract. The parties to the wholesale contract have the right to determine the period of supply (in case goods are supplied in lots), order of supply, price, and payment order as well as to envisage the grounds for unilateral refusal to perform under the contract or termination of the contract.

Under the legislation in case there is a material breach of the supply contract by one of the parties, another party shall have the right to unilaterally refuse to perform under the contract or demand its amendment. Material violations of the supply contract for the supplier include the supply of goods of improper quality with defects that cannot be remedied within an acceptable for the purchaser time period and repeated breach of the term of goods supply. For the purchaser the material violations of the contract are the following: repeated breach of the terms of goods supply and repeated non-selection of goods. In case of material breach, the contract is considered as terminated (amended) from the moment of receipt by one of the parties of notification from the other party about refusal to perform under the contract fully or partially. There is no need to file an action to the court or obtain the consent of the other party for termination or amendment of the contract.

Retail trade is the entrepreneurial activity on selling goods to the consumers for their personal use. The retail purchase and sale agreement is a public one, i.e. the seller, who carries out retail trade, shall realize goods to any person, except the cases when the legislation establishes restriction on the consumer’s age or qualifications, e.g. cigarettes, weapons. The retail purchase and sale agreement may be concluded both in writing and verbally. However,

taking into account the fact that the transaction on retail purchase and sale is performed immediately at the moment of its execution, the verbal form of the transaction is presumed.

The price of goods is the material conditions of this type of the contract. As the contract has public character, the purchaser has the right either to accept the condition regarding price or refuse from execution of the contract. Differing from the wholesale trade, under retail trade every unit of goods shall be packed and packaged individually unless otherwise following from the essence of the contract. The purchaser in case of retail trade has the right to exchange nonfood goods for the analogous goods if he is not satisfied with the size, colour, etc.

The companies in trade activity, both wholesale and retail, are obliged to comply with the sanitary and epidemiological norms and rules, hygienical standards, etc.

FOREIGN INVESTORS' FAQ – PROFIT REPATRIATION AND TAXATION IN KAZAKHSTAN²

Due to political and economic stability in Kazakhstan, rich natural resources and high annual economic growth over the past several years, foreign investors continue to view Kazakhstan as a favorable place to do business.

One of the most important issues for foreign investors is the repatriation of their profits and the tax implications of their income. An analysis of the taxation of certain types of income in Kazakhstan is given below.

Civil legislation allows foreign investors to operate in Kazakhstan through either a local branch of a foreign company or a local subsidiary established as an independent legal entity under the laws of Kazakhstan. Naturally, a foreign investor should determine which type of investment structure is preferable.

Operating in Kazakhstan through a Branch Office

The branch's profits are subject to corporate profit tax in Kazakhstan at a rate of 30 percent plus an additional tax on the net after-tax income of the branch (a so-called branch profit tax). Under Kazakh tax code, the branch profit tax rate is 15 percent. It is applied irrespectively whether profits are repatriated or not. This tax is similar to the tax withheld on dividends, but since tax on profits repatriated by Kazakh entities applies only when profits are actually distributed, a subsidiary can defer tax by not paying dividends.

A foreign company cannot charge fees to its Kazakh branch office, because the head office and branch are part of the same entity. However, an affiliate company can charge fees to the branch office in Kazakhstan, so intra-group transactions are possible.

Operating in Kazakhstan through a Subsidiary

A foreign investor can choose to create a subsidiary in Kazakhstan in the form of a joint stock company (JSC) or a limited liability company (LLC).

Sometime potential foreign investors confuse Kazakh LLC with Russian "limited liability partnership" and they ask whether LLC is a "flow through" entity whose revenues and expenses flow through the entity and are attributed to the partners owning the entity, in accordance with the partnership taxation principles that are common in many countries. However, LLCs are not flow-through entities, therefore JSCs and LLCs are taxed similarly in Kazakhstan. Both are subject to corporate profit tax and their profit distributions are subject to income tax withheld at the source of payment at the rate of 15 percent. Profits distributed by a JSC are referred to as dividends, while profits distributed by LLCs are called income from equity investments (because LLCs do not issue shares), but the difference in nomenclature has no impact on the taxation of the profit distributions.

As a result of the adoption in 2004 of the law on JSCs, usually they work as public companies, while LLCs - as private companies, being most common organizational form for companies in Kazakhstan.

Any Kazakh-source income that a subsidiary company pays to a foreign parent company is subject to the same rates of income tax withholding, regardless of the type of entity paying the income, unless tax privileges granted by an international agreement. The following income tax rates apply to income paid by nonresident companies with no taxable permanent establishment in Kazakhstan:

² The information contained in this article is of a general nature and is not intended to address the circumstances of any particular individual or entity. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation. Published in *2006 Invest Kazakhstan*.

<i>Interest income</i>	<i>15%</i>
<i>Dividends and income from an equity investment in a Kazakh entity</i>	<i>15%</i>
<i>Premiums paid for insurance coverage</i>	<i>10%</i>
<i>Premiums paid for reinsurance</i>	<i>5%</i>
<i>Income from international transportation services</i>	<i>5%</i>
<i>Other income (royalty, fees for other types of services)</i>	<i>20%</i>

Tax Treaty Benefits

Under Kazakh tax law, the deductibility of interest paid to a nonresident lender depends on the borrower's capital structure. If the borrower's debt-to-equity ratio exceeds a specified ceiling level, the interest paid to a nonresident lender is not fully tax-deductible in Kazakhstan. However, under the nondiscrimination clause of many of Kazakhstan's tax treaties, interest can be fully deductible if it is not paid to a related company. Thus, there can be a profit tax advantage from operating under a tax treaty.

Business profits from the active conduct of business in Kazakhstan, rather than passive investment in Kazakhstan, can be completely exempt from income tax in Kazakhstan if the nonresident business has no permanent establishment in Kazakhstan under the applicable tax treaty. In addition, foreign investors operating in Kazakhstan through a branch office can in many cases claim treaty relief and reduce the branch profit tax rate applicable to their branch's profits. The branch profit tax under most of Kazakhstan's tax treaties is 5 percent. Furthermore, Kazakhstan's tax treaties typically provide for reduced income tax withholding rates for passive income such as dividends, interest, royalties. Most of Kazakhstan's tax treaties provide for a reduced tax rate of 5 percent on dividends, and 10 percent on interest and royalties. Hence, it is often advisable to invest in Kazakhstan from a country that has a tax treaty in place with Kazakhstan.

The procedure for claiming treaty relief in Kazakhstan depends on the type of income for which treaty benefits are claimed. For passive income and income from services provided entirely outside of Kazakhstan, a nonresident of Kazakhstan which is a resident of a country that has a tax treaty with Kazakhstan can claim treaty benefits simply by providing to the payer a copy of a certificate from the nonresident's home-country tax authorities confirming that the nonresident is a tax resident of that treaty-partner country. Likewise, a nonresident with a branch office in Kazakhstan can claim a treaty-reduced branch profit tax rate by obtaining from its home-country tax authorities a certificate confirming that the nonresident is a tax resident of that treaty-partner country.

The tax authorities of some countries are more cooperative about issuing such certificates confirming tax residency, so foreign investors may wish to take this into account when selecting a jurisdiction from which to invest into Kazakhstan. Investors from some countries may experience difficulty obtaining tax residency certificates if they operate in the form of a partnership in that country and if a partnership is not recognized in that country as a taxable entity that can be regarded as a tax resident. Thus, the type of entity organized in a particular country may also have an impact on the choice of jurisdiction from which to invest into Kazakhstan.

Summary

Foreign investors can earn many types of income from Kazakhstan. Some of the most common types are dividends from JSCs and income from equity investments in LLCs, royalties, interest income and management service fees.

From the perspective of diminishing the tax burden, it is generally advantageous for a foreign investor to invest in Kazakhstan from a country with a tax treaty in place with Kazakhstan. Usually, foreign investors represent multinational holdings with subsidiaries in multiple countries and have a variety of affiliates available for investment and activities in

Kazakhstan. In that case, the foreign investor may be able to choose between various countries from which to invest into Kazakhstan.

Though these issues primarily relate to foreign investors, Kazakh resident customers often provide input to foreign suppliers and service providers regarding how to structure operations in Kazakhstan. By being flexible and knowledgeable about tax issues, Kazakh companies can help foreign suppliers and service providers reduce tax costs in Kazakhstan, and these tax savings can be partially passed on to the Kazakh customers in the form of lower product and service costs.

When making a decision regarding the jurisdiction from which to invest in Kazakhstan or the type of organizational form to use for activities in Kazakhstan, foreign investors are advised to seek professional advice.

KAZAKHSTAN'S FOREIGN POLICY: MAIN ACHIEVEMENTS AND NEW GOALS

The formulation of conceptual basis and principles of Kazakhstan's foreign policy was started shortly after Kazakhstan gained its independence on December 16th 1991. The first President of the independent Kazakhstan N. Nazarbayev has clearly determined **the main strategy of Kazakhstan's diplomacy - creating and maintaining favourable conditions for the steady development of the country on the basis of political and economic reforms.**

The nature of these transformations inside the country determined the main priorities of the country's foreign policy; its impartial character and its desire for full involvement in international and regional events. At that time the Government of the Republic had to make key decisions in military, political and economic areas and also decisions on democratic reforms and on the establishment of a new state governing system. These decisions had to be made to help integrate Kazakhstan smoothly into the world community. Kazakhstan's foreign policy is in general harmony with the global political trend towards liberalisation.

Analyses of the main achievements in the independent development of Kazakhstan during the last 15 years, has shown that one of the most important decisions made at that time was to **gain the status of a non-nuclear state and to pursue the policy of non-proliferation.** Kazakhstan's diplomacy was successful in developing good relations with **Russia, China and with the countries of Central Asia, the USA and with many European and Asian countries.** As a result of the Republic's foreign policy we have good and friendly relations with our neighbours: **there is a "security belt" around Kazakhstan's borders.** The main achievement of this time has been the absence of conflicts or confrontations between Kazakhstan and any other countries. Favourable external conditions have been created for the development of the independence of Kazakhstan and for its political and economic interests in general.

Kazakhstan has established **diplomatic relations with 140 countries** and has become a **member of 64 international political and economic organizations.**

Kazakhstan was accepted as a member of the United Nations Organization in March 1992. Since that time Kazakhstan has participated in many activities of the UN.

During the years of independence the Republic of Kazakhstan has formed a practical contractual and legal framework for its relations with other countries. Over 1300 international and intergovernmental contracts and agreements have been signed by Kazakhstan. Kazakhstan has established active co-operation with the majority of North American, European and Asian countries and with their main regional organizations as well; for example, with OSCE, ECO, OIC and others. By doing this Kazakhstan has created the conditions required for its integration into global and regional processes.

Considering the geographical location of Kazakhstan in Eurasia, an active participation of the country in global and regional affairs and events is obviously the necessary requirement for the strengthening of its independence. Today Kazakhstan is directly participating in many transformation processes taking place throughout the world.

The changes and transformations that are going on throughout the world are part of the **process of globalisation.** The interdependence of countries on one another is growing. Problems, which recently were considered as domestic or regional, now have a direct or indirect influence on countries worldwide. Globalisation is becoming the dominant factor in world politics. The interdependence of countries is most obvious in such areas as economy, finance, technology and IT. Globalising economy is gaining more and more influence and importance in a society and it very often affects major political decisions.

