Doing Business in Kazakhstan: 2014 Country Commercial Guide for U.S. Companies

Return to table of contents

Chapter 1: Doing Business in Kazakhstan

Market Overview Return to top

Business in Kazakhstan is often focused on the oil and gas sector, which has been responsible for the country's strong economic expansion over the last decade. Kazakhstan, however, has developed into the leading market in Central Asia and is positioning itself as a transit route between China and Europe. It is also actively seeking ways to use its new mineral wealth to diversify its economy. These efforts, combined with a growing middle class, are providing trade and investment prospects for U.S. firms seeking new opportunities in one of the most dynamic of the emerging markets.

Like other former Soviet Republics, Kazakhstan is still developing a transparent and effective business culture that is attractive to foreign investment. Kazakhstan's authorities realize the need to implement economic reforms. However, new laws and regulations that should improve the business environment are often incorrectly implemented at the local level. Foreign investors, as well as local firms, complain about burdensome regulations that often reflect a way of doing business that is reminiscent of the Soviet Union. Challenges remain in addressing problems related to the country's competitiveness and economic diversification, its over-reliance on the extractive sector, continued corruption, need for increased rule of law, and concentration of political power.

Economic highlights include:

- Kazakhstan has a healthy appetite for imported goods and in some, not all, cases is willing to pay more for higher quality and innovative technology/service.

- The most recent report from the Heritage Foundation's Index of Economic Freedom rated the country as "moderately free" and ranked it 67th out of 178 countries, well above neighboring Russia (#140) and China (#137).

- President Nazarbayev's declared aim is to have Kazakhstan join the World Economic Forum's "Global Competitiveness" Top 30 economies by 2050. In 2012-2013, Kazakhstan significantly improved its ranking by turning around a five year decline, and this year climbed one more spot to rank 50 out of 148 countries.

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Ranking	61	66	67	72	72	51	50

- Brief economic indicators are as follows:

	2010	2011	2012	2013	2014 estimate	2015 estimate
GDP growth	7.3%	7.5%	4.9%	5.9%	4.6%	5.5%
GDP per capita (PPP)	$11,930	$12,890	$13,570	$14,370	$15,100	$16,030
Inflation	7.6%	8.7%	7%	7.2%	6.5%	

Market Challenges

Return to top

Kazakhstan continues to transform its economy to create a more transparent, less regulated, and more market-driven business environment. Nonetheless, this progress continues to be steadily undermined by continued developments that have caused increased concern for U.S. investors and other stakeholders. Firms that have experience in Russia and other post-Soviet economies will be familiar with these challenges:

- As of January 2010, the Customs Union (CU) between Belarus, Kazakhstan, and Russia became effective. It has boosted trade in the three countries, particularly between Kazakhstan and Russia. However, Kazakhstan's non-CU trade may be more restricted as it had to increase the majority of its tariff levels to match Russia's and now has similar limitations on certain categories of goods. Importers are affected by a poorly planned implementation of the territories' integration, non-standardized application of the common customs code, and unclear documentation requirements.

- Competition is strong as Russia and China vie for access to the country's energy resources and growing buying power. Investment from these two neighbors remains high while inexpensive products are readily supplied across these borders.

- Interpretation of laws by local officials is often at variance with that of the central government, especially in the implementation of Kazakhstan's system of taxation, collection of revenues, and customs procedures. U.S. investors report taxation as one of their top concerns, reporting frequent harassments by local and national 'financial police.'

- Corruption remains widespread despite the government's anti-corruption campaigns and dismissals of guilty bureaucrats. The judiciary, police, and customs are often cited as the source of problems. Kazakhstan ranked 140th of 177 countries in Transparency International's Corruption Perceptions Index for 2013, continuing its fall from 105th place in the 2010 ranking.

Market Opportunities

Return to top

Kazakhstan ranks 50th on the World Bank's Ease of Doing Business Report for 2014, dropping one spot from 2013. Of the various indicators used, Kazakhstan ranks higher than its overall score in "Starting a Business", "Protecting Investors", "Registering Property", "Paying Taxes" and "Enforcing Contracts". This report however, does not take into consideration vital business criteria such as corruption, labor skills, or investment regulations.

Demand in this developing market goes beyond the few best prospect sectors that this report is able to cover (see Chapter 4.) Kazakhstan's strategic aspiration is to become a modern, diversified economy with a high value-added and high-tech component, and they are cognizant of the need for foreign expertise to accomplish this.   The government is developing international partnerships and has agreed to projects with China and Germany worth billions of dollars in order to accomplish this.

Like other former Soviet republics, Kazakhstan's infrastructure needs modernization, especially roads, transportation, and telecommunications.   The Asian Development Bank (ADB) and the European Bank for Reconstruction and Development (EBRD) finance major infrastructure, financial, corporate, and agricultural projects in the country. Likewise, areas such as health and environment need an infusion of investment to reach global best practices. However, firms that seize this moment to explore the country's many business opportunities may be rewarded in the long term.

Market Entry Strategy

Return to top

Kazakhstan offers many opportunities, but may not be the right market for all firms. Companies that meet one or more of the following criteria will have an edge:

- Export sales and emerging markets are an important part of your business;
- Your firm has experience in Eastern Europe, the Caucasus, Russia, or Ukraine;
- You are willing to invest your time, effort, and resources for the long term.

Most exporters find using local distributors an easy first step for entering the Kazakhstani market. A local distributor is typically responsible for handling customs clearance, dealing with established wholesalers/retailers, marketing the product directly to major corporations or the government, and handling after-sales service, if required. It is not uncommon to partner with a firm that is involved in several unrelated sectors. Other useful early steps:

- Perform detailed market research to identify specific sector opportunities.
- Establish a local presence or select a local partner for effective marketing and sales distribution in Kazakhstan. Keep in mind that Kazakhstan has a small population spread over a large landmass, and your distribution channels should be able to represent your needs countrywide. Due diligence is also a must.
- Maintain a long-term timeframe to implement plans and achieve positive results. Don't expect this to be an inexpensive market that can be entered quickly.
- Be prepared to offer financing to your buyers (see Chapter 7.)

Return to table of contents

Return to table of contents

Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn/5487.htm

Return to table of contents

Return to table of contents

Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

Return to top

With a history rich in clan and tribal relations, business in modern Kazakhstan is still based on personal relationships. In an economy where rule of law is not yet firmly established, the quality and depth of key business relationships are often your best protection against loss and your key to market access. Selection of a local partner (or partners) is probably the most important decision your company will make in its market entry. Though some firms choose to cover the Kazakhstani market from a regional office in Russia, an on-the-ground presence is crucial for effective business development.

A good distributor is the best way to solve a variety of problems including communication and providing after sales service. Many exporters designate a Kazakhstani-based trading company as their local sales agent responsible for handling customs clearance of imported goods, dealing with established wholesalers and/or retailers, marketing the product directly to major corporations or the government, and handling after-sales servicing. In some cases, especially when selling to the government, a Kazakhstani distributor is vital.

Establishing an Office

Return to top

Registration: Registration is the first step that should be undertaken by a company wishing to operate with a physical presence in Kazakhstan. Depending on the type of business, a company has several options in terms of its legal entity in Kazakhstan. The most typical are branch office, limited liability partnership, or joint-stock company. Representative offices are also used as an initial step to enter the market, but are not recognized as separate legal entities and cannot undertake commercial activities. The government utilizes a “one-stop-shop” for registration, and requires documents to be submitted to the local department of the Ministry of Justice. The latter sends all the required documents to the relevant statistical and tax committees via a computerized network. The process should take no more than ten days for registration, but according to the World Bank it takes 12 days on average.

The required package of documents includes, but is not limited to, application for registration, by-laws of the entity to be registered, by-laws of the foreign partner of the joint venture, application form, and documents confirming address. In reality, the registration process might take much longer than the specified time above. Usually the reason for delay is submission of an incomplete package of registration materials, a subjective interpretation of the requirements, or a failure of the government’s computer system. Turning in all requested materials from the start will facilitate processing. There is also a registration fee that varies depending on the type of organization being registered. It is recommended that experienced and well-established legal counsel be used to register a company.

Domestic telephone service is adequate; international service is reliable in major cities but expensive. Mobile phone services, both GSM and CDMA, are available in most cities throughout Kazakhstan. Internet service is currently available at most locations in Kazakhstan. Broadband solutions are available in major cities via cable or satellite, but still expensive. Office equipment (fax machines, telephones, and photocopiers), parts, and service are readily available in major cities of Kazakhstan. Russian is the language of commerce. With the exception of Almaty and several other major cities, it is difficult to find professional English-speaking staff. Training is an essential component to any start-up operation.

Companies interested in working in the oil sector, as well as various types of sub-contractors for the oil majors, may consider opening representative offices in the Caspian Sea region cities of Atyrau, Aktau, or other cities in western Kazakhstan located near the major oil fields. There is a lack of quality office space in this region and many companies tend to establish offices in apartments. The cost per square meter is generally the same as in Astana.