Globalisation is gaining momentum and so are the **regional processes of economic integration.** Regional alliances are developing in every corner of the planet. Many countries have realised, that their national goals can be successfully achieved only through developing regional cooperation. From the very beginning of its independence Kazakhstan has constantly

been putting efforts to promote regional economical integration. Astana took practical measures on its co-operation within the **CIS, the Eurasian Economic Association, the Central Asian Economic Association** as well as within newly founded **Shanghai Cooperation Organization**. **In early 2005 Kazakhstan** has called its neighbours for the eventual establishment of the **Central Asian Union** based on commonality of historic, ethnic, cultural and economic backgrounds and shared challenges and interests in future.

During the 15 years of Kazakhstan's independence its foreign policy has become an integral part of state policy. The country has found ways for correlating its own national interests with the interests of other countries. At present there are more than **70 diplomatic and consular offices worldwide that are representing Kazakhstan abroad**. Kazakhstan diplomacy has achieved a lot during the last 15 years. **The Law on Diplomatic service** of the Republic of Kazakhstan was adopted and the framework of Kazakhstan's foreign policy and international co-operation was established; Kazakhstan has gained respect in the international community and the principles of the Republic's foreign policy have been recognised in the diplomatic community.

Our country strives towards the development and strengthening of security and related organizations in Asia. Back in 1992 at the UN President Nazarbayev has called for an initiative to establish the **Conference on Interaction and Confidence building measures in Asia (CICA)**. He believes that this process can and will become a reality and an integral part of international relations in Asia. Many Asian countries encouraged this initiative and a number of international organizations including the UN supported the process. **The first CICA summit took place in Almaty in June 2002 adopting the "Almaty Act" which outlines the principles of security and cooperation in Asia**. With the support of partner-countries the CICA process continues to evolve (see p.105).

In November 2006 **Kazakhstan has been for the first time elected to the United Nations Economic and Social Council (ECOSOC)**. In the course of elections of 18 new ECOSOC members at the UN General Assembly, Kazakhstan was supported by 187 out of a total of 192 UN member states considerably exceeding the required minimum of two-thirds of the votes.

Kazakhstan is a large country located in Europe and Asia; its interests are multifaceted and there is no bias towards one continent or another. Its geographical location has helped define the priorities of Kazakhstan's foreign policy and has influenced the many directions of its diplomatic activity.

Kazakhstan has entered the XXI century adapting its foreign policy priorities to new geopolitical realities.

But the key goals and principles of the foreign policy of Kazakhstan remain as follows:

- protection of national interests;
- providing the most favourable conditions for the economic and political development of the country;
- development of strategic co-operation with leading countries and regions of the world;
- development of comprehensive co-operation with international organizations;
- contribution to the strengthening of democratic principles of the new world order;
- contribution to global and regional security and stability and struggle against new threats (terrorism, drug trafficking, organised crime etc.)
- active participation in the processes of global and regional economic integration;
- active participation in the promotion of social, human development and democracy in the world;
- active participation in securing environment and sustainable development in the world.

POSITION OF KAZAKHSTAN ON SOME KEY INTERNATIONAL ISSUES OF TODAY

International terrorism, drug trafficking and other new threats (interethnic and interconfessional conflicts, humanitarian crises, poverty and epidemics, illegal migration, man-made environmental disasters etc.):

Kazakhstan believes that these new threats to global and regional peace and stability reflect the “dark side” of globalization and therefore addressing them successfully and efficiently requires a genuine collective will and effort of the whole international community.

True identification of the underlying root causes of these threats, on the one hand, and **genuine collective efforts to secure practical steps and resources to address them**, on the other, could guarantee success in offsetting these challenges. It is widely believed that in many cases the root causes lie in economic and political underdevelopment and degradation. Comprehensive and genuine agreement on collective mechanisms and instruments to address them is therefore essential.

Thoroughly revamped UN and its Security Council are capable of becoming the best choice to accomplish the above two-fold task. Therefore Kazakhstan strongly supports an early and well-thought reform of the UN and entrusting it with a true coordinating role in the struggle against the new threats. **In the era of globalization and multilateralism renewed and strong United Nations**, as a genuinely universal body and authority, can best serve the goals of development as well as preserve the cultural diversity of the global civilization.

Kazakhstan commits itself to fully cooperate along these tracks on global and regional levels.

Afghanistan:

While welcoming last elections of 2004 Kazakhstan strongly favours a comprehensive and continued international effort to bring lasting peace and economic and humanitarian rehabilitation of Afghanistan.

The United Nations should provide the best aegis for such an effort.

Drug production and its illegal and massive spread from Afghanistan is a major international concern, particularly for Kazakhstan being in close vicinity to Afghanistan.

To help bringing peace and development in Afghanistan Kazakhstan has joined the International Antiterrorist Coalition and fully supports its operations in Afghanistan. Kazakhstan has actively participated in the **London Afghanistan Compact Conference in 2006** and pledged various types of assistance to the Afghan Government to tackle the aforementioned problems. Further, in March 2006 at the international conference in Afghanistan **Kazakhstan’s Foreign Minister has offered a concept of a “broader Central Asia”** which envisages active engagement and involvement of Afghanistan into the framework of regional trade and economic cooperation between Central Asian countries. This could greatly contribute to the rehabilitation of Afghanistan and its integration into regional and global cooperative frameworks.

Iraq:

January 2005 elections in Iraq have become an important milestone. Kazakhstan believes that UN should play an active and effective role in further political and economic rehabilitation in Iraq in close cooperation with the Iraqi Authorities and international community. Joint efforts should ensure full respect of independence and territorial integrity of Iraq, as well as the sovereignty of Iraqi people and their right to determine for themselves their own political future.

Kazakhstan fully cooperates with international community in this respect and has sent its fully equipped unit of 30 military engineers as part of the International Stabilization forces in Iraq.

Middle East:

Kazakhstan is for fair settlement of confrontation with full account of legitimate interests and rights of the Israeli and Palestinian people and would welcome serious and unconditional recent significant signs of commitment to peace and cooperation on the part of both sides. Such a settlement should also take care of the rightful concerns of other sides involved to ensure that peace and confidence prevail in the region.

There should also be a genuine consensus among the four Sponsors of the Middle East process.

The US initiated “Road Map” plan can serve as a guide to produce such a settlement along the formula “land for peace” and peaceful coexistence of Israelis and Palestinians.

Iran’s nuclear programme:

Kazakhstan as a state that **voluntarily denounced nuclear weapons** is strongly committed to the principles of non-proliferation and inadmissibility of using nuclear energy for military purposes. **The situation around the Iranian nuclear programme directly affects the security environment in regional and global scales.**

Kazakhstan confirms the right of the states parties to the Treaty of the Non-proliferation of Nuclear Weapons to carry out research activities in the nuclear field and sovereign right **to use atomic energy for peaceful purposes** provided a steadfast compliance to the transparency and non-proliferation regime under the IAEA safeguards as well as close cooperation with the UN. Kazakhstan also confirms its strong belief in the need to use diplomatic methods to resolve acute issues of international relations, including the issue of the Iranian nuclear programme. **Kazakhstan supports diplomatic efforts undertaken by interested countries to resolve the issue.**

KAZAKHSTAN'S CONTRIBUTION TO THE STRENGTHENING OF INTERNATIONAL SECURITY

Being an independent body of international law (*jus gentium*) at the beginning of its independent development, the Republic of Kazakhstan has actively established military and political mechanisms to address major international challenges and joined international efforts aimed at strengthening global security. **Our country renounced the status of a nuclear power and thus confirmed its intention to follow the principles of cooperation and non-confrontation in international relations.** This also shows that Kazakhstan has developed a responsible attitude towards matters of international security. Today we are absolutely confident that the decision to renounce our nuclear heritage was the only right decision to ensure the national and global security.

The Republic of Kazakhstan as the successor to the USSR **became a participant of major negotiations and agreements concerning disarmament, arms control as well as confidence-building measures.** The most important agreements concerned the strategic arms reduction and the elimination of medium and short-range missiles and the conventional arms forces in Europe.

In August 1991 President Nazarbayev has signed a historic decree to close **the Semipalatinsk nuclear test site.**

On the 29th of December 1991 the leaders of Belarus, Kazakhstan, Russia and Ukraine signed the **Almaty Declaration** in which they agreed on the control mechanisms over the operation of the nuclear arsenal of the former USSR and affirmed their international obligations concerning the strategic arms reduction.

On the 23rd of May 1992 in Lisbon the representatives of Kazakhstan, Belarus, Ukraine, Russia and USA signed a five-party **Protocol to the Strategic Arms Reduction Treaty.** At the same time Belarus, Ukraine and Kazakhstan, as the states possessing nuclear weapons, committed themselves to the Non-Proliferation Treaty. Thus **Kazakhstan has made a historical decision to renounce its nuclear heritage** which was an important step strengthening the statehood of our country as an integral part of existing world civilisation.

In accordance with the Lisbon Protocol, Kazakhstan, Belarus and Ukraine, as successor states to the USSR in terms of the Strategic Arms Reduction Treaty, have agreed to participate, along with Russia and USA, in the work of the joint Commission on observance and inspection. They have also agreed to conclude agreements on the limits and restrictions specified by the Treaty. Kazakhstan ratified the Treaty and the Lisbon Protocol, which is an integral part of the Treaty, on the 2nd of July 1992. The Strategic Arms Reduction Treaty came into force in 1994 and paved the way to disarmament and the elimination of more than 9,000 nuclear warheads under strict supervision.

Kazakhstan was the first among the participants of the Lisbon Protocol to implement the provisions concerning removal of nuclear warheads. On the 21st of April 1996 the process of removal of 1416 nuclear warheads from Kazakhstan territory was completed. On the 30th of May 1995 the last nuclear test warhead, which was located in a gallery on the Semipalatinsk test site, was destroyed. Finally Kazakhstan had got rid of its nuclear inheritance forever.

In December 1993 the Supreme Council of the Republic of **Kazakhstan ratified the Treaty on Non-Proliferation of Nuclear Weapons (NPT).** The signing of the Treaty on Non-Proliferation of Nuclear Weapons was a very important step in the realisation of Kazakhstan's foreign policy. Many leading countries pointed out that by doing so Kazakhstan had visibly demonstrated its responsible attitude and maturity in international matters and its aspiration for active participation in resolving important international security issues.

In the statement made on the 14th of April 1995 the Ministry of Foreign Affairs supported the Resolution 984 (1995) by the Security Council of the UN on the extension of security guaranties to non-nuclear states participants of the NPT made by nuclear states.

Kazakhstan supported the decision that the pledge of security has to have the force of international law. In December 1994 the summit of CSCE took place in Budapest. The Memorandum on extension of security guaranties to Kazakhstan, Belarus and Ukraine made by Russia, Great Britain, USA was signed. The signing of this document is an important event of modern international politics. Three countries, which are depositories of the NPT, confirmed their collective obligation to respect the independence and the territorial integrity of Kazakhstan and to secure Kazakhstan from economic blockade. Kazakhstan was given the same assurance by China and France.

The 1996, was marked by another event of utmost importance. During the 51st General Assembly of the United Nations the **Comprehensive Nuclear-Test Ban Treaty was signed.**

Kazakhstan by then had already shut down the nuclear testing site, dismantled its infrastructure, and had signed agreements concerning nuclear armaments. Now Kazakhstan is implementing the proposals made by the President N. Nazarbayev during the Disarmament Conference to **include Kazakhstan's seismic stations in the International Monitoring System.**

Kazakhstan recognises the significance of the fact that the Treaty has been signed, but it doesn't believe that nuclear tests belong to the past. The damage inflicted on the people and environment of Kazakhstan is enormous and has to be properly assessed and mitigated. It is well known that for **more than 40 years more than 500 nuclear test explosions, including 113 in the atmosphere have been made in Semipalatinsk.**

On September 8, 2006 in Semipalatinsk, Kazakhstan a ceremony of signing of **Central Asian Nuclear-Weapon-Free Zone Treaty** took place. Representatives of Russia and China as well as representatives of the UN, IAEA and other international and non-governmental organisations attended the signing ceremony. The entire region formally renewed its unflinching commitment to nuclear non-proliferation and disarmament. It was also an effective contribution to combating most acute threats to peace and security and preventing fissile materials falling into the hands of terrorists groups.