Franchising

Return to top

While the small number of inhabitants and low population density of Kazakhstan limits franchising opportunities, this sector is believed to have significant potential for development. At the moment, there are more than 450 franchises operating in Kazakhstan, most of them located in Almaty, making Kazakhstan the franchising leader in Central Asia. Kazakhstan is characterized by a large number of franchisees working on the basis of sub-franchising agreements with master franchisees based in Russia, Turkey, or elsewhere. Only a few foreign franchisors work directly with Kazakhstani partners but their numbers are growing. U.S. franchisors have developed 36 franchise concepts in Kazakhstan, which include 250 franchised outlets. U.S. share is the most significant in total franchising turnover.

The Kazakhstan Franchising Agency estimates that the total number of all franchises and brands operating under franchising or other similar terms will increase to 500 by 2016. This projection includes approximately 3,000 new franchising outlets which will employ over 30,000 people, with an estimated annual turnover of $1.2 billion. Domestic franchising is just starting to develop with 30 local franchises and 200 franchising outlets.

Although franchising is a fairly new business concept in Kazakhstan, it is drawing increasing interest from entrepreneurs. Kazakhstani companies have accumulated financial resources that, combined with a lack of available investment instruments, are stimulating interest in franchising. While the number of potential franchisees grows steadily in Kazakhstan, franchisers have yet to express a notable interest in expanding into the market. Regional centers of franchising in Kazakhstan are Almaty, Astana, Atyrau, Karaganda, and Shymkent. Major international brands are concentrated in Almaty and Astana.

Any franchising contract should be carefully drafted because judges in Kazakhstan are not familiar with this area of law. In fact, the Law of Franchising adopted in June 2002 does not even use the term but retains the archaic term "complex business license."

Direct Marketing

Return to top

Direct marketing is becoming more common in Kazakhstan, especially in larger cities such as Almaty and Astana. Some popular forms of direct marketing are the distribution of free samples at points of sale and major cultural events and visits to households to promote consumer products. Marketing by mail is less popular, as mail is not considered a reliable delivery instrument, but the situation is improving and it is gaining popularity.

E-commerce is becoming more and more popular in Kazakhstan. In 2013 the annual turnover of e-commerce reached $600 million. In 2013, Kazakhstanis made 10 million purchases online; this is 220% more than in 2012, with 56% of all Internet purchases coming from U.S. websites. However, penetration levels of PCs remain low and restricted to urban areas; untapped demand is high and the potential for growth is significant, particularly in provincial cities. China has become an increasingly important supplier of electronic goods in recent years.

Direct sales and sales through catalogs are particularly popular in the cosmetics sector. The total share of direct sales of cosmetic products was over 30% in 2013. Leading direct selling companies include Avon, Oriflame, Mary Kay, Faberlic (Russia), and Amway. The majority of these products are U.S. brands. Direct sales are oriented towards middle and lower class consumers.

There are many advertising agencies all over Kazakhstan and more than a dozen local and several Western advertising firms in Almaty, including some global Public Relations firms, such as McCann Erickson, Ogilvy & Brothers etc. Television, outdoor advertising, and general-interest publications represent the primary advertising channels for consumer goods. Advertising of services and general image promotion are usually done using outdoor advertising and personal sales.

Joint Ventures/Licensing

Return to top

Joint ventures may be organized as a limited liability partnership or a joint stock company. Joint stock companies (JSC) are defined as legal entities, which issue shares to raise the funds for carrying out their activity. Generally, shareholders are not liable for JSC's obligations and bear the risk of losses associated with activity of the JSC within the value of owned shares. A company is formed on the basis of charter and decision of founders. Initial capital is provided by contributions from shareholders and may take the form of cash or other property and property rights assessed in monetary equivalent. According to the Statistics Agency of the Republic of Kazakhstan, more than 10,000 joint ventures with foreign partner participation currently operate in Kazakhstan.

Many joint ventures are established in the oil and gas sector. More than 400 joint ventures with partners from 55 countries operate currently in the Atyrau oblast – the oil-rich region in Western Kazakhstan. The Kazakhstani Center for Engineering and Technology Transfer is actively involved in organizing strategic partnerships with foreign companies investing in Kazakhstan. Additionally, government- related organizations, such as the National Investment Fund, are seeking to invest in foreign firms that are developing new technologies, or to license production of such technologies in country for distribution in the region. Other successful joint ventures are operating in the mining, agribusiness, transportation and food processing sectors of economy.

Licensing has been identified as an obstacle to investment and trade in Kazakhstan. In compliance with the 1995 Law on Licensing, as amended in 2007, many economic activities are subject to licensing, and there is an extensive list of goods that require licensing to be imported into or transited through the territory of Kazakhstan. Obtaining licenses is needed only for those types of activities that are directly stated in the law. Examples include health care services, notary services, telecommunications services, and juridical services.

Licensing procedures are often slow and non-transparent, though amendments are aimed at improving and simplifying the issuance of licenses such as:

- The number of activities that are subject to licensing has been reduced to 100 types and 249 subtypes;
- License issuance has been simplified based on a "one window" principle;
- The process of license deprivation is executed by the court;
- Operation of a license is not territorially limited; and
- Licenses must be issued within a 25-day period (for small businesses, seven days).

Provisions for issuing a license are determined by certain government agencies in accordance with the type of license.

In order to simplify procedures and as part of its e-Government strategy, Kazakhstan introduced E-licensing - an electronic license application. E-licensing allows the individual submitting an application for a license the ability to monitor the status of the application. Detailed information can be found at: http://www.elicense.kz/?lang=en.

Selling to the Government Return to top

State procurement is regulated by the 2007 Law on State Procurement and several amendments, and applies to ministries, state agencies, and companies and enterprises in which the state holds more than 50% of the shares. The latest amendment was adopted in January 2014 as a Law on amendments and additions to some legislative acts on state procurement. The law introduces a national regime that allows vendors from member countries of the Customs Union to participate in public procurement tenders on equal terms with domestic suppliers. In addition, the amendments eliminated a rule that regulates conducting public procurements in some cases without application of the profile law.

The procurement system in Kazakhstan is highly decentralized with different government agencies and companies managing specific procurement projects, though the Committee for Financial Control and Public Procurement is responsible for enforcing the laws and regulations on public procurement. The Ministry of Finance develops procurement policies through the legislative framework.

The state procurement process is implemented through mandatory tenders announced by government agencies. Newspapers designated by the Committee for Financial Control and Public Procurement publish the tender opportunities. To facilitate the procurement process, the Kazakhstani government created an e-procurement system. The State procurement website (only in Kazakh and Russian) was launched in 2008 and the E-commerce Center (website only in Kazakh and Russian) was assigned as the sole operator in electronic state procurement.

Kazakhstan's state procurement regulations seek to provide international standards of transparency and public accountability. However, what appears in print and what happens in practice can be very different. Short deadlines for tenders (suggesting a preselected supplier), a lack of transparency in business dealings, and serious nonpayment issues constitute a challenging commercial environment. In addition, the regulations often favor domestic suppliers over foreign companies.

U.S. companies are advised to approach any government tender with due caution. However, lucrative opportunities do exist and American companies have had success in Kazakhstan. Companies should be wary of payment-after-service arrangements and use payment schemes providing additional guarantees of timely payments. Not doing so puts any firm at risk, with little recourse in the Kazakhstani judicial system.

Distribution and Sales Channels Return to top

As distribution and telecommunications networks in Kazakhstan have been diversified and upgraded, the major sales and distribution challenges for businesses have shifted from simply getting goods to market to more concern about legislative and regulatory issues. U.S. companies in Kazakhstan use a combination of marketing methods including direct sales, working through a countrywide distributor or agent, working through more than one local-area distributor or agent, and/or distributing or selling products directly from a warehouse. A recent development is the emergence of e-commerce (see Electronic Commerce section below). Distribution channels still require extensive training/service, marketing support and project financing, such as leasing schemes for equipment.

Most of Kazakhstan's population is concentrated in two geographic areas: the southeast (Almaty, Southern Kazakhstan, and Zhambyl Oblasts) and the north/northeast (Astana, Karaganda, Kustanai, northern Kazakhstan, Pavlodar, and eastern Kazakhstan oblasts). Average incomes are higher in these regions than in other parts of the country. The economic development of Kazakhstan's oil-rich western regions has expanded the economies of the largest towns there, principally Atyrau, Aktau, and Uralsk, where major international oil companies currently operate.

Companies are advised to pursue a long-term strategy, as well as careful business development and marketing approaches in order to succeed. Certain factors should be taken into account, such as the presence of less expensive competitors from Russia and China, price sensitivity, and local content requirements.