The new denuclearized zone in Central Asia has a number of unique features. First, one of the zone's state namely, Kazakhstan, in the past possessed the forth largest nuclear arsenal. Secondly, for the first time the denuclearized zone is created in Northern hemisphere. Thirdly, this Treaty becomes the first multilateral agreement in security area which brings together all five Central Asian countries. And finally, for the first time the denuclearized zone has been created in the region which borders upon two nuclear states.

The Treaty will not only facilitate the strengthening of security of Central Asia, but will also be an important measure promoting regional confidence building and cooperation. Parties to the Treaty will jointly elaborate mechanisms of information exchange, verification procedures and properly fulfil Treaty provisions.

On the 14th of January 1993 **Kazakhstan signed the Convention on the Prohibition of the Development, Production, Stockpiling and use of Chemical Weapons and on Their Destruction (CWC). Kazakhstan is an observer in the Working Group of the Convention on Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their destruction (BTWC).**

The **Republic of Kazakhstan**, as the successor to the USSR in matters concerning the Conventional Arms Treaty Forces in Europe (CFE Treaty) and all respective documents, **has signed an Agreement on the principles and sequences of implementation of the Treaty and the Concluding Act of Negotiations on the personnel strength of the conventional armed forces in Europe** (Tashkent), 1992). By doing this, Kazakhstan confirmed its dedication to the Treaty, accepted all rights and responsibilities under the Treaty and relevant documents. The Supreme Council of the Republic of Kazakhstan ratified the Treaty and the above-mentioned agreement on July the 2nd, 1992. On October the 30th, 1992 the instrument of ratification was granted to the Netherlands, which is a depositary state.

The international community has fully appreciated Kazakhstan's contribution to this nuclear disarmament programme. The Government of Kazakhstan has demonstrated in practice its dedication to the principles and objectives of global security. This has established Kazakhstan as a responsible member of the world community and is helping to realise Kazakhstan's potential in foreign policy.

CONFERENCE ON INTERACTION AND CONFIDENCE-BUILDING MEASURES IN ASIA (CICA)

The Conference on Interaction and Confidence Building Measures in Asia (CICA) is an intergovernmental forum for dialogue, consultations and adoption of decisions and measures on the basis of consensus on security issues in Asia.

The initiative on convening CICA was put forward by the President of the Republic of Kazakhstan N.Nazarbayev for the first time at the **47-th session of General Assembly of the United Nations in October, 1992.**

General information

Main objective and thrust: enhancing co-operation through elaborating multilateral approaches towards promoting peace, security and stability in Asia.

Member States: Afghanistan, Azerbaijan, China, Egypt, India, Iran, Israel, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Palestine, Republic of Korea, Russia, Tajikistan, Thailand, Turkey and Uzbekistan (18 states).

Observers: Indonesia, Japan, Malaysia, Vietnam, Ukraine and the USA; the United Nations, the OSCE and the League of Arab States.

Chairman-in-Office: Republic of Kazakhstan (2002-2006, the first term of office; re-elected for the second term of office for 2006-2010).

Policy bodies: Heads of State and Government Meeting (Summit), Ministers of Foreign Affairs Meeting (Ministerial Meeting), Senior Officials Committee (SOC).

Supportive bodies: Special Working Groups (SWG) on different directions moderated by the CICA Executive Director.

Administrative body: permanent international Secretariat in Almaty (Kazakhstan).

Management of the Secretariat: CICA Executive Director Mr. Jandos Asanov (Kazakhstan, term of office 2006-2010), CICA Deputy Executive Director Mr. Kurtuluş Aykan (Turkey, term of office 2007-2010).

Main meetings: I Ministerial Meeting (1999), First Summit (2002), II Ministerial Meeting (2004), Second Summit (2006) all of which held in Almaty.

Basic documents: Declaration on the Principles Guiding Relations among the CICA Member States (adopted in 1999), Almaty Act (signed in 2002), CICA Catalogue of Confidence Building Measures (adopted in 2004), CICA Rules of Procedure (adopted in 2004), Statute of the CICA Secretariat (signed in 2006).

Political declarations: Declaration on Eliminating Terrorism and Promoting Dialogue among Civilizations (2002), Declaration of the II Ministerial Meeting (2004), Declaration of the Second Summit (2006).

Language of official documents: English.

Working languages: English and Russian.

Official holiday: October 5 (CICA Day).

Geographical scope of the CICA participants

Total area of the territory of CICA participants amounts to 38,8 million sq. km. or approximately 89% of all the territory of the Asian region and 72% of the territories of the Eurasian continent. There live more than 2,8 billion people that make 45% of the total population of the globe.

Preconditions available for the CICA creation

By the end of XX - the beginning of XXI century, necessary conditions for successful unification of Asian nations to address the issues of peace, safety and stability were created. It was caused by the following factors:

- The end of the era of bipolarity.
- A wide-spread of globalization and the factors accompanying it.
- Gradual regionalization of world politics.
- Qualitative transformation of the majority of Asian nations.
- Common problems faced by regional states.

Factors complicating the process of CICA

- *Territorial disagreements between some of its participants and a number of conflicts in Asia.*
- *Problems in sphere of disarmament and arms control.* Lack of trust between countries leads to accumulation of arms, including the weapon of mass destruction, thereby causing a counter-action.
- *Different ways of development and original mentality of the CICA member-states.*

Development of CICA

Since October 1992, when the President of the Republic of Kazakhstan put the idea of the creation of CICA forward, the development process of the organization has passed two stages and presently is on the third stage.

During the **first stage**, several meetings of experts of the Ministries of Foreign Affairs of Asian countries were held. The experts concluded that the disagreements existing in region should not become an obstacle to the creation by the countries of the region of the common approaches to the problems of security and cooperation.

The skeleton of the Conference consisting of 15 leading states of Asia, 9 observers, and also 4 international organizations was established.

The main result of the **second stage** became a meeting of the Ministers of Foreign Affairs of CICA member-states on September 14, 1999 in Almaty. Ministers have signed the first official document of the Conference - the Declaration of the principles, regulating the relations between CICA member-states that became the important promotion of the initiative on creation of the multilateral mechanism of security and cooperation in Asia. Legal basis of the system of Asian security with a plan of actions, measures and mechanisms of maintenance of stability in region was developed.

The **third stage** has begun right after Almaty meeting of the Ministers for Foreign Affairs in September 14, 1999 and **culminated in the first summit of the Heads of the CICA nations, which was held in June 2002**. The primary goal of the summit was elaboration of CICA principal document – **Almaty Act**, which was signed by the leaders of the states and the governments on 4th June, 2002.

A further important development of this stage became a meeting of the Ministers of Foreign Affairs of CICA member-states on 22-23 October, 2004 in Almaty. **The main outcome of this CICA Ministerial meeting is the adoption of the Catalogue of Confidence Building Measures (CBM), the Rules of Procedure and Ministerial Declaration which summarized a two years work of the CICA since its first Summit in Kazakhstan in June, 2002.**

The **current plans** are to further develop the CICA process through a chain of senior officials and Foreign Ministers meetings as well as Heads of states summits which will be convened on a four year basis. It is expected that Russia, China, India, Turkey, Pakistan, Egypt and others will become key-contributors to the process.

CICA Ministerial meeting on 22-23 October, 2004

On 22-23 October, 2004 the meeting of the Ministers of Foreign Affairs of the CICA member-states was held in Almaty, Kazakhstan. Delegations from Indonesia, Japan, Republic of Korea, Malaysia, United States, Vietnam, Ukraine, Philippines, Singapore, the Kingdom of Saudi Arabia and Sri-Lanka as well as the United Nations, OSCE and European Union have participated as the observers.

On 21 October on the margins of the meeting the Minister of Foreign Affairs of Thailand H.E. Dr Surakiart Sathirathai has signed the basic CICA documents and thereby Thailand has become a full member of the CICA.

The main outcome of the CICA Ministerial meeting is the adoption of the Catalogue of Confidence Building Measures (CBM), the Rules of Procedure and Ministerial Declaration which summarized a two years work of the CICA since its first Summit in Kazakhstan in June, 2002.

The Declaration reflects a consolidated vision and positions of the CICA member-states on key issues of regional and global security. The heads of delegations have stressed the need to elaborate a unified approach in settling unadjusted issues for further interaction in the context of the implementation of confidence building measures envisaged in the CICA CBM Catalogue.

The Ministerial Declaration has been distributed as the official document of the UN General Assembly and the UN Security Council.

It has to be pointed out that **the CICA CBM Catalogue has become the first wide scale document in Asia** which envisaged a multilateral cooperation of countries on a wide spectrum of stability and security issues. Representatives of the participating states have stressed that as the forum for dialogue the CICA perfectly responds to the political realities of the CICA field of responsibility.

In his open address to the meeting President of Kazakhstan H.E. Mr Nursultan Nazarbayev citing the CICA as an important growing regional security forum has called for the establishment of a body or a council on regional organisations under the UN Secretary General.

The success of the CICA is also proven by the growing interest of a number Southeast Asian countries to it. Representatives of Singapore and Sri-Lanka at the Ministerial meeting have expressed their intention to participate in the CICA process as observers. The head of delegation of the Republic of Korea has informed that official Seoul is seriously considering applying for a full membership of the CICA prior to the CICA Summit in 2006.

Leading news agencies and mass media such as Reuter, BBC, Economist, Sinhua, Associated Press, France Press, Interfax, Al-Farabia, ITAR-TASS, RIA-News, Zhenmin Zhibao, Abadolu, Hindustan Times, Hindu, New-York Times, International Herald Tribune have been accredited to the Ministerial meeting.

The progress of CICA clearly reflects a serious intention and political will of the CICA member-states to constructively cooperate to bring about declared common objectives to ensure security and cooperation in Asia.

The Second CICA Summit

The Conference on Interaction and Confidence-Building Measures in Asia (CICA) opened its second summit in Almaty on **17 June 2006** with Kazakh President Nursultan Nazarbayev delivering the keynote address.

Kazakh President Nursultan Nazarbayev, Russian President Vladimir Putin, Afghan President Hamid Karzai, Tajik President Imomali Rakhmonov, Pakistani President General Pervez Musharraf, Azeri President Ilham Aliyev, Uzbek President Islam Karimov, Chinese President Hu Jintao and Kyrgyz President Kurmanbek Bakiyev were the main participants in this summit. The parliament speaker of Mongolia, prime ministers of Thailand and Turkey, deputy

prime minister of Israel and representatives from Iran, Palestine, India, Egypt and South Korea were attending the summit as well.

Discussions on stability and security for Asia and finalization of an agreement to establish a CICA secretariat in Almaty were at the top of the summit's agenda.

The states whose delegations attended the CICA summit signed a raft of documents. **The Summit's Declaration** pays attention to the global situation, reflects the way the CICA states see key security problems, cooperation in Asia and the whole world, including UN reformation, non-proliferation, regional conflict resolution, countering new modern challenges and threats and a further development of a dialogue between civilizations.