Selling Factors/Techniques

Return to top

Transportation costs, product pricing, trade and project financing, and establishing trade relations are all important considerations for U.S. companies examining the Kazakhstani market. Kazakhstan's major cities should be considered first as potential markets for consumer products, since they are well connected to the country's transportation system and their populations generally have greater purchasing power. U.S. products have a good reputation here, but competition is growing. U.S. firms must provide customer support and a reliable supply of products to their distributors. Distribution networks in Kazakhstan cover great distances because of the country's vast size. Transportation costs and delivery times from the U.S. are significant, which obviously affects the price competitiveness of U.S.-made products.

Electronic Commerce

Return to top

Kazakhstan's online shops first emerged in 2000 but even after fourteen years the industry is still underdeveloped. Kazakhstan's expensive Internet access has historically limited the number of Internet users. Nevertheless, based on recent reports, Internet use has grown quickly over the last year, from 49% use in 2012 to 66% of the population in 2013 (according to the International Telecommunication Union). This provides excellent opportunities for growth in e-commerce. More than 500 Internet shops and Business-to-Business (B2B) trade marketplaces exist in Kazakhstan's domain. Products sold online include prepaid phone and Internet cards, multi-media, books, computer hardware, computer peripherals and accessories, software, cosmetics, apparel, and more recently, consumer electronics and airline tickets. The most progressive types of e-commerce in Kazakhstan include online airline and railway tickets, and online payments for mobile services and public utilities.

B2B commerce is starting to grow, as many Kazakhstani companies begin to realize that having a web page is a must for good standing in the business community. Some firms now include product catalogs on their Internet pages. Most companies, however, are not ready to go beyond the web representative office to conducting on-line business. In 2004, Kazkommertsbank, the leading local bank in Kazakhstan, and Commerce One, with the support of IBM, activated the first Electronic Trade Ground (ETG) in Kazakhstan to conduct sales and tenders through the Internet. By the end of 2013, the ETG registered approximately 8,000 members and 8,100 completed tenders. These numbers represent a considerable increase compared with 2005: 126 members and 140 tenders.

In the B2C segment of the e-commerce marketplace, growth has started to occur. According to local experts, the volume of e-commerce reached $1.4 billion in 2013, compared to $300 million in 2011. 66% of the goods were purchased from the United States, while 9% originated from Europe and 8% from Russia. The leader among foreign Internet shops in Kazakhstan is eBay. Only $60 million of the $1.4 billion was paid to Kazakhstani providers. On-line shopping amounted to only 7-8 % of all Internet services provided in Kazakhstan in 2013. Most international courier services have representation in Kazakhstan and use online sites to support delivery. In 2007, Air Astana, a leading international air carrier in Kazakhstan started to provide online services for its customers. The volume of Air Astana online services reached 10% of total ticket sales in 2013 and company plans to increase its electronic transactions to 30% in five years.

Imperfect and insecure systems of Internet payments and goods delivery, and a low level of consumer confidence in e-shopping are still the main obstacles for e-commerce development in Kazakhstan. Payments for orders over the Internet from Kazakhstan online shops are mostly done by cash-on-delivery or bank transfer and rarely by credit/debit cards. Most industry experts attribute the sector's weak development to a lack in critical mass of internet users, as well as poor management of existing e-shops, most of which were opened in Kazakhstan by technical specialists with little or no experience in this specific business. At the same time, none of the large retail chains have yet attempted to open online stores. Weak consumer confidence concerning the reliability of Internet shops and security of online transactions remain large obstacles for the development of this business in Kazakhstan.

Since 2013, the Association of Kazakhstani Internet business and mobile Commerce (AKIB) has started its operation providing independent evaluations of Kazakhstani Internet shops by leading e-commerce experts. A multifaceted system has been developed in order to survey all aspects of e-shops in Kazakhstan including level of access, feedback, ways of payment and delivery, technical support, etc. An association website has also been developed to rate the various Internet services and help customers compare prices.

Trade Promotion and Advertising Return to top

The advertising industry is regulated by the Law on Advertising which prohibits advertising alcoholic products, baby formula, and products that are not licensed in the country, while tobacco advertisements are permitted only in printed publications. All advertised products should be certified. Advertising should be presented in both Russian and Kazakh languages. The Ministry of Health regulates advertisement of medicines and medical products. The advertising market volume in Kazakhstan reached $320-350 million in 2013. The volume of the television advertising market grew by more than 47% from the post crisis period of 2008-2009.

Pricing Return to top

Key pricing components that should be considered include transport costs, duties associated with import (customs duties and fees, certification payments, etc.), VAT and high expectations of profits by importers/distributors (businesses in Kazakhstan tend to charge much higher margins than in other countries). Kazakhstan faced a 19% currency devaluation in February 2014.

The Customs Union (CU) of Russia, Kazakhstan and Belarus implemented unified customs tariffs and non-tariff regulations as of January 1, 2010. More than 5,000 tariffs were raised to meet those in Russia (among them foodstuffs and equipment). The CU Customs Code took effect from July 1, 2010 to regulate the resulting integrated customs zone.

Kazakhstan's entry into the Customs Union in 2010 has increased barriers for imports from third parties; import tariffs rose from an average of 6.7% to 11.1%. The consequences of joining the CU are reflected on 60% of Kazakhstan's tariff bases. 45% of them have been raised and only around 10% were reduced. However, other aspects of border-crossing procedures represent more significant problems. The greatest challenge is that customs regulations tend to change often. Procedures, lists of goods that are subject to mandatory licensing, and other technical issues are under constant revision and customs officials on the spot tend to use regulations selectively and arbitrarily.

Additionally, the establishment of the Customs Union also introduced new customs control procedures for importers from non-CU countries. The cost of importing has gone up due to an increase in import duties and fees for registration, as well as new licensing requirements for numerous goods.

Kazakhstan plans to enter the World Trade Organization (WTO) in 2014-2015. Joining the WTO is expected to cause a decrease in some of the import tariffs which were raised through the creation of the Customs Union with Russia and Belarus.

Another factor affecting price and competitiveness of imported products is that the value-added tax of 12% has to be paid on top of all customs duties and excise taxes at the time of customs clearance. Considering all the difficulties associated with customs clearance procedures, importers are advised to use the services of customs brokers.

Conditions demand that U.S. companies take into account strong competition from Russian, Chinese, Southeast Asian, and European producers. Consumers in Kazakhstan are very sensitive to prices and quality of the goods supplied, though most consumers are willing to pay premiums for uniqueness or higher quality. Higher-than-average prices, however, have to be justified by a recognizable brand name, marketing or special features.

Sales Service/Customer Support

Return to top

Strong customer support and service add value in Kazakhstan. In a country where the practice of customer service is developing but still leaves much to be desired, providing after-sales service (either directly or through a trained local representative) will make a lasting difference. U.S. companies should be prepared to commit resources to customer-service training for local staff. Local companies initiating business with foreign partners are becoming increasingly concerned about after-sales service and customer support, and distributors in Kazakhstan expect that equipment/technologies will come with some kind of guarantee.

U.S. companies entering the market are recommended to have pre-arranged agreements with certified maintenance centers. This is extremely important when selling vehicles, construction equipment, electronics, and other equipment. Due to the considerable time difference between Kazakhstan and the U.S., companies should consider using 24-hour help lines, or existing customer support centers in Asia, Russia, or Europe, when support centers in Kazakhstan are not economically justified.

Protecting Your Intellectual Property Return to top

The government's effort to diversify the economy away from the energy sector and spur the growth of a domestic high technology industry, along with the WTO accession process (Kazakhstan's law does not currently comply with the TRIPs Agreement), has led to a stronger emphasis on IPR protection. The progress achieved on the legislative front as well as in enforcement was reflected in the May 2006 removal of Kazakhstan from the USTR's Special 301 Watch list. Kazakhstan has made progress in its legal reforms, but the country is weak in the area of enforcement, especially against organized crime syndicates. Although pirated software, films and music are still widely available, the vast majority is believed to be imported, not produced domestically.

The government's efforts have greatly helped to expand the Kazakhstani market for licensed goods and Kazakhstan is considered to be one of the most promising marketplaces of the CIS region, behind only Russia and Ukraine. The flow of counterfeit goods from China, however, has increased significantly since Kazakhstan joined the 170 million strong Russia-Belarus-Kazakhstan Customs Union and much still needs to be done to ensure that customs controls are more effective in preventing the importation of infringing goods. Further progress is also needed in the realm of civil adjudication, where an increasing number of IPR disputes are being settled. Although civil courts have been used effectively to stem IPR infringement, judges often lack expertise in the area of IPR.

The National Institute of Intellectual Property performs official examination of patent applications, and their website (www.kazpatent.kz) contains several informative links. Applications for trademark, service mark, and appellations of origin protection may also be filed with the National Institute of Intellectual Property. Existing Soviet patents are being converted to Kazakhstani patents. The Committee on Intellectual Property Rights, under the Ministry of Justice, oversees copyrights. For more information, see the Protection of Property Rights section in Chapter 6 of this report.

Protecting Your Intellectual Property in Kazakhstan:

Several general principles are important for effective management of intellectual property ("IP") rights in Kazakhstan. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Kazakhstan than in the U.S. Third, rights must be registered and enforced in Kazakhstan, under local laws. Your U.S. trademark and patent registrations will not protect you in Kazakhstan. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-to-file basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Kazakhstani market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals and legal entities in Kazakhstan. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Kazakhstani law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Kazakhstan require constant attention. Work with legal counsel familiar with Kazakhstani laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Kazakhstan or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- Kazakhstan Association for Copyright and Related Rights’ Protection (KAZASP)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the U.S. and other countries -- call the STOP! Hotline: **1-866-999-HALT** or visit **www.STOPfakes.gov**.

- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**, or visit http://www.uspto.gov/.

- For more information about registering for copyright protection in the U.S., contact the U.S. Copyright Office at: **1-202-707-5959** or visit http://www.copyright.gov/.

- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the "Resources" section of the STOPfakes website at http://www.stopfakes.gov/resources.

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **www.stopfakes.gov**/businesss-tools/country-ipr-toolkits. The toolkits contain detailed information on protecting and enforcing IP in specific markets and also contain contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.

- The U.S. Commerce Department has positioned IP Attachés in key markets around the world. The current IP Attaché covering Kazakhstan is Donald Townsend, who may be contacted at Donald.Townsend@trade.gov.

Due Diligence

Return to top

Kazakhstan can be a challenging market fraught with obstacles for any company that does not take the time to learn about the business environment and choose local partners wisely. Taking shortcuts in evaluating business opportunities and selecting local partners is not advisable. Complicating these efforts is the fact that the Kazakhstani economy is still transitioning from a closed economy to a more open, market economy. This means that basic business information about regulations, company ownership, and credit worthiness are not always easy to find.

In many cases, business in Kazakhstan is still based on family ties and personal connections. Knowing if your potential business partner is able to proactively negotiate these networks can help your firm better determine if this is the right relationship to take on. Finding a reliable, credit-worthy partner in Kazakhstan requires due diligence, caution, and attention to a potential partner's achievements and reputation. U.S. firms are advised to verify trade references offered by potential partners, check banking records and correspondent account capability with Western banks, and verify the personal bona fides of key company officers.

Local Professional Services

Return to top

There are several international firms providing legal, accounting and consultancy services in Kazakhstan. Auditing firms include: Deloitte, Ernst & Young, KPMG, and PriceWaterhouseCoopers. Western-based legal firms include Baker & McKenzie, Bracewell & Giuliani LLP, Chadbourne & Parke, Curtis Mallet-Prevost Colt & Mosle, Morgan, Lewis & Bockius, Dewey and LeBoeuf, Denton Wild Sapte, Macleod Dixon, McGuire Woods Kazakhstan LLP, Salans, Rosenblatt & Company**,** Patterson Belknap

Webb & Tyler/Assistance, White & Case, Baker Tilly Eltal Kazakhstan and Reed Smith. For a full list of firms or industry associations, please contact the Commercial Service in Almaty. You can also visit our website's list of business providers, which includes local and international service providers supporting the international business community in Kazakhstan.

Web Resources

Return to top

Republic of Kazakhstan Electronic Licensing: www.elicense.kz/?lang=en

Electronic Trade Ground (ETG): www.mp.kz

National Patent Office: www.kazpatent.kz/index.php/en/

International Telecommunications Union: www.internetworldstats.com/asia.htm

Kazkommertsbank: www.kkb.kz

Kazakhstan's E-Commerce Center: www.ecc.kz/kk

State Procurement Website: www.goszakup.gov.kz/

The Economist Intelligence Unit: www.eiu.com/

World Bank's Doing Business Report:
www.doingbusiness.org/data/exploreeconomies/kazakhstan

U.S. Commercial Service Kazakhstan – Business Service Providers listing:
export.gov/kazakhstan/businessserviceproviders/index.asp

Franchising// Franchexpo: www.franchexpo.kz/ru/pr-novosti-stati/public/32-franch-in-kaz

Kazakhstan inflation rate/Trading economics:
www.tradingeconomics.com/kazakhstan/inflation-cpi

Return to table of contents

Return to table of contents

Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

Agriculture Equipment and Machinery

Overview

Return to top

	2012	2013	2014 (est)
Total Market Size	484	495	545
Total Local Production	45	100	150
Total Exports	1.5	5	5.5
Total Imports	440	400	400
Imports from the U.S.	50	30	35

In USD Millions; Source: The above statistics are unofficial estimates based on Kazakhstan's customs data and industry sources.

Agriculture accounts for approximately 6% of Kazakhstan's economic production. More than 74% of the country's territory is suitable for agricultural production. However, only 25% of the land is arable. Farmers raise sheep and cattle, and livestock products include dairy goods, leather, meat, and wool. The country's major crops are wheat, barley, cotton, and rice, with wheat exports, a major source of hard currency, ranking among the leading commodities in Kazakhstan's export trade. Kazakhstan is in the top 10 largest grain exporters in the world, which is exported to over 70 countries.

Nearly 80% of machinery currently in use is at the end of its lifecycle and needs to be replaced. Tractors in use for more than 10 years account for 94% of the entire fleet, while harvesting combines in similar condition make up 77%.

Local production of agricultural machinery and equipment is insignificant. In 2013, the Kazakhstani agricultural machinery and equipment sector was roughly estimated at approximately $500 million, of which $400 million was imported. Russia is a market leader for agricultural machinery and equipment with a 40% market share. Germany, Canada, the Netherlands, Belarus, Turkey, and China are other large suppliers. Local manufacturers of agricultural machinery and equipment in Kazakhstan include AgromashHolding JSC, Kamaz-Engineering JSC, SemAZ LLP, Hundai Truck and Bus.

In 2013, the lack of any significant growth in the market size for agricultural equipment was primarily due to a new Customs Union (CU) tariff policy which temporarily increased import tariffs on combines imported from outside the CU from 5% to 27.5%. Consequently, imports of combine harvesters to Kazakhstan from non-CU countries dropped in 2013, and the U.S. market share decreased from 11% of all imports of combine harvesters in 2012 to 7.5% in 2013. The new tariffs were approved in February 2013 and planned to be valid until fall 2013. At the beginning of 2014, the government of Kazakhstan introduced a quote of 300 units for combines imported from non-CU countries with a 5% import tariff.

Another result of entering into the CU is an anticipated increase in the local production/assembly of agricultural machinery and equipment. In recent years, Kazakhstan launched several assembly projects with firms from Russia, Ukraine, and Belarus, which are now under active development. The Government of Kazakhstan's

Industrial Development Program has set new goals to double the local production of agricultural machinery and increase its exports to 8% by 2014.

Sub-Sector Best Prospects Return to top

U.S. exports to Kazakhstan consist mostly of grain harvesting combines, reapers, sprayers, tractors, seeders, cultivators, and grain drying and cleaning equipment. American products enjoy an excellent reputation in Kazakhstan. In light of the lower dollar exchange rate vs. the Euro, Kazakhstani buyers are interested in purchasing U.S. made equipment.

Best prospects include: 100-150 horse power (hp) tractors and combines for the southern regions, tractors of greater than 250 hp and combines for the northern regions, pneumatic seeders, reapers, sprayers, grain drying and cleaning technologies, grain storage equipment and storage quality control systems, water-saving technologies, engineering and design services for cattle feed complexes, and on-farm processing facilities.

Opportunities Return to top

Both the government of Kazakhstan as well as private entities are looking for international partners to increase existing domestic production of agricultural machinery and equipment and establish new manufacturing and assembly facilities.

Web Resources Return to top

Kazagrofinance:	www.kaf.kz
Kazagromarketing:	http://www.kazagro.kz/web/kam/
Ministry of Agriculture:	http://www.minagri.gov.kz/
Agriculture Department of Astana	www.ush.astana.kz/en/

For more information contact Commercial Specialist Nurlan Zhangarin

Construction and Building Materials

Overview

Return to top

Kazakhstan's construction sector is expected to continue to improve in 2014, continuing its rebound after the 2008-2009 global economic crisis. There are residential, office, commercial and multi-functional projects developing in Astana, Almaty and Atyrau. In addition, large infrastructure and industrial projects are planned for Western Kazakhstan. The construction sector significantly influences the national economy as well as social judgments. Further developments of the industry, improvements in safety, and updates in the quality of construction products are key economic and political tasks of the government. In recent years, economic growth in Kazakhstan had a positive effect on the development of the construction industry.