Foreign ministers and envoys of member states also signed an **Agreement on the CICA Secretariat**, which should become the forum's working instrument.

The participating states confirmed that separatism remained "one of the main threats and challenges to security and stability, sovereignty, unity and territorial integrity". "The member states will not support any separatist movements and organizations on the territory of another member state," the declaration reads.

The countries also confirmed the right of nations to self-determination in line with the UN Charter and international law, as well as to access to civilian uses of nuclear power. The participants also said an agreement should be signed on a zone free from nuclear weapons in Central Asia.

The summit participants also urged a dialogue between energy consumers and suppliers to ensure energy security.

"We recognize that energy resource delivery security is one of priority issues of the international agenda. So a dialogue and cooperation between supplier and consumer countries have acquired a special significance," the declaration reads.

The conference is particularly important in view of its potential to become such a structure for Asia that would allow its members both to broaden their sphere of joint interests against the backdrop of varying foreign policy priorities and to resolve issues important for progress of Asia as a whole.

The third CICA summit will be held in 2010.

KAZAKHSTAN PROMOTES INTERNATIONAL DIALOGUE BETWEEN CIVILIZATIONS AND RELIGIONS

First and Second Congresses of World and Traditional Religions in Astana

The First Congress

Leaders and senior representatives of all the world's major faiths closed their two-day meeting in Astana September 24, 2003 with a strong condemnation of terrorism and prophecies of a "clash of civilizations". They pledged to continue dialogue in the name of peace, harmony and prosperity.

This was the first ever Congress of Leaders of World and Traditional Religions. The Congress, held at the initiative of President Nursultan Nazarbayev in Kazakhstan's capital, drew wide-spread support from political leaders of both Western and Asian nations. Kazakhstan is a Muslim-majority country and is considered an example of interethnic and interfaith harmony. The Congress was a bold reminder to the world that people of different faiths and ethnic backgrounds really can and should live together in peace.

At the end of the Congress, senior clerics from Islam, Christianity, Buddhism, Judaism, Hinduism, Taoism and other faiths adopted a Declaration stating that "extremism, terrorism and other forms of violence in the name of religion have nothing to do with genuine understanding of religion, but are threat to human life and hence should be rejected."

"The inter-religious dialogue is one of the key means for social development and the promotion of the well-being of all peoples, fostering tolerance, mutual understanding and harmony among different cultures and religions," the religious leaders said after the closing joint prayer.

President Nazarbayev, who chaired the conference, said, "it is unacceptable to attach ideological or political dimensions to existing cultural and religious differences." He countered the notion of the "clash of civilizations", saying it would be more appropriate to talk about "a meeting of civilizations".

U.S. President George W. Bush said in his message to President Nazarbayev, "The United States strongly supports the Congress' objectives of deepening inter-faith understanding to advance the cause of religious liberty, expand freedom, and eliminate the root causes of terrorism." "For the United States, itself a multi-ethnic and religiously diverse nation, these meetings underscore the importance of working with our friends in Central Asia to advance the values of tolerance and respect that form the foundation of democracy," the President added.

A bipartisan **group of senior senators and congressmen from the United States**, including Sen. Sam Brownback (R-KS), Sen. Conrad Burns (R-MT), representatives George Radanovich (R-CA), Joe Pitts (R-PA), Robert Wexler (D-FL), Eni Faleomavaega (D-American Samoa), Edolphus Towns (D-NY) and others sent a letter to President Nazarbayev saying the Congress was "timely". They thanked Kazakhstan "for taking consistent and concrete steps to bridge the growing divide between Muslims and Jews at a time when tension in the Middle East is at a fulcrum, and intolerance and anti-Semitism are rising worldwide."

A total of **18 different religious delegations** participated in the meeting from such diverse countries as **Belgium, the United Kingdom, China, France, India, Iran, Israel, Japan, Pakistan, Russia, Saudi Arabia, Switzerland, and the U.S.**

Islam was represented by General Secretary of the Saudi Arabia-based World Muslim League Abdalla ben Abdel Muhsin At-Turki, President of the Islamic Knowledge University Ayatollah Sayed Mohammad Khamenei of Iran and others from Pakistan and India.

Papal Envoy Cardinal Joseph Tomko led a delegation from the Vatican. **President of the National Council of Churches Michael E. Livingston and Cardinal Theodore Edgar McCarrick (Archbishop of Washington)**

The head of the Anglican Community, the Archbishop of Canterbury was represented by the Bishop of Croydon, the Rt. Revd. Nicholas Baines and Archbishop's Secretary for Ecumenism, Revd. Canon Jonathan Gough. Metropolitan Mefodiy represented the Russian Orthodox Church. Metropolitan Emmanuel of France led the delegation of the Constantinople Orthodox Church. Rev. Dr. Ishmael Noko, General Secretary of the Lutheran World Federation, represented the LWF.

Losantsyumay Tudanzhyezinima, Living Buddha and deputy chairman of the All China Buddhist Association, Jian Ziyui, first deputy chairman of the All China Taoist Association, Dr. Shantilal Somaya, Director of Shinto Temples Directorate from Japan, represented their faiths.

Jonah Metsger, the Chief Rabbi of Israel, and the chief rabbis of Belgium, Switzerland, and Russia led the delegation representing Judaism.

In the final declaration, the leaders said they would not "allow the use of religious differences as an instrument of hatred and discord."

"We shall strengthen co-operation in promoting spiritual values and a culture of dialogue with the aim of ensuring peace in the new millennium," the participants declared.

The leaders of the United Kingdom, France, Italy, Russia, China, Egypt and other nations, as well as **UN Secretary General Kofi Annan**, also sent letters of support and commendation to the participants.

The Resolution of the Congress requested Kazakhstan to make arrangements for the Secretariat to handle all inter-sessional activities before the next meeting of the Congress in 2006.

The UN General Assembly takes note of the Congress of World and Traditional Religions held in September 2003 in Astana

The UN General Assembly adopted the Resolution on Promotion of Interreligious Dialogue on 12 November 2004. This document stresses the commitment of all religions to peace and stability all over the world and appeals to the international community to promote in every way the development of the interreligious dialogue.

The paragraph taking note of the Congress of World and Traditional Religions held in September 2003 in Astana convened by Kazakhstan has been included in the text of the Resolution.

"Taking note of the various initiatives and efforts to organize interreligious dialogues, including the First Congress of Leaders of World and Traditional Religions, held in Astana on 23 and 24 September 2003, and the interreligious dialogue initiative adopted by the Fifth Asia-Europe Meeting, held in Hanoi from 7 to 9 October 2004,

Recognizing the commitment of all religions to peace,

Affirms that mutual understanding and interreligious dialogue constitute important dimensions of the dialogue among civilizations and of the culture of peace;"

By adopting this Resolution the community of nations has expressed support to the initiative of Kazakhstan to promote the culture of peace and the dialogue among civilisations.

Following the adoption of the Resolution the Kazakhstan delegation to the UN has informed the international community about the preparatory work being carried out in Kazakhstan for the Second Congress of World and Traditional Religions which will be held in Astana in 2006.

The Resolution invites the UN Secretary-General Kofi Annan *"to bring the promotion of interreligious dialogue to the attention of all Governments and relevant international organizations and to submit a report thereon, including all views received, to the General Assembly at its sixtieth session"*. The UN Secretary General's report will also include

information on the First Congress of World and Traditional Religions and further efforts of Kazakhstan to develop the interreligious dialogue.

On **October 13, 2004** Kazakhstan hosted the **First Meeting of the Secretariat of the Congress** of Leaders of World and Traditional Religions in the southern city of Turkestan, a city on the ancient Silk Road with 1,500 years of history and a spiritual center for Turkic people.

On **25-26 April 2006** Kazakhstan hosted the **Fourth Meeting** of the Secretariat of the Congress which took place in Astana. Its participants from all over the world have approved the draft declaration, themes and agenda of the Second Congress. The main themes of the agenda are: the freedom of conscience and recognition of leaders of other religions, as well as the role of religious leaders in international security.

Special envoy of the US National Council of Churches Rev. Dr. Shanta Premawaradhana was taking part in the Secretariat's meetings.

The Second Congress

On **12-13 September 2006** Kazakhstan's capital Astana hosted the **Second Congress of Leaders of World and Traditional Religions** which gathered over 40 religious leaders, their representatives and envoys representing world and traditional religions as well as the representatives of international religious organisations.

Islam was represented by Dr. Abdullah bin Abdulmohsin Al-Turki, Secretary General of the Muslim World League (Saudi Arabia), Sheikh Muhammad Sayyid Tantawi, Grand Imam of Al-Azhar, Dr. Mahmoud Hamdi Zaqzouq, Dr. Mahmood Ahmad Ghazi, President of International Islamic University (Pakistan) and other distinguished Islamic leaders.

The heads of Christian delegations included Rt. Rev Nicholas Baines, Bishop of Croydon (United Kingdom), Cardinal Roger Etchegaray, Emeritus President of the Pontifical Council for Justice and Peace (Vatican), His All Holiness, Bartholomew, Archbishop of Constantinople, New Rome and Ecumenical Patriarch (Turkey), Cardinal Theodore Edgar McCarrick, Archbishop of Washington (USA), Reverend Dr. Ishmael Noko, Secretary General of the Lutheran World Federation (Switzerland/USA) and others.

Yona Metzger, Chief Ashkenazi Rabbi of Israel and Shlomo Amar, Sephardic Chief Rabbi of Israel have represented Judaism at the Second Congress.

The representatives of Buddhism, Shinto, Taoism and Hinduism have also participated in the Second Congress.

Among the invited guests of honour were UNESCO Director-General Koichiro Matsuura, the former Prime Minister of Malaysia Mahathir Mohammad, UN Under-Secretary-General (Geneva) Sergey Ordzhonikidze, Renñ van der Linden, President of the Council of Europe Parliamentary Assembly, Alejo Vidal-Quadras, Vice-President of the European Parliament, Staf Nimmegeers, Vice Chairman of the Senate of Belgium and other distinguished political figures.

At the Second Congress the leaders of major world and traditional religions made a decision to take a more active role in denouncing intolerance, terrorism and the misuse of religion for political ends.

President Nursultan Nazarbayev, the Chairman and host of the Congress has opened the first day of the session by welcoming participants' agreement on a set of Principles of Inter-religious Dialogue that he hoped would pave the way for a Declaration on the role of religion in promoting international security.

"After the great loss of life in the first six years of the new century, the world is gradually beginning to understand one simple fact," he said. "The world's cultural and religious diversity is a reality that one needs to understand and accept as a given. Any other approach by politicians and the world may simply explode."

Representatives of each of the world's major religions spoke in turn of the role of education in promoting tolerance as a long-term contribution to global security. **Koichiro Matsuura, UNESCO Director-General**, lauded Kazakhstan's "model for peaceful coexistence" among the country's 40-some religious groups.

French President Jacques Chirac, in a letter to President Nazarbayev, expressed hope that the dialogue would make an important contribution to a global dialogue between cultures and civilisations. "To counteract against the clash of cultures, to combat calls to violence, to achieve the victory of our vision of a unified world, these are the goals which people of all kind intentions, of all religions and views, must reach together," he wrote.

"Religious warfare brings out the worst in people," said **Patriarch Bartholomeos I, Archbishop of Constantinople**, addressing the Congress. "Religious fanaticism is one of the thorniest aspects of the problem and this is where our efforts should focus if we want the world to change," he said.