One of the most rapidly growing sectors is the construction of residential buildings. The most active regions in residential construction for 2012 were Atyrau oblast (13%), the city of Astana (13%), and the city of Almaty (10%). The area of residential buildings made available in 2012 increased to 6.844 million square meters, a 1.5% increase from the previous year's figure. In 2013, 6.8 million square meters of housing was made available. From 2002 to 2007, Kazakhstan had a construction boom both in the residential and commercial areas. Due to the financial and economic crisis, construction of residential buildings declined from 2007 to 2010. In order to boost residential construction, the state adopted a Rental Housing program. According to the program, most unfinished buildings were completed in 2011-2012.

In 2010, the Government of Kazakhstan approved the Accelerated Industrial Innovation Development Program 2010-2014 (AIIDP), a major strategy of economic development aimed to stimulate industrial innovation in various sectors of Kazakhstan's economy. The construction industry is one of the priorities. The main goal of the AIIDP is to achieve a sustainable diversification of the economy as well as to increase its competitiveness in the long-term. According to the AIIDP, project financing will be provided from the state budget, commercial banks, and international financial development institutions.

In 2012, the Government approved the "Affordable Housing-2020" program which provided such measures as state support for the construction of affordable housing. This program should stabilize the supply of new residential construction.

Improvement in Kazakhstan's overall economic situation, growth of the real estate and construction sectors, and the restructuring of the housing industry have stimulated demand for building equipment and materials as well as for architectural, construction and engineering services. There is a growing demand for all types of construction services. For example, construction, renovation, and conservation of industrial and public utilities and residential buildings are all much needed. Also, architectural, design, engineering and assembly services are in demand. In addition, there is a need for a full range of civil engineering, including: research and development, all aspects of design, design and build, management contracting, and construction management. There are residential, office, commercial and multi-functional projects developing in Astana, Almaty and Atyrau. In addition, large infrastructure and industrial projects are planned for Western Kazakhstan.

Sub-Sector Best Prospects

Return to top

Less than half of the construction materials used in Kazakhstan is produced domestically. Locally produced materials include cement, bricks, wooden doors, windows, steel doors, and soft and iron roofs. A fairly high portion of locally produced materials and products are not considered to be up to international standards. Most other materials are imported, mainly from Turkey, China, Germany and Russia.

There is strong demand for high quality imported products and materials used in the finishing and renovation process, which include: wall & floor coverings, ceiling products, doors and windows, kitchen and bath equipment, plumbing and electrical equipment, hardware, and DIY products. In recent years, domestic production of building products grew between 3 - 30%, depending on the product category. In 2013, production of construction materials grew by 14%.

In recent years, domestic production of a number of new high-quality and cost competitive basic building products has also emerged. Among these products are fiberglass insulation materials, new types of roofing and waterproofing products, energy efficient glass, aluminum extrusion, engineering equipment, cement, bricks, and wall panels. Imported technologies and equipment has contributed significantly to the overall improvements in this industry.

Due to the government's emphasis on import substitution and the diversification of industry, many opportunities exist for suppliers of manufacturing machinery and systems as well as suppliers of new technologies. The end-users of these products are quite varied: small- and mid-sized construction and building renovation contractors, large contractors, government agencies and individuals.

Opportunities

Return to top

While the oil and gas sector will be the major purchaser of architecture, construction, and engineering services for years to come, there is demand for these services in many other sectors. These include construction, renovation, and conservation of residential buildings and industrial and public utilities, as well as design and assembly services. There is a need for the full range of civil engineering, construction, and engineering activities including research and development, all aspects of design, design and build, management contracting, construction management, tunneling and tunnel lining, foundation engineering, mining, and facilities management.

The government is interested in pursuing infrastructure development, including regional road renovation and construction. With the government's plans to invest more than $4 billion into four major road construction projects, manufacturers of heavy earth moving equipment and road construction equipment might find good opportunities in the market. Another source of financing will be the international financing institutions, such as the World Bank, European Bank for Reconstruction and Development (EBRD), Asian Development Bank (ADB), and Islamic Development Bank (IDB).

The city of Almaty, the commercial and financial center of Kazakhstan, has been at the center of Kazakhstan's economy. The city is dynamically developing. New business centers, hypermarkets, cultural centers, and roads are under construction. One of the new and unique projects is the G4 City. The G4 City will consist of four satellite cities (Gate City – financial center, Golden City – center of education and culture, Growing City – transport and logistics center and Green City – entertainment resort city). A key aspect of G4 City is its location. The project will be along the Almaty-Kapshagai motor route linking all four parts of the G4 City into a powerful, high-tech and modern conglomerate.

Intensive construction in the country's capital, Astana, has been going on since 1997 and the demand for machinery, construction equipment and materials is constantly increasing. A significant part of the investment has gone into developing construction and transportation infrastructure, including airports, sports facilities, supermarkets, apartment buildings, and highways. Although most official buildings have already been built, there is still strong demand for modern office space and housing in this once small city in the middle of the Kazakh steppe. The new capital is also awaiting construction of sport and entertainment centers, shopping malls and hotels, as well as of a highway system connecting Astana to other parts of the country.

On November 22, 2012, the Bureau International des Expositions selected Astana, Kazakhstan as the host of Expo 2017. It will be Kazakhstan's first world fair as well as the first in Central Asia. The city of Astana has made "Future Energy: Action for Global Sustainability" the exhibition's main theme. Kazakhstan will allocate approximately $1.6 billion to the project. The Astana Akimat (the City Mayor's office) has reserved 113 hectares for construction of the EXPO-center in the Valley of the Millennium, a significant political and cultural part of the city. After Expo 2017, the exhibition spaces will be converted into scientific laboratories, research centers and research institutions.

Web Resources Return to top

Atyrau Build: www.atyraubuild.kz/en/

Committee for Construction and Housing Utilities of the Ministry of Industry and Trade of the Republic of Kazakhstan: www.mit.kz/

Construction web gate for Kazakhstan: www.building.bk.kz/

KazBuild 2014: www.kazbuild.kz/

Kazakhstan Academy of Architecture and Construction: www.kazgasa.kz/

Kazakhstan Construction Association: www.azk.kz/

Kazakhstan legal website: www.zakon.kz/

Kazakhstan Statistic Agency: www.stat.kz/

For more information contact Commercial Specialist Azhar Kadrzhanova

Drugs and Pharmaceuticals

Overview

Return to top

	2012	2013	2014 (est.)
Total Market Size	1,300	1,345	1,400
Total Local Production	195	270	420
Total Exports	25	25	27
Total Imports	1,130	1,110	1,000
Imports from the U.S.	90	95	97

In USD Millions: The above statistics are unofficial estimates based on Kazakhstan customs data and industry sources.

In 2010, the government approved a draft program for the development of the pharmaceutical industry for 2010-2014. According to the program, the government's priority task is to supply 50% of the market with locally produced medicines and healthcare products by 2014. To meet this goal, modernization of existing and construction of new pharmaceutical production facilities are planned. In January 2014, Kazakhstan adopted international GMP (Good Manufacturing Practice) standards for drug manufacturing.

Kazakhstan joined the Customs Union (CU) with Russia and Belarus in 2010. Entrance to the Union has affected the pharmaceutical market as customs fees for imported pharmaceuticals into CU member countries increased from zero to 5% as of January 1, 2014 and are planned to reach 10% in 2015. It is assumed that during these years local production will increase and new production lines adhering to international standards will be developed. This local production is expected to concentrate in a wide niche of generics, which account for 85% of the overall market.

Accurate 2013 data on the amount of funds allocated from State and local budgets for the purchase of pharmaceutical products are not yet available. Based on figures from previous years, government purchases of pharmaceuticals account for approximately 50% of the total market. Local production is relatively insignificant, accounting for only 20% of the market in 2013. It is expected to account for 30% of the total market in 2014. Local manufacturers produce basic pharmaceutical products that do not require innovative technologies. Market demand for specific complex pharmaceuticals is met entirely by imports. The largest share of imported pharmaceutics belongs to Germany (20.5%) followed by France and Russia with around 10% each.

All imported and locally produced pharmaceutical products must be registered in Kazakhstan. The agency responsible for registration is the Committee for Pharmacy under the Ministry of Health. The National Center of Expertise under the Ministry of Health overseas the approval process for all pharmaceutical products to be registered. This process includes a number of physiochemical, biological, and clinical tests, which verify efficiency, safety, and quality of, imported pharmaceuticals. Depending on the type of drug, a registration payment varies from $3,000 to $5,000. Generally, the manufacturer pays the registration fee.

From 2012 to 2013, the market for pharmaceuticals in Kazakhstan increased by an estimated 4%. The U.S. market share was approximately 7% last year, valued at almost $95 million. Pharmaceutical imports in 2014 are expected to increase by about 4%, reaching an estimated $1.4 billion. Likewise, U.S. imports are predicted to increase slightly to an estimated $97 million, keeping U.S. market share roughly the same. Local production of pharmaceuticals in 2014 is expected to account for 30% of the total market.