The Archbishop of Canterbury, Dr. Rowan Williams who sent his representatives to the Second Congress - Bishop of Croydon Nicholas Baines and Archbishop's Secretary for Inter Faith Relations Guy Wilkinson - has conveyed his message of greeting to the participants of the Congress.

In this message His Grace praised the religious leaders for their contribution to "bringing about a more peaceful and just world". He "commended them to God and prayed that they would be inspired to be witnesses to his sovereignty and to his loving concern for the material and spiritual wellbeing of each human being".

He also prayed for God's blessing on the endeavours of all who were taking part in the Congress and wished everyone had an open mind and heart to listen to the other and to the needs of suffering people around the world.

"I pray that this Congress will, by the words and actions of the representatives, be a powerful witness to the constructive and creative role that people of faith who are open to the Spirit of God, can play," he wrote.

At conclusion of the Congress the religious leaders signed a solemn Declaration "together to tackle and ultimately eliminate prejudice, ignorance and misrepresentation of other religions" as a contribution in the global fight against terrorism.

The Declaration, signed by leaders of delegations representing Islam, Christianity, Buddhism, Judaism, Shinto, Taoism and Hinduism as well as NGOs and prominent politicians calls for "placing a particular focus on what religions hold in common rather than what divides them."

These common views include the condemnation of terrorism on the basis "that justice can never be established through fear and bloodshed and that the use of such means is a violation and betrayal of any faith that appeals to human goodness and dialogue."

President Nursultan Nazarbayev stated that the Declaration capped five years of work following the terrorist attacks on New York and Washington on Sept. 11, 2001.

"In the face of global threats the whole world has united in this goal: eradicate terrorism and confirm the values of humanism. An ideology of tolerance and dialogue must confront the ideology of terrorism," President told to the delegates.

The Congress's participants confirmed their intention to reinforce the process of inter-religious dialogue and to meet again in Astana in three years' time.

The Congress took place in a newly built **Palace of Peace and Accord** in the form of a pyramid. Inaugurated in early September, the building was designed by British architect Sir Norman Foster as a permanent seat of the interreligious dialogue forum. A museum of Kazakhstan's national culture, opera-house for 1500 seats, civilizations' university, exhibition and concert halls, library, research centre for major faiths and offices of different religions will operate in the Palace. The hall, where religious leaders are supposed to meet, was designed on the pattern of the Sitting Hall of the UN Security Council in New York. The height of the building is 77 meters, the square is 25.5 thousands of square meters.

Article from “The Sunday Times” of 20 February 2005 on the “Pyramid of Peace” in Astana designed by Lord Foster

Foster designs the pyramid of peace

HUGH PEARMAN, ARCHITECTURE CRITIC

IT aspires to be one of the modern wonders of the world: a great pyramid, set in a new capital city on the central Asian steppe. The pyramid is intended to be a global centre for religious understanding, a symbol of world peace. Nelson’s Column could fit inside it.

Sounds fanciful? They start building it next month. It will open in June 2006 and it has been designed by Britain’s Norman Foster.

Lord Foster, 69, has been hailed for some audacious buildings in his time, from the “gherkin” office for Swiss Re in London to Beijing’s new airport, currently the world’s biggest construction site. He even survived London’s “wobbly bridge” embarrassment. But nothing he has done to date compares with this latest commission. Nobody asks for buildings like this unless they happen to be President Nursultan Nazarbayev of Kazakhstan.

With a massive oil, gas and mineral industry behind him, western investors eager to catch his eye and not much by way of political opposition, Nazarbayev can build whatever he wants in his showpiece new capital of Astana.

With Foster’s building he hopes to trumpet religious and ethnic reconciliation. He also wants an opera house to rival Covent Garden, a national museum of culture, a new “university of civilisation” and a centre for Kazakhstan’s ethnic and geographical groups. All these will be housed inside Foster’s pyramid, which is 203ft high and has a square base 203ft wide, sitting on a 50ft high artificial mound.

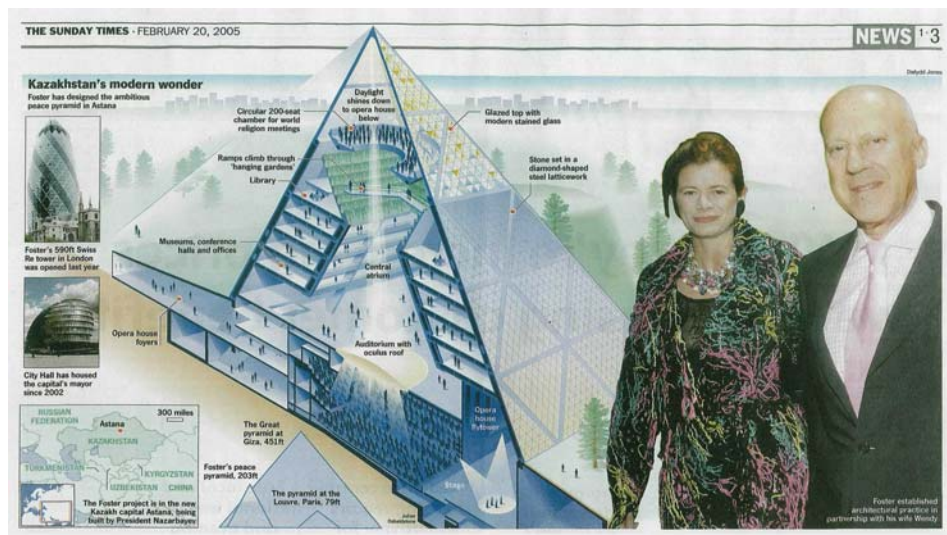
This is not just a talking shop for clerics. Although, with a population split 50:50 between Russian Orthodox and Muslim and with extremism on the rise, it is not surprising that religion is on the president’s mind. He held his first congress of religious leaders in September 2003 and wants to make it a triennial event.

The pyramid, made of a diamond-pattern lattice of steel clad in pale silver-grey stone, will be topped by a coloured apex of abstract modern stained glass to be designed by the British artist Brian Clarke — a long-time friend of and collaborator with Foster. Bathed in the golden and pale blue glow of the glass (colours taken from the Kazakhstan flag), 200 delegates from the world’s main religions will meet every three years in a circular chamber — based on the United Nations security council meeting room in New York.

The chamber is perched high beneath the point of the pyramid on four huge props intended, said Foster, to “symbolise the hands of peace”.

A research centre into the world’s religions, complete with a large library, occupies the floor below.

For the public, things are no less spectacular. Inside the hill at the base is the 1,500-seat opera house. The auditorium has a circular glass ceiling set in the floor of the pyramid’s gargantuan central atrium. From the floor of the sunken opera house to the peak of the pyramid is nearly 250ft. Lifts rising up the inward-leaning walls — rather like the legs of the Eiffel Tower — carry you up to a middle level.



At this point more drama begins as you enter what Foster's colleagues call "the hanging gardens of Astana". The atrium walls flare outwards, vegetation cascades on all sides from planters set into the walls. To get up to the unearthly light pouring down from the top of the pyramid, you must walk up zig-zag ramps through the gardens as if ascending to heaven.

Even Foster — not a demonstrative man — can hardly believe that he has this job. "A few months ago this didn't exist," he said as we stood in his studio in Battersea, south London, in front of a 6ft tall working model of the pyramid. The building's cost is a state secret, but if it were built in Britain it would cost hundreds of millions of pounds.

"It's the fastest thing we've ever done. They've ordered the steel and it starts to be built next month. The scale of what is happening in Astana is incredible."

So rapid has it been that Foster has yet to meet Nazarbayev, 64, a former steel worker who has led the country since independence from the Soviet Union in 1991. When the job first arrived, said Foster, he was away in France, faxing design ideas back to the office.

Nigel Dancy and David Nelson, his fellow directors, have presented the designs in Nazarbayev's new presidential palace, which the pyramid will face across the River Ishim on a new three-mile boulevard.

The president works surrounded by models of the new Astana. He is pouring billions of dollars into it — despite the reported reluctance of his ministers, and international airlines, to move there from the old capital of Almaty near the Chinese border. "It's fairly bleak and very new," said Dancy. "It's growing so quickly that it hasn't really found its own identity yet. I've never seen anything like it."

The climate is one problem. Temperatures in Astana range from minus-40C in winter to plus-40C in summer.

Foster chose the pyramid shape because it has no negative religious connotations. "It is primarily a cultural centre, but because it will host a peace congress of 18 religions it becomes something else. It is about religion, peace and coexistence," he said. "It is dedicated to the renunciation of violence and the promotion of faith and human equality."

TRADITIONS AND CUSTOMS

Kazakhs are very hospitable and like to meet guests. Kazakhs don't have any objections to receiving uninvited guests that is why if you come home to a Kazakh unexpectedly he will be glad as if you were invited. **Respect to older people, peacefulness and tolerance brought up from childhood are national features of Kazakhs.** That is why in Kazakhstan there were never conflicts on ethnic or confessional grounds and many people of different ethnic and religious origins of the world live and work peacefully here. In order to learn customs and traditions of Kazakh people and to explore Kazakhstan we invite you to visit our beautiful country. **You may also buy a book “Kazakh Traditions and Customs”.** This is a new, rare, well illustrated and detailed 282 pages book collecting hundreds of habits and traditions of Kazakh which have been preserved through centuries to these days. Reading the book will greatly help you to better understand present day Kazakhstan, its policy in many areas and its people. (for more information on the book, please visit Almaty Kitap web-site at www.almatykitap.kz)

TOURISM



The Republic of Kazakhstan attaches fairly great importance to the development of present-day infrastructure including tourism.

Accordingly, there have been signed Agreements on co-operation in the field of tourism with Turkey, Iran, Xinjang Uigur Autonomous Area of China, Moldova, Hungary, the State of Israel, Kyrghyzstan and Egypt. Currently at the stage of preparation are intergovernmental and interdepartmental agreements with Croatia, Pakistan, Singapore and China.

In 1993 the Republic of Kazakhstan became a full member of the World Tourism Organization.

The body that accomplishes state management in the field of tourism in the Republic of Kazakhstan is the **Committee for Regulation of Trade and Tourist Activity of the Ministry for Industry and Trade of Kazakhstan**. Administration is carried out through certain departments of the executive bodies of power, state-owned tourism representations in other countries.

For purposes of tourism promotion in Kazakhstan they have elaborated a certain standard-and-legal basis. There is a Law “On Tourism” enforced in 1992. It embraces virtually all types of tourism and specifies legal, economic, social and organizational fundamentals of undertaking tourism activities on the territory of the Republic. Besides there exist several enactments concerning tourism issues adopted by the Government of the Republic. Incidentally, they include a number of documents regulating licensing of tourism activities.

The year of 1993 highlighted adoption of the National Programme for developing tourism industry in the Republic of Kazakhstan. In 1997 the authorities passed yet another document - State Programme of the Republic of Kazakhstan “Regeneration of historic centres of the Great Silk Route, preservation and successive development of cultural legacy of Turkic-speaking states, creation of tourism infrastructure in 1997-2003”. In addition, in 1997 they have elaborated a **Strategy of tourism development up to the year of 2030**.

Nowadays 430 tourism agencies, firms and bureaus of various property forms function in the Republic of Kazakhstan. They employ nearly 6,000 people, 1,500 professional guides.

Kazakhstan tourism firms co-operate with almost 80 countries of the world. Some 25 tourism firms in Almaty and 5 companies in regional centres arrange charter flights to India, Turkey, the United Arab Emirates, Pakistan, South Korea, Greece and Poland.