Sub-Sector Best Prospects Return to top

The pharmaceutical market is divided almost equally into two major segments: State procurement and retail sales.

State Procurement
State procurement of pharmaceuticals is implemented through tenders announced by regional and city health departments. A State-financed program funds state procurement of oncology and diabetic medicines. The existing model of procurement is highly decentralized with about twenty distributers supplying hospitals with medicines. This has resulted in an increase of logistical expenses, interrupted supply, and unjustified prices for pharmaceuticals. In 2009, the Ministry of Health set up SK-Pharmatsiya LLP as a single distributor for supplying pharmaceuticals to State health institutions. The share of pharmaceuticals bought by the state through the single distributor system has increased and reached 80% by 2013. The remaining 20% of pharmaceuticals is directly purchased by hospitals and consists mainly of items less frequently used. In 2013 the single distributor bought pharmaceuticals in the amount of $420 million.

U.S. companies producing the following pharmaceutical products have strong prospects:

- Vaccines and other immuno-biological medications for immuno-prophylaxis of population;
- Anti-tuberculosis medications;
- Anti-diabetic medications;
- Oncology medications;
- Antibacterial medications;
- Medications and dialyzers, and medical supplies for patients with renal deficiency and patients operated on for kidney transplantation.

Generally, foreign suppliers participate in State-funded tenders through their local distributors.

Opportunities Return to top

Kazakhstan has one of the highest rates of drug consumption per capita among post-soviet countries. Despite government attempts to improve and increase local production of pharmaceuticals, Kazakhstan is still attractive for U.S. exporters as the production of highly efficient and innovative medicines is not considered a priority task in the state program. Severe diseases such as CVD, cancer, and diabetes still require imports of advanced pharmaceuticals.

Web Resources

Return to top

Ministry of Health:	http://www.mz.gov.kz/en
National Center of Expertise under the Ministry of Health:	http://www.dari.kz/category/mainpage
Pharmaceutical news in Kazakhstan:	www.pharmnews.kz
SK Pharmatsiya:	http://www.sk-pharmacy.kz/en/
Media-Systems Agency:	www.mediasystem.kz/

For more information contact Commercial Specialist Nurlan Zhangarin

Education

Overview Return to top

- Over 620,000 students in higher education and universities in Kazakhstan;
- 150,000 high school students graduate on an annual basis on average;
- Nearly 80% of the student population is self-funded;
- Of 37,000 self-funded students studying abroad, around 2,000 study in the U.S.;
- The local government is committed to Education with $7.75 billion allocated to the sector over the past two years and plans to spend $3.5 billion in 2014;
- Education technology; secondary, vocational and higher education are key priority areas.

According to Kazakhstan's Ministry of Education, there are 571,691 students enrolled in higher education currently in 139 universities nationwide, with the highest concentrations of students in Almaty, Shymkent, Karaganda and Astana. Additionally, 80% of the students are self-funded and just 20% are on state scholarships. The country's 2020 Strategic Development Plan which includes the adaptation of the education system to the new socio-economic environment creates opportunities for U.S. higher education institutions, education technology sectors, as well as for U.S. education literature and textbooks publishers.

According to the Ministry of Education and Science of Kazakhstan, state financing of education increased to $7.75 billion over the past two years (or 4.2% of GDP per year). In 2014, the government will spend $3.5 billion on education. The State Program of Education includes the adoption of the 12-year education model, construction of schools and kindergartens, modernization of vocational and technical education, e-learning education projects and professional development systems for teachers. The ministry notes that with the introduction of new reforms and high-quality school technologies, student academic performance has improved by 15-20% since 2010.

National Test

143,000 students graduated from Kazakhstani high schools in 2013 with a forecast of 200,000 - 250,000 students a year expected to graduate over the next five years. Students who successfully pass (50 points out of 100) the United National Test (ENT) – high school exit examination – are then allowed to apply to local universities and other higher educational institutions. The ENT is not obligatory for those students applying for foreign universities on a self-funded basis, but those students that apply for state-funded scholarships for studying abroad are required to pass the ENT. 99,560 students registered for the test in 2013, which is 72% of the overall number of graduates.

Students from Kazakhstan studying abroad can be classified into two groups:

- Students whose parents can afford to finance their education abroad. The majority of these students live in the largest cities of Almaty and Astana.
- Students that study abroad through different grant and scholarship programs. The majority of these are students who have obtained scholarships provided by Bolashak, a state funded educational grant program.

Local Higher Education Institutions
Higher education institutions in Kazakhstan include universities, academies, and technical institutions. In 2010-2011, there were approximately 150 higher education facilities in Kazakhstan including 53 public facilities. The number of mostly private universities decreased to 139 in 2012/2013, following the Government's reform on 'optimization' of higher education in Kazakhstan. This reform attempts to resolve the disproportionate spread between degrees offered by the local universities and market demand for the degrees. The reform also tightens licensing regulations and qualification requirements of local universities in order to assure higher quality of programs and adherence to international standards. According to the Ministry of Education and Science, the number of higher educational facilities within 3-4 years will be limited to 100.

Nazarbayev University (NU) located in Astana is a state founded educational institution, which started admitting students in 2010, and currently has around 1500 students. It offers Bachelor degrees in engineering, science and technology as well as humanities and social studies and a Business Master's degree. The University is a unique U.S. based model institution teaching in English language and originally worked with a team from the University of Pennsylvania to design academic and governance procedures. Harvard University is to establish NU's Medical school in 2014. It is currently cooperating with Duke University, University of Wisconsin-Madison, Cambridge University, University College London (UCL) and University of Singapore to help run its academic programs.

Secondary education in Kazakhstan is represented by general secondary schools, training schools, and lyceums that provide general secondary and initial vocational education, as well as by colleges providing secondary vocational education. There are 494 private and state-funded colleges in Kazakhstan that offer technical/intermediate vocational programs.

In late 2007, the World Bank proposed plans to upgrade and 'commercialize' the nation's research and development efforts. Part of the Bank's blueprint called for the creation of a network of university-housed, market-oriented research and development centers based primarily on U.S. models. Subsequent World Bank proposals for the revamping of the country's technical and vocational education followed suit.

Nazarbayev Intellectual Schools (NIS) are a part of a wider program of educational reform, which includes the establishment of Nazarbayev University, the Centre for Educational Excellence and further initiatives to focus on teacher training and development. Nazarbayev Intellectual Schools are a group of 16 existing schools in Kazakhstan, which will grow to 20 by 2014. The schools are currently in the major cities such as Astana, Uralsk, Semey, Kokshetau, Ust-Kamenogorsk, Taldykorgan and Almaty. Uniquely, the children in Nazarbayev Intellectual schools are educated in a tri-lingual environment in Kazakh, Russian and English. Most NIS schools are for children aged 12 to 18.

U.S. Higher Education Competition
Overall, there are approximately 37,000 self-funded Kazakhstani students studying overseas. In 2012, there were 24,772 people studying in Russia, 9,000 in China, 2,054 in the UK and 387 in Malaysia. The rest are studying in other countries: USA, Australia,

Canada Germany, Japan, Netherlands, Singapore, South Korea, Sweden, Switzerland and other European countries. Less than 25% of all the students studying abroad are awarded with the Bolashak Scholarship, the rest are self-funded. Fewer than 10% of potential Kazakhstani applicants are studying in the U.S.

Competition from other countries, admissions deadlines, fees and policies, current testing availability, perceived visa difficulty, limited access to high schools for recruitment and lack of institutional relationships tend to severely hamper the growth of enrollment in U.S. higher education institutions.

Sub-Sector Best Prospects

Return to top

Education Technology

- 522 new schools are planned to be built in the next five years;
- $4 million has been budgeted for the improvement of the material and technical base of four higher education institutions;
- Over 50% of Kazakhstani educational institutions will join e-learning projects in 2014 and 90% by 2020.

U.S. Higher Education

The government reform to tighten licensing regulations and qualification requirements of local universities in order to improve education quality in the country offers opportunities for U.S. higher educational institutions to enter this market. At the moment, fewer than 10% of potential Kazakhstani studying overseas are studying in the U.S., and out of 37,000 students studying overseas, 80% are self-funded.

U.S. Community Colleges

Vocational education is underdeveloped as many vocational colleges and technical training schools were closed or transferred to other uses in the 1990s. Vocational schools offer professional training for students who are not able to or do not wish to pursue higher education. Community colleges offering associate degrees in the U.S. could be a good fit for this specific category of students.

Opportunities

Return to top

Although there is very high demand in Kazakhstan to study overseas at both undergraduate and graduate-levels, the total numbers for Kazakhstanis choosing to study in the U.S. has remained flat over the past five years. Unlike the rest of Central Asia, Kazakhstan's per-capita GDP has increased significantly, creating burgeoning middle -and upper-class youth eager to travel and study abroad. In addition, government policy encourages this and has also dramatically increased English-language education nationwide over the past decade.