As a matter of fact Kazakhstan provides for all ever known varieties of tourism - cognitive, entertaining, ethnic, ecological, rehabilitative, children-oriented, sportive, hunting, equestrian and adventure ones.



Potential tourists are offered over 700 travel routes around the territory of Kazakhstan.

Kazakhstan has experienced significant growth of tourist inflow from the UK over last years – in addition to those visiting Kazakhstan to explore the country for business opportunities in different spheres. **And with the recent bold visa simplification procedures** (letters of invitation are no longer required for EU, US and some other citizens) still greater number of visitors to Kazakhstan is expected.

In Kazakhstan you can find a wide range of accommodation – from cosy bungalows on the shore of a crystal-clear lake to luxury 4 and 5 star hotels suitable for the highest-ranking international conferences. All hotels offer genuine Kazakh hospitality, western-style comfort and a warm and caring service.

Kazakhstan may offer 372 hotels of various classes with a simultaneous accommodation of 36,876 people. Almaty can afford offering 25 hotels to the capacity of 4,950 places.

Foreign guests are offered every modern service in such hotels as “Alatau”, “Kazakhstan”, “Dostyk”, “Issyk”, “Astana”, “Ankara”, “Hyatt Regency Almaty”, “Intourist”- all of them do offer services that meet world standards.



Given the unique natural beauty and rapid growth of inbound tourism, Kazakhstan government pays a great deal of attention to the promotion of its tourist potential abroad and participates in international travel fairs and exhibitions all around the world on the regular basis. **The World Travel Market** in London is one of the most important annual events in the tourist sphere for Kazakhstan and that is why Kazakhstan has been taking part in this established exhibition since 2001.

During **the WTM-2006**, which took place at ExCel in the Docklands, Kazakhstan’s stand at the exhibition hosted senior representatives of Kazakhstan’s tourist industry, including the largest tour operators, the world-class hotels and the national carrier, Air Astana.

The Republic of Kazakhstan is well known for rather unique natural and geographic diversity.

South-Kazakhstan (Almaty, Jambyl, South-Kazakhstan and Kyzylorda regions) is an area rich with ancient history and culture known for such famous monuments of medieval architecture as mausoleums of Aisha-Bibi, Karakhan, Babadzha-Khatun in Taraz, an architectural ensemble of Khodja Akhmet Yasavi in Turkestan, etc. This list may be nicely supplemented with unique Scythian burial mounds in Semirechje (Almaty region). It is, incidentally, the very region that has played host to the world-famous space-vehicle launching site Baikonyr. Besides, the region affords unique climatic opportunities for recreation, rehabilitation, hunting, alpinism, mountain skiing and skating.

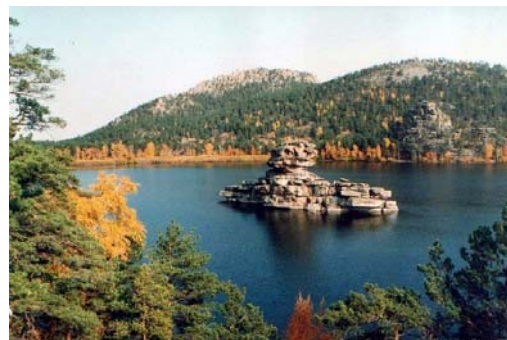


West Kazakhstan (Aktobe, Atyrau, Mangystau regions) is situated on the crossroads of the European and Asian continents in the basin of the Caspian Sea, the Volga and the Ural. It is the location of the world second deepest depression - that of Kargije lying 132 m below sea level, remarkable chalky rocks. One can find here fine areas rich with game which promise good hunting, can entertain ideas of good luck in angling, in water sports. Tremendous scientific

interest present reserves and monuments of ancient Mangyshlak and Ustyurt, numerous memorable places evoking Kazakh epos.

North Kazakhstan (Kostanay, North-Kazakhstan and Pavlodar regions). Everything here - landscape, climatic conditions - favour all sorts of tourist recreation - automobile, bicycle, water ones.

Health resorts of Kokshetau, Bayan-aul, Muyaldy offer fine rehabilitation opportunities while natural preserves Kurgaldzhino and Naurzum would be quite interesting for amateurs of “cognitive” tourism.



Central Kazakhstan (Karagandy region) displays to perfect advantage one of the largest lakes of the world - the lake of Balkhash supplemented by a unique mountaneous and forest oasis. The area harbours plenty of memorable places exhibiting various archaeological and ethnographic relics.

East Kazakhstan is represented by the Altai and its wooded foothills, the river of Irtysh and such lakes as Zaisan, Markakol, Alakol, Sauskan. Extremely rich are flora and fauna of the region. Besides Semipalatinsk region is the birthplace of the great Kazakh poet - enlightener Abay Kunanbaev, remarkable writer Mukhtar Auezov.



National holiday

December 16 – Independence Day.

State holidays

January 1-2 – New Year,
March 8 – International Women Day,
March 22 – Nauriz (traditional holiday of Spring - ancient Turkic (Kazakh) New Year),
May 1 – Unity Day of Kazakhstan people,
May 9 – Victory Day,
August 30 – Constitution Day,
October 25 – Day of the Republic

Local time

Kazakhstan is divided into two time zones
Eastern zone, Western zone
Greenwich + 6 hours (time in the capital of Kazakhstan – Astana) and + 5 hours when the UK switches to daylight saving time

Languages

The state language in the Republic of Kazakhstan is Kazakh, which belongs to Turkic group. Russian is also widely used.

Currency

The national currency of Kazakhstan is Tenge (100 tiyn). There are banknotes of T 10 000, 5 000, 2 000, 1 000, 500, 200. The coins of T 1, 3, 5, 10, 20, 50,100.

Currency exchange

Official exchange rate (April, 2006): US\$ 1 – KZT 122.15. The exchange of foreign currency to Tenge and back is carried out in any bank or official exchange offices. It is advisable to keep documents of exchange of large amounts before departure from the country.

Bank hours

09.00 AM till 06.00 PM Monday-Friday
Break for lunch 01.00 PM – 02.00 PM

Credit cards

Practically all European and international credit cards, including Visa, Diners Club are accepted in majority of large hotels of Almaty and Astana cities as well as in the majority of large shops and restaurants.

National dishes

In general Kazakhs prefer meat dishes. Favourite national dish of Kazakhs is beshbarmak. Beshbarmak is cooked of lamb, horse meat, beef and dough. Such dishes of horse meat as kazy, karta, zhal, zhaya and, of course, kumys (mare's milk) are favourite. Medicinal drink kumys (mare's milk) has curative qualities and effect and is used for treatment of lung and intestinal-gastric illnesses. Taking into account that peoples of more than hundred nationalities live in Kazakhstan, cuisine of Kazakhstan is diverse. People here love national dishes of Russian, Uighur, Ukrainian, Uzbek, Korean and European cuisine. In many cities of the country there are many restaurants and cafes where you are offered the variety of dishes of the national, European and other cuisines.

Other useful information

Electricity: 220 volts AC, 50

Communications:

Telephone: country code – 7, code of Astana city – 717 2, code of Almaty – 727 2/ International calls can be easily made. Telegram facilities available from any post office. Full postal facilities are available at main post offices in the cities, which are open 24 hours a day, 7 days a week.

Places for accommodation:

Hotels in Astana city

******Hotel “Okan Inter-Continental Astana”**

Adress: 90-8, Abai st.
Phone: +7 (717 2) 30 10 00,

Fax: (717 2) 39 10 10
E-mail: astana@interconti.com
www.interconti.com

Business a class “Comfort Hotel”

Address: 60, Kosmonavtov St.,
Chubary district
Phone: +7 (717 “) 37 10 21

Hotel “Akku”

Address: 22, Ruskulov St.
Phone: +7 (7172) 15 27 22, 15 29 50

Hotels in Almaty city

*******Hotel “The Regent
Almaty, the Ankara in Kazakhstan”**

Address: 181, Zheltoksan st.,
Phone: +7 (7272) 50 37 10 (-18),
Fax: +7 (7272) 58 11 00
Reservation ph.: +7 (7272) 63 69 81,
Fax: +7 (7272) 50 37 19
E-mail: business1@regent-almaty.kz

******* Hotel “Hyatt Regency Almaty”**

Address: 29/6, Academician Satpaev av
Phone: +7 (7272) 50 12 34, 50 92 34,
Fax: +7(7272) 50 88 88

*******Hotel “Rakhat”**

Address: 65, Furmanov St.
Phone: +7 (7272) 50 33 33

*******Hotel “Ait-Hotel”**

Address: 181, Zheltoksan St.
Phone: +7 (7272) 50 37 10

***** Hotel “Sonar”**

Address: 176/2, Gogol st.
Phone: +7(7272) 68 13 35,
Fax: +7 (7272) 50 93 60

*****Hotel “Ambassador”**

Address: 121, Zheltoksan st.
Phone: +7(7272) 50 50 89, 50 89 89,
69 17 52

fax: +7(7272) 69 64 41

*****Hotel “Astana-Interhotel”**

Hotel “Sunkar”

Address: 51, Sembinova st.
Phone: +7 (7172) 34 58 03, 34 55 02

Hotel “Intourist”

Address: 8, Beibitshilik
Phone: +7 (717 2) 15 22 73,
32 03 19, 32 01 30

Hotel “Tourist”

Address: 23, Republic av.
Phone: +7 (717 2) 33 02 02,
33 02 01, 33 02 09, 33 01 00

Address: 113, Baitursynov st.

Phone: +7 (7272) 50 70 50,
Fax: +7 (7272) 50 10 60

*****Hotel “Premier Medeu”**

Address:
“Medeo” skating-rink district
582a Gornaya St.

Phone: +7 (7272) 50 20 07

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Hotels in Taraz city

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Hotels in Shymkent city

Hotel “Sapar”

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Hotels in Kyzylorda city

Hotel “Saltanat”

Address: 70, Voitintsev St.
Hotels in Semipalatinsk city

Hotel “Edem”

Address: Turkestan
Phone: +7 (72533) 3 13 78

Hotel “Binar”

Address: 6, Lenin St.
Phone: +7 (7222) 66 64 13

Hotels in Atyrau city

******Hotel “Kaspy”**

Address: 15, Satpayev St.
Phone: +7 (71222) 21 33 07

Hotels in Ust-Kamenogorsk city

******Hotel “Irtysh”**

Address: 22, Auezov Av.
Phone/fax: +7 (7272) 25 09 85

Hotels in Kostanai city

*****Hotel complex “Kostanai”**

Address: 72, Baitursynov St.
Phone: +7 (7132) 54 49 04
Fax: 54 03 24

Hotels in Aktau city

Hotel complex

“Kaspiyskiy bereg”

Address: 7th microdistrict,
Shore zone of Kaspian Sea
Hotels in Pavlodar city

Hotel “Sunkar”

Address: 1, Toraigyrov St.
Phone: +7 (7182) 63 70 05
e-mail: pturist@pavlodar.kz

Hotels in Aktyubinsk city

*****Hotel complex “Albom”**

Address: 13, Aiteke bi St.
Phone: +7 (7132) 24 15 24

Hotels in Uralsk city

*****”Bayan Hotel”**

67/1, Temir-Mosin St.

Hotels in Turkestan city

Hotel “Yassy”

Address: Turkestan
Phone: +7 (72533) 4 01 83

AIR ASTANA – SUCCESSFUL KAZAKH-BRITISH AVIATION JOINT VENTURE

Air Astana (www.air-astana.com), a relatively new Kazakhstan's national carrier, has recently increased the number of routes including London (Heathrow), Istanbul, Delhi, Bangkok, Beijing, Dubai and Seoul from Almaty, to Hanover, Amsterdam, Frankfurt, Budapest from Astana, and to Amsterdam via Atyrau and Uralsk.



Air Astana's twice-weekly service from London (Heathrow) to Almaty, Kazakhstan launched on 13 December 2003 has been extended to Delhi and is still the **only non-stop scheduled service** from the UK to Kazakhstan. Now all those wishing to travel from the UK to India may choose Air Astana flight and Almaty as the transit point. Air Astana also offers UK connections to its 2-times weekly Amsterdam/Atyrau and once weekly Amsterdam/Uralsk services – the **only non-stop scheduled service** from Western Europe to Western Kazakhstan, the heart of the Caspian oil and gas region. Further connections to Astana - the capital of Kazakhstan - are available via connections to the Hanover and Frankfurt services of Air Astana.

London flights operate on Tuesdays and Saturdays from Heathrow (Terminal 2), non-stop to Almaty, commercial capital of Kazakhstan. The flights provide direct connections to other major cities in Kazakhstan, such as Astana (the capital), Uralsk, Atyrau, Aktau, and Aktobe, as well as onward to the international destinations.

Fuel-efficient Boeing 757-200s is used for the long-haul services, with Boeing 737-700 and 737-800 new generation aircraft for the regional flights.

Air Astana is owned 51% by the Government of Kazakhstan, 49% by BAE Systems. The company offers 8 domestic and 11 international destinations and has interlined agreements with 35 airlines so far. The airline is a full member of IATA, possesses JAR 145 maintenance certification, is displayed in the major Reservation Systems, and joined UK Bank Settlement Plan for ticketing.

Air Astana Call Centres

Astana:	+ 7 7172 210764	Amsterdam:	+ 31-20 44 66 354
Almaty:	+ 7 7272 703094	Moscow:	+ 7 (095) 980 71 84/85
Aktau:	+ 7 (7292) 511 565	Dubai:	+ 971 4 316 6572
Aktobe:	+ 7 (7132) 548 501	Beijing:	+ (8610) 646 510 30
Atyrau:	+ 7 (7122) 255 340	Germany:	+ 06105-206022
Karaganda:	+ 7 7212 561208	Bangkok:	+ 66-2-251-4700
Kostanay:	+ 7 7142 546875	Seoul:	+ 82-2-3788-0170\1\2
Kyzyl-Orda:	+ 7 72422 70392	London:	+ 44 (01293) 596622
Uralsk:	+ 7 (7112) 515 151, 507 079, 515 044	Delhi:	+ 91-11 515 214 25
Oskemen:	+ 7 7232 243233	Frankfurt:	+ 49-6105 20 60 22
Pavlodar:	+ 7 7182 320091	Hanover:	+ 49-511 977 2476
Shymkent:	+ 7 7252 549861	Istanbul:	+ 90-212 343 49 60



**Air Astana Reservation and Ticketing Offices in Kazakhstan -
 c/o OtrarAvia, General Sales Agents for Air Astana**

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 Tel.: +7 (7172) 210 764, 210 765, 210 771
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Almaty International Airport
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Aktau

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USEFUL CONTACTS:

Travel and Visa information: www.kazakhembus.com

OTHER USEFUL LINKS:

Visit www.expat.kz, www.travlers.kz, www.english.valmati.ru, for comprehensive information on Almaty as a travel destination.

A wonderful and most popular ski resort in Kazakhstan – Chimbulak www.chimbulak.kz

www.kantengri.kz

www.acs-almaty.kz

www.centralasiatourism.com

www.chimbulak.kz

www.ypat.kz

www.group.kz

www.kazakhstan-ecotourism.org

www.ren.kz

www.wild-natures.com

www.yassawi.kz

www.kazakhstanbirdtours.com

www.ecotourism.kz

www.astana-hotel.com/vd/photo

ASTANA – THE NEW CAPITAL OF KAZAKHSTAN

General information

In 1832 on the banks of the Esil (also called Ishim) river, in the Qaraotkel woods, Akmolinsk outer military district was founded. As a result, Aqmola soon turned into a central point for trade livestock fairs.

The city was given its present name in 1998.

Until 1961 the name of the town was Akmolinsk (in Kazakh Aqmola).

From 1961 to 1992 the city was named Tselinograd.

From 1992 till 1998 the name of the city was Aqmola.



The city is located in the north of Sary Arqa (in Kazakh Yellow Highlands), on the right bank of the Esil river. In 1998 the city area comprised over 300 sq. km. But nowadays city boundaries are expanding very fast.

Astana is a major centre of activity and hub of national and international transport links. The extensive traffic is mainly due to strong economic ties between South and Central Kazakhstan, Western Siberia and the Ural region, the Volga region and Central Russia.

The distance between Astana and Almaty is 1,318 km.

By 1998 Astana had around 300 000 population. During the last years its population is growing rapidly. In the year 2006 the number of Astana population reached about 600 000 people. It is expected that in the near future the population will be increasing further due to intra- and inter-territorial migration.

Basic reasons for the move of the capital to Astana and objectives of the Astana Special Economic Zone are the following:

- Advantageous geopolitical location of the city in the centre of the country;
- Considerable industrial potential in Astana;
- The existence of essential resources for subsequent development of construction industry;
- Location in the largest transport junction and availability of essential transport and telecommunication infrastructure;
- The availability of highly skilled urban workforce;
- The existence of a large private sector and potentialities for entrepreneurship development;
- Political and social stability in the region;
- The availability of free lands for further urban development.

But together with a set of economic, geographical, environmental, demographical etc. reasons for moving the capital to Astana one of the most important underlying reasons is a sincere attempt to build a new city which will represent the new face and image of a modern, economically stable and prosperous, democratically viable Kazakhstan looking into the future.

Astana is the City of the Future

Astana is the new capital of the Independent Republic of Kazakhstan. In 1997 the President of the Republic made the decision to relocate the capital of the country from Almaty to Akmola city. This was a historical decision motivated by the advantageous geographical and political location of the city in the heart of the country and at the intersection of the country's main transport routes. This decision has determined the future development of our new State.



During the historical inauguration ceremony for the new Kazakhstan capital the President of the Republic declared: "From now on any major decisions important for the future of the people will be made here in the centre of this colossal country. Now the heart of our motherland is beating here. Kazakhstan is making and defining its history and destiny here and today."

In 1998 the decision was made to change the name of the new capital Akmola to Astana, which translates from the Kazakh language as "capital". At the present time the city of Astana is growing, changing, gaining power and enhancing its international prestige and reputation, becoming the symbol of the rapid renovation of Kazakhstan.



The capital is growing very rapidly as the administrative and business centre of Kazakhstan in accordance with the original concept of the social and economic development of the city. The theme of this concept is "The blossoming of Astana is the blossoming of Kazakhstan". More than 200 joint ventures and foreign companies are operating in the capital, the majority of these companies belonging to such countries as Turkey, Russia, Germany, Kyrgyzstan and Switzerland.

Astana is a member of the International Association of Capitals and Cultural Cities of the CIS along with 40 other cities of the CIS and the Baltic Republics; it has close bilateral relations with 13 cities and regions of the CIS and foreign countries.



Astana is one of the biggest centres of culture and the arts in Kazakhstan. The Presidential Cultural Centre of the Republic of Kazakhstan has been established in the centre of the new city. The structure of the Centre includes a Museum with various rooms and displays representing the historical values of the past and the present of Kazakhstan. There is a library containing more than a million books and electronic catalogues in the centre.



The Kazakh National Music Academy has been established in Astana. This Academy combines all the stages of specialised and general musical education into one school of uninterrupted musical education. The Academy is a member of the European Association of Conservatories, Academies and Musical High Schools.



Theatres in the capital are full of popular events. Spectators like attending events in such theatres as the Theatre of Drama and Music named after K. Kuanyshbaev (first opened on the 15th of November 1991) and the State Theatre of Russian Drama named after M. Gorky. In 2000 the National Opera and Ballet Theatre named after K Baiseitova was opened. The pristine new cinema complex named “Cinema-City” was also opened in 2000. It was built in accordance with the best traditions of international cinemas and it has become one of the favourite places to visit for the people of Astana.



Construction of the new city developments planned for the left bank of the Esil River has started. To help the process a Special Economic Zone providing more favourable conditions for investment has been created. According to the General Development Plan of the Capital the integrated structure of the this complex, which is located on the left bank, will symbolise the new Kazakhstan capital.



The creation of the SEZ will be beneficial both for the state and for the potential investors.

The benefits for the investors:

- The state support of direct investments into construction of Astana city.
- Significant tax privileges and preferentials.
- Opportunities to introduce modern technologies and scientific achievements in the field of construction.
- Getting land for construction in the new centre of the capital.
- Formation and development of real estate market.
- The guaranteed right to prolong the investment activity on the initial terms until the expiry of the SEZ period, but not more than for 10 years, irrespective of the changes in the juridical regime of the SEZ or its liquidation before the appointed time, including the extension of the area.



The customs regulation in the territory of the SEZ is applied in accordance to the customs legislature of Republic of Kazakhstan. The territory of the SEZ is considered to be a part of the territory of the Republic of Kazakhstan with **customs free regime**.

The following goods and equipment are favoured in to the free customs zone:

- **machines and equipment for construction;**
- **goods, which will be completely consumed in construction;**
- **goods and equipment necessary for construction.**

Astana is a city of the future. We are proud of our new capital. It is very symbolic that Astana has been granted the status “City of Peace” by decision of UNESCO in 1999.

Business magnet

Construction and the business of government have spurred investments in the local economy as well. Between 2000 and 2004 the number of new legal entities registered in the capital increased by a factor of 2.3, and the local housing stock has nearly tripled in size. The centres of the capital city's economic activity are construction, the food industry and tourism. The city boasts a large and growing number of restaurants and hotels catering to business travellers, as well as a major exhibition centre and universities.

Astana boasts a number of higher educational establishments including the L.Gumilyov Eurasian University. It is not only in Kazakhstan but also far beyond its confines that the scientific world is familiar with the works of experts of the A.Barayev Research Institute of Grain Farming. In Astana one can find three museums, two drama theatres, branches of the Union of Writers and Artists of Kazakhstan, with over 40 newspapers and 2 literary magazines being published in the city.

The region around Astana is by right one of the Republic's granaries and a big centre of agricultural machine-building. In fact it produces one fifth of all the grain, one tenth of cattle-breeding products with one fourth of grain being sold to the state. Areas under crops constitute 3422,6 ha. Just as well-developed is meat-and-milk cattle-breeding, pig-breeding, sheep-breeding, horse-breeding and poultry farming. The region's entrails harbour deposits of gold, uranium, bauxites, antimony, copper, lignites, caoline ores, quartz sands and other commercial minerals. Traditionally, development of industries in the region was associated with agriculture, with processing of agricultural raws. The region is fairly active in conducting foreign economic activities, it maintains mutually-advantageous relations with the states of both the near and the far abroad. Russia, Uzbekistan, Belarus and Tajikistan are major trade partners thereof. Exported to CIS countries is primarily grain, meat, flour and milk products while imports consist in fuel and power resources, products of chemical industries, timber, saw-timber, paper, rolled stock of ferrous metals and consumer goods. From among foreign countries the main share of exports is shipped to the USA, China, France, Germany, Turkey and Austria. These countries receive uranium oxide, molybdenum, fertilizers. Prevailing in import deliveries are food products and machinery for agroindustrial complex.