U.S. Five-year Visa Regulation for the Kazakhstani Citizens

Starting from August 1, 2013 the United States began issuing the first-ever five-year visas to citizens of Kazakhstan for travel to the United States. That fact is a great benefit for the future student willing to study in the U.S. as it will reduce their travel costs and encourage parents and relatives to visit. This is generally viewed to have a positive impact on U.S. Education.

Degrees in demand
The labor market demands for certain qualifications do not match its supply, mostly in technical professions. Major multinationals on the scene from the mid-1990's regularly note a "skills gap" – an insufficient supply of up-to-date technicians, engineers, scientists and professional managerial types capable of filling increasing demand.

The Bolashak Scholarship
The Bolashak is a national government scholarship established in 1993. It aims to assist talented young people in obtaining quality education abroad. The scholarship covers all costs related to education including tuition and fees, costs of travel, and a living stipend. The program requires all Bolashak recipients to return to Kazakhstan upon completing their education and to work for five years in Kazakhstan. Since 1993 over 8,300 Kazakhstani students became Bolashak Scholarship recipients with a capacity of 3,000 scholarship recipients a year. From 2011, the program provides scholarships for magistrate and PhD programs only. The most popular countries for study are the UK, U.S., and Russia. The Bolashak program currently has agreements with 200 educational institutions worldwide, of which 49 are in the United States.

Bolashak scholarships awarded in 2005 – 2012 by educational programs

Program	Under-graduate		Graduate		Doctorate		Research Fellowship	
Year	Number of Students	%	Number of Students	%	Number of Students	%	Number of Students	%
2005	1243	69	478	27	55	3	-	-
2006	441	57	299	38	19	2	-	-
2007	97	36	138	52	11	4	-	-
2008	636	49	607	46	15	1	28	2
2009	419	41	561	56	11	1	12	1
2010	543	32	881	53	11	1	200	12
2011	-	-	447	86	14	3	59	11
2012	-	-	560	51	15	1	527	48
TOTAL	**3379**	**40**	**3971**	**47**	**151**	**2**	**826**	**9.6**

Source: Bolashak Statistics

Web Resources Return to top

Ministry of Education and Science of the Republic of Kazakhstan: www.edu.gov.kz/en

Bolashak Program: www.bolashak.gov.kz

World Bank for Technical and Vocational Education Project: www.worldbank.org

For more information contact Commercial Specialist Aliya Shaikhina

Electric Power Generation

Overview

Return to top

In USD Millions

	2007	2008	2009	2010	2011	2012	2013	2014 (est)
Total Market Size	930	1010	920	760	775	796	845	840
Total Local Production	170	150	120	90	90	96	95	90
Total Exports	11	6	10	6	6	5	5	4
Total Imports	760	860	800	670	685	700	750	750
Imports from the U.S.	58	70	80	60	80	85	80	80

Source: The above statistics are unofficial estimates based on Kazakhstan customs data and industry sources.

Kazakhstan's power generation industry has undergone a challenging and painful post-Soviet transformation. The production and consumption of electricity in Kazakhstan fell significantly following independence in 1991. An aggressive privatization program followed this, with state involvement in a few generation companies. Robust economic growth during the early 2000's helped boost generation but the financial and economic crisis later in the decade caused a decrease in electricity generation as well as consumption due to production stagnation in metallurgical plants and the construction industry. By 2010, power generation and consumption rose again. In 2013, Kazakhstan produced 91.9 billion kWh, which is a 1.8% increase compared to 2012. 14 electricity generation projects are included in the country's industrial program, eight of which have been completed. The state has set a goal for the share of generation from renewable energy sources to reach 3% in 2020 (and about 10% by 2030).

According to the Ministry of Industry and New Technologies, Kazakhstan hopes to produce 150 billion kWh of electricity by 2030. It is estimated that Kazakhstan will produce approximately 103.4 billion kWh by 2015 and consume 100.5 billion kWh. Kazakhstan has 68 power plants including five hydroelectric power stations giving the country an overall installed generating capacity of 19.8 gigawatts (GW). Almost 75% of the country's power generation comes from coal-fired plants located in the northern coal producing regions. Kazakhstan's hydroelectric facilities are located primarily along the Irtysh River, which flows from China across northeast Kazakhstan.

The majority of Kazakhstan's generating capacity, however, is in the northeast of the country while the southeast is the main power consumer. While north-south connections for the transfer of power exist, they are insufficient to supply southern demand. Kazakhstan also lacks sufficient generating capacity in the west and relies on Russian imports to overcome deficits there. Furthermore, Kazakhstan's electricity sector is unable to regulate its generating frequency — i.e. to manipulate its generating capacity to meet increases in demand during peak loads or supply disruptions. Therefore, the country needs to import electricity not only to offset supply gaps, but also to regulate frequency. Energy trade is not a one-way proposition, however, as Kazakhstan is also a significant exporter of energy to Russia, Kyrgyzstan and Uzbekistan. The bi-direction nature of electrical power trade reflects both variations in seasonal energy supply/demand as well as the legacy of a Soviet-era grid that was built without respect to modern-day national boundaries. Soviet power planners, for example, established the northern Kazakhstan city of Pavlodar as the primary energy-producing hub for a region that straddles the current Kazakhstan-Russia border.

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014 (est)**
Kazakhstan power generation	78.9	80	78.4	82.3	86.2	90.2	91.8	98
Kazakhstan power consumption	76.9	80	77.9	83.6	88.1	91.4	89.61	96.8

In Bkwh. Source: Kazakhstan Statistic Agency

The electric power industry remains a key factor in Kazakhstan's industrial development and economic growth as electric power generation accounts for about one-tenth of all industrial output. The government of Kazakhstan has developed an action plan for electric power development up to 2030, which includes a list of proposed power plants for modernization or reconstruction as well as the construction of new facilities. The country's power generation sector is projected to boost total capacity to 103.4 billion kWh by 2014.

Financing for new generation facilities remains questionable; however, in July 2012 amendments to the Law on Electricity came into effect, which permitted changes to the wholesale tariff structure. These amendments to the law require generators to have an investment agreement with the Ministry of Industry and New Technologies and to reinvest 100% of profit either into new infrastructure development or upgrades.

Sub-Sector Best Prospects Return to top

Needs are great in the services market as Kazakhstan seeks to replace aging plants and equipment. Overall, 94% of Kazakhstan's gas turbines, 57% of its steam turbines, and 33% of its steam boilers have been in use for at least twenty years. Electricity transmission networks are inefficient, with estimated losses of 15% during transmission and distribution, although the actual figure may be higher. Construction of new power plants and expansion of power distribution networks are priorities for the government and are likely to be implemented in the medium-term. Some observers project steady growth in the market for a wide range of power generation and distribution equipment.

Major categories of goods imported by the electric power generation sector include fuel elements (non-irradiated), liquid dielectric transformers, inverters, parts for transformers and inverters, and vapor-generating boilers and parts. Considering the overall remodeling of the Kazakhstan Electric Grid Operating Company's (KEGOC's) systems and development of new power generation facilities, it is likely that demand for IT support, management, and communications systems will increase as well.

U.S. companies must prepare to compete with Russian, German, Korean, and Chinese companies that have acquired strong positions in the market and are sometimes entitled to tax breaks and other preferential treatment (particularly when they qualify as investors and not only as importers). Attempts to sell equipment for the power generation sector are more likely to be successful if based on a strategic approach to the market and accompanied by appropriate training, servicing, and consulting programs.

Opportunities Return to top

Kazakhstan's electricity sector, both its generating and transmitting infrastructure, suffers from a high degree of physical depreciation. A senior official at the Kazakhstan Electric Grid Operating Company (KEGOC) recently complained that the majority of the firm's 25,000 kilometers of power transmission lines were built in the Soviet era. He noted that KEGOC is conducting an assessment to identify "vulnerable" transmission lines that need to be modernized, and he claimed that KEGOC will implement 15 projects valued at $3 billion to modernize or construct new power transmission lines and substations by 2025. Meanwhile, the Chairman of Kazakhstan's national electricity generator Samruk-Energo has stated that Kazakhstan plans to install 14 GW of new power generating capacity by 2030, and the Minister of Industry and New Technologies Asset Issekeshev recently reported that investments in the power sector should reach $63 billion over the next 18 years, including $37 billion in power generation, $9 billion in power distribution networks, and $17 billion in regional power distribution organizations.

Kazakhstan has many renewal and development projects planned. One large successful construction is the 300 megawatt (MW) Moinak Hydroelectric Power Station that has been operating since December 2012. The restoration of the power block No.8 in Ekibastuz GRES-1 was completed on July 3, 2012. Regarding the construction of a third power block at Ekibastuz GRES-2, 6.9% of the cost of the project was financed in 2012. On December 29, 2012, the Kordai district commissioned the first industrial solar power plant in Kazakhstan. The funding came from private investments, and the plant is connected to the state electricity grid. The first part of the construction of the solar energy plant “Otar” cost nearly $1.33 million.