Astana and the northern region of the country can afford tremendous prospects of development. Concentrated in northern Kazakhstan are all reserves of industrial diamonds ever prospected in the Republic, two thirds of tin, over 30% of zirconium, 25% of uranium and 15% of gold. No wonder that mining in the region has a fine chance of sustained development. The transfer of the country's capital to Astana has exerted ever greater influence on neighbouring industrially developed regions - Karagandy, Pavlodar, East Kazakhstan and Kostanay. In addition it is a fine prerequisite for the development of entrepreneurship and businesses which would invariably trigger opening of main offices of (foreign) companies and firms, branches of major banks with eventual move of the banks themselves.

Sports Mecca

Astana's other tourist attractions include "Astana-Baiterek," a monument to the country's independence with a sweeping view of the city, a circus, an ethnic park, a presidential culture museum and the world's most inland oceanarium. With a huge new, 10,000-seat skating stadium and cycle track, Astana is also fast becoming a mecca for sports tourism. New sport centres are planned in the neighbouring areas of Korgalzhyn, Ereimtau.

Eighth Wonder of the World?

The inauguration in September 2006 of the new, 62-meter-tall Palace of Peace and Accord, also known as the Peace Pyramid, will mark another milestone in Astana's evolution and may well become the Eighth Wonder of the World. Built to house the Assembly of Nations of Kazakhstan, a university, a museum, a library and a winter garden, the pyramid was designed by British architect Sir Norman Foster, who is famous for his futuristic glass roof on the German Parliament (Reichstag). The Palace of Peace and Accord will be ready for the beginning of the Second Congress of World and Traditional Religions.

Geography

Astana lies in the North of the central part of the Republic of Kazakhstan. Its territory is as large as 96,800 sq km. The surrounding landscape is far from uniform: hilly areas intermingled with low mountains, plain and river valleys. In the North we find spurs of the Kokshetau elevation, in the southern and south-eastern portions of the region it is "spurred" by the Saryarka (Kazakh hummocky topography) with plains in the North-East.

The climate is sharply continental with aridity rapidly increasing to the South. The average temperature in January - 14° - 18° C, rising to +20° to +24° C in July. At the extreme, winter temperatures can reach - 40° C and summer temperatures sometimes rise above + 35° C, with dust-laden storms and hot dry winds.

The largest rivers in the area are the Ishim and the Nura with such lakes as the Tengh, Karasor, Korgalzhyn, Balyktykol, Kypshak.

Nature

The region counts 55 species of animals, 180 species of birds and 30 species of fish. The rarest species of all are Pamir argali (arkhars), saker falcons, golden eagles, bustards, demoiselle cranes, steppe eagles, Dalmatian pelicans, little bustards and flamingos. To protect rare disappearing species of animals on the territory of the region state nature and game preserves have been set up. Some 66 species of vegetation sprout in the region. The area of all green plantations and similar massifs makes up 4,391.6 ha.

The Palace of Peace and Accord*

The Palace of Peace and Accord was officially opened in Astana on September 1, 2006. **Designed by Lord Norman Foster, the 62-meter steel-and-stone Palace of Peace and Accord** is conceived as a venue and global centre for religious understanding and represents all the world's religious faiths. While its central, circular chamber is modelled after the United Nations Security Council in New York, its exterior form is that of a pyramid.



The building **is larger than St. Paul's Cathedral** and in addition to the centre for religious dialogue; **it will house a museum, a university, a 1,500-seat opera house, a soaring central atrium and a network of hanging gardens.**

"It is primarily a cultural centre," says Foster, "but because it will host a peace congress of 18 religions, it becomes something else. It is about religion, peace and co-existence... It is dedicated to the renunciation of violence and the promotion of faith and human equality."

The initial organisation to be permanently quartered in the Palace will be the Assembly of Nations of Kazakhstan, a unique gathering, comprising representatives of all nations and ethnic groups that are present in Kazakhstan.

The pyramid is also an engineering wonder, having been designed to withstand temperature extremes that range from minus 40 degrees Celsius in the winter to plus 40 degrees Celsius in the summer. It is also being built in record speed: Commissioned in 2004, the pyramid was ready for business in September 2006.

The Second Congress of Leaders of world and traditional religions, which involved representatives of different faiths and religions throughout the world took place in the Palace on September 12-14, 2006.

*also see article on pp 113-114 of the Country Profile

Giant tent to provide relief from Astana's winters

By the beginning of 2008, Astana's residents may be able to enjoy a pleasant afternoon outdoors, even in the harshest winters, by taking refuge under a giant, **500 foot high transparent tent**.

Also designed by the renowned British architect Lord Norman Foster, the dome will be made of a transparent material that absorbs and retains sunlight. Winter temperatures in Astana can reach as low as minus 30 degrees, but inside the tent they will instead stay at a near constant 15 degrees.

This will be the **second giant project in Astana by Lord Foster** after the commissioning in 2006 of his first project the **Pyramid of the Palace of Peace and Accord** (see previous page and p. 113).

The tent will contain a "miniature city" roughly the size of ten football pitches. Underneath the dome, residents will relax around cafes, shopping centres, canals, and a nine hole golf course. Additionally the dome will contain artificial beaches and a concert hall to seat 5,000.

"Nothing of this sort has ever been done before, and from the engineering point of view, it's an extremely difficult project," said Fethah Tamince, the head partner of Sembol, the Turkish development company constructing the tent.



The tent will be named Khan Shatyr (can be easily interpreted as the King Marquee) after the tent-like structures used by ancient nomads.

Astana became the country's capital in 1997. Located in northern central Kazakhstan, Astana has experienced an astonishing construction boom since that time with a completely new city growing on the left bank of the Ishim river complete with skyscrapers, huge apartment buildings, embassies, and a glass and steel pyramid of Palace of Peace and Accord, also designed by Lord Foster. Astana's population has more than doubled since 1997 to close to 700,000 now, making it the second largest city in the country after Almaty, its former capital.

President Nazarbayev, who spearheaded the decision to move Kazakhstan's capital, believed that Astana held greater potential for future development than a picturesque Almaty in the foothills of the Tian Shan mountains, which is hemmed in by those mountains and located near the country's eastern border.

December 10, 2006 marked the ninth anniversary of Astana as Kazakhstan's capital. In a BBC interview President Nazarbayev said that he is pleased with the progress that has been made over the past nine years and that he considers Astana one of his biggest successes. "I put everything at stake, including my career and my name. It was a huge risk, and I took it intuitively," Nazarbayev said.

More information about Khan Shatyr is available at www.khanshatyr.com

NATURE RESERVES OF THE REPUBLIC OF KAZAKHSTAN



Aksu-Zhabagly (South-Kazakhstan region). Set up in 1927. It derived its name from those of Aksu and Zhabagly. Quite remarkable is the canyon of the Aksu river: its banks are almost vertical (up to 300-500 m), often fairly inaccessible. Total area makes up 85,300 ha. It embraces picturesque Alpine landscapes of North-West ridges of the Talass Alatau and the Ugam range. In the reserve one can find 1,404 species of plants while the fauna is represented by 47 and 239

species of animals and birds respectively. Typical inhabitants - Siberian ibex, roe, Caspian deer, boar, weasel, vulture with rare species among them: snow leopard, Turkestan lynx, Pamir argali, red bear, golden eagle, saker falcon, short-toed eagle.

The reserve plays host to paleontological burial places Karabastau and Akbastau on the slopes of the Karatau mountain. We witness here rarest ever imprints of all sorts of fish, molluses, tortoises, insects of Jurassic period which once inhabited the sea basin that lapped here some 120 million years ago.



Naurzum one (Kostanai region). Set up in 1934 with the aim of protecting the Naurzum pine forest - one of the southernmost massifs of pine forests in Kazakhstan while the region's lake harbours nesting places of water fowl. The territory is as large as 87,700 ha. The reserve is inhabited with 39 species of animals and 239 species of birds and there grow some 961 species of plants. Incidentally, white heron refers to one of the exceedingly rare and most interesting inhabitants of the reserve.

Kurgaldzhino (Akmola region). Set up in 1968 for purposes of preserving the rarest ever nesting bird - pink flamingo. Indeed, the lake of Tenghiz is the northernmost nesting place of the pink flamingo. The reserve extends for some 243,700 ha of which 199,200 ha, i.e. more than one half thereof, is occupied by water table. One can encounter here 42 species of animals, 298 bird species and 331 species of plants. The number of waterfowl here is particularly impressive let alone the fact that it includes such rare species as Dalmatian pelican, flamingo and mute swan, both nesting and ecdysial.



Tenghiz-Kurgaldzhino lakes are the place that attracts immense numbers of waterfowl in periods of spring migrations, the very phenomenon that has brought world renown to the reserve. It is far from fortuitous that the place is entered in the list of UNESCO as a particularly protected landscape of swamp-and-lake areas.



Almaty reserve (Almaty reion). Founded in 1961 to enclose the territory of 73,300 ha. The reserve numbers 137 species of plants, 39 species of animals and 200 species of birds. Referring to rare ones are red bear, snow leopard and Turkestan lynx.

The reserve proper includes a desert-like section of the valley of the Ili-river known for its uncommonly unique natural phenomenon - sand barkhans. These are the so-called “singing sands” 150 m high producing loud sounds when one moves along their floaty slopes. The landscape is quite picturesque, “embellished” with plentiful glaciers, firm basins and rocks.

Markakol natural reserve (East Kazakhstan region). Set up in the year of 1976 as a measure of protection and study of the natural complex of the South Altai. The area totals 75,000 ha. There are 721 species of plants, 59 species of animals and 25 species of birds in the reserve. Most common species are bears and Caspian deer. Of particular interest is no doubt a big mountain lake Markakol of tectonic origin: it lies at a height of 1,485 m above sea level. Its water table ranges for some 544 sq.m with maximum depth down to 27 m. One of the inhabitants thereof is a quite rare fish - uskuch whitefish.



Ustyurt reserve (Mangystau region). Set up in 1984 with the territory of 223,000 ha. It occupies a portion of the chink of the Ustyurt plateau. There are no permanent water flows but there occur drainless basins of which the largest is Barsakelmes, 70x30 km in size. The reserve protects 261 species of plants, 27 animal species and 111 species of birds. Reptiles are quite widespread: 27 species. Desert monitor is entered in the Red Book. Nearly just as rare are Ustyurt

munflon, long-needled hedgehog, Persian gazelle, karakal lynx, golden eagle, short-toed eagle, Egyptian vulture, saker falcon.

West-Altai reserve (East-Kazakhstan region). Set up in 1991, totalling an area of 56,000 ha. It numbers 564 species of plants, 30 animal species and 120 species of birds.



Barsa-Kelmes (Kyzylorda region). Founded in 1939. The reserve is situated on an island of the same name in the Aral sea. Its territory is as large as 30, 000 ha. Some 250 species of plants constitute its flora. Its fauna that numbers 56 species of animals includes - among others - Asiatic wild ass, Persian gazelle, corsac fox and wolf. 203 is the number of bird species.

In addition thereto there has been founded a **Bayan-Aul** natural park with an area of about 45,000 ha. It is by right a mountain forest oasis surrounded by desert-like steppes. Weathered granite Bayanaul mountains covered with pine and birch-tree forests govern semi-desert plains of the Kazakh hummocky topography interrupted by exceedingly beautiful lakes of Zhasyby, Toraigyr and Sabyndykol.



The overall picture of Kazakhstan's natural reserves may be supplemented with 83 game reserves which cover an area of up to 4,600,000 ha. The regime prevailing therein stipulates limited economic use of only a part of natural resources. The reserves may be classified into hunting, geological, botanical, zoological, lake, swamp and landscape ones.