One of the projects includes construction of the coal-powered 1 320 MW Balkhash Thermal Power Plant. The project implementation period is 2010-2018. The plant is expected to produce 9.2 billion kWh of electricity per year. In 2011 an agreement was signed between the Government of the Republic of Kazakhstan and the Government of the Republic of Korea for the development, financing, design, construction, operation and maintenance of the Balkhash thermal power plant.

Six wind power plants are planned to be built in the North-Kazakhstan Oblast (SKO) through 2018. Wind power plants with capacity from 35 to 100 MW will be built in four districts of the region - Esil, Taiynshinsky, and Akkayynskiy and in district named after G.Musrepov. In Taiynshinsky district a wind power plant with capacity of 35 MW is planned be built in 2015.

In 2012, a credit agreement was signed with the European Bank for Reconstruction and Development (EBRD) for the sum of 9,150 billion tenge. These funds are being used to finance the "Modernization of Shardarinisk HPP" investment project

Although Kazakhstan has significant hydrocarbon resources concentrated in the west, this region still imports electric energy from neighboring Russia. In this connection, local authorities and oil companies are seeking to create their own power supplies. The primary focus is on the construction of a gas-turbine power station (GTPS) that will utilize local gas. The most significant projects in this area will be: construction of gas- turbine installations (GTI) with 48 MW capacity at the Aktobemunaygas industrial complex; the start of the Tengizchevroil Ltd gas-turbine power station with 144 MW capacity, completely covering the needs of the Tengiz oil-and-gas complex; and the construction of a 200 MW GTI at the Kumkol (Kzylorda area) developed by Petro Kazakhstan Inc.

Web Resources Return to top

Alatau Zharyk Company:	www.azhk.kz
Balkhash combined heat and power station:	www.btes.kz/
Samruk Energo:	www.samruk-energy.kz/
Kazakhstan Electricity Association:	www.kea.kz/eng/
Kazakhstan Electricity Grid Operating Company:	www.kegoc.kz/
Kazakhstan Operator of Electricity Market:	www.korem.kz/
KazAtomProm:	www.kazatomprom.kz/

Energy Efficiency and Renewable Energy Consulting:
www.energypartner.kz/index.php?option=com_content&view=article&id=23&Itemid=32&lang=en

For more information contact Commercial Specialist Azhar Kadrzhanova

Franchising

Overview

Return to top

In the past several years, spending patterns in Kazakhstan have begun to resemble those of the Western world, creating a demand for name brands and quality products. Kazakhstani companies have accumulated financial resources that, combined with a lack of available investment instruments, are also stimulating interest in franchising. Kazakhstan can serve as a gateway to the growing economies of the Central Asian countries.

Although franchising is still a fairly new business concept in Kazakhstan, it is drawing increased interest from entrepreneurs. At the moment, there are more than 450 franchises operating in Kazakhstan, most of them located in Almaty, making Kazakhstan the franchising leader in Central Asia.

In 2013, the Kazakhstan market experienced a consumer boom, which resulted in retail sales steadily rising by 10%. Overall retail volume growth is nevertheless expected to remain high over the full forecast period, at an average of around 6.4% a year in real terms, as real incomes continue to rise.

The Kazakhstan Franchising Agency states the total number of all franchises and brands operating under franchising or other similar terms will grow to 500 by 2016, with approximately 3,000 franchising outlets which employ over 30,000 people and with an estimated annual turnover of $1.2 billion. Kazakhstan is characterized by a large number of franchisees working on the basis of sub-franchising agreements with master franchisees based in Russia, Turkey, or elsewhere. Only a few foreign franchisors work directly with Kazakhstani partners but their numbers are growing.

Current brands represented in the market include KFC, Pizza Hut, Burger King, Hardees, Gloria Jean's, Coca-Cola, Baskin Robbins, Cinnabon, FasTracKids, GAP, New Yorker, Tiffany Marble, FitCurves, Marriot, Sheraton and Intercontinental as well as retail brands like Adidas, Armani, Burberry, Debenhams, Gap, Gucci, Lacoste, Mango, Marks & Spencer, Mexx, Mothercare, Next, Saks Fifth Avenue, United Colors of Benetton and Zara. Domestic supermarket chains include SM-Market, which has a total of 40 stores in Kazakhstan. Leading retailers by sales are Metro Cash & Carry (Germany), Migros Ticaret (Turkey), Eldorado (Russia), Inditex (Spain) and Mothercare (UK).

Foreign brands see Kazakhstan as a fertile market and A.T. Kearney's Global Retail Development Index ranked Kazakhstan as the 11th most attractive market for retail development in 2013, up from 19th the previous year, ahead of Russia at 23rd place. Domestic franchising is just starting to develop with 30 local franchises and 200 franchising outlets. According to the Kazakhstan Franchise Union, five local franchises, mostly in retail, even expanded their own franchise concept outside of Kazakhstan – with brands such as Happylon, ShBS, Mimioriki, Biba, and Zibroo currently operating their franchise outlets abroad.

Sub-Sector Best Prospects

Return to top

According to experts, franchising is quite attractive for businesses that are interested in sales of business support services (business consulting - audit and accounting services, advertising, HR related services, technical consulting), housing construction and repair services, education services (tutoring, foreign language courses), leisure and entertainment, fast food, medical and cosmetic services, retail sales, and other personal services (laundry, footwear and clothing repair, delivery services etc.)

Currently, the majority of local potential franchisees are seeking agreements with franchisers operating in the following sectors:

- Fast-food and casual dining;
- Retail sales (clothing, footwear, furniture, sporting goods, supermarkets, gasoline
- stations);
- Auto repair and maintenance services, gasoline stations;
- Hotel chains for low and medium income travelers;
- Printing and copying services, photo-shops, etc; and
- Body/health care services (beauty salons, gyms, etc.)

Opportunities

Return to top

The U.S. Commercial Service in Kazakhstan is working with a number of prospective franchisers that are either finalizing agreements with local partners or in the midst of constructing their first outlets in Kazakhstan. Fast food restaurants are of great demand for U.S. franchise models. U.S. market presence is also visible in business education and training services, business services, and children's services/preschools. The majority of non-U.S. foreign franchises in Kazakhstan are from Russia and Western Europe, mainly the U.K., France, Germany, Spain, and Italy.

U.S. franchisors should focus marketing efforts on the growing middle class, estimated to be as high as 15-20% of the population and responsible for purchasing 50-70% of the financial value of all goods sold in Kazakhstan. Multibillion dollar investments made by oil companies in Kazakhstan are creating a retail market for locals employed in the energy and related services sectors, as well as for growing expatriate communities.

According to levels of income, the middle class can be roughly divided into two groups:

- the lower middle class, employees with salaries of $12,000-24,000 per year per person (70% of the middle class) and
- the upper middle class, with salaries of $24,000-60,000 per year per person (30%).

To understand the potential for franchising in Kazakhstan, it is important to consider the rapidly developing retail infrastructure of new shopping malls. The development of hypermarkets (i.e. megastores that include grocery stores), which is accompanying and spurring retail growth, is opening up new opportunities for franchisors. In the past ten years, about twenty new hypermarkets opened in Almaty and Astana. The process is echoed by other major cities on a smaller scale. According to investors involved in developing new trade centers, retail infrastructure development is far from being saturated and will continue to grow. Several new hypermarkets were opened in Almaty, including Metro Superstores. Ten larger malls are under construction or planned for development in Kazakhstan. Almaty, the largest city, and Astana, the capital, account for more than half of retail sales in the country, and with competition becoming fierce, some developers are targeting other regions.

Web Resources Return to top

Central Asian Franchising and Licensing Agency (CAFLA) (covers Kazakhstan and Uzbekistan): www.cafla.com

Kazakhstan Franchising Agency: www.franchising.agentstvo.kz

Kazakhstan Franchising Union: www.franchise-union.kz

Ministry of Industry and Trade of Kazakhstan: www.mit.kz

National Institute for Intellectual Property (Kazpatent): www.kazpatent.org

Small Business Development Fund: www.fund-damu.kz

For more information contact Commercial Specialist Aliya Shaikhina

Medical Equipment

Overview

Return to top

	2012	2013	2014 (est.)
Total Market Size	470	480	490
Total Local Production	45	46	47
Total Exports	5	6	7
Total Imports	430	440	450
Imports from the U.S.	92	95	96

In USD Millions: The above statistics are unofficial estimates based on Kazakhstan customs data and industry sources

Kazakhstan's healthcare sector accounted for 4.5% of overall GDP in 2013. Government priorities in this sector include developing the country's primary healthcare networks, improving its public health administration system, providing expanded medical personnel training, enhancing mother and child health services, and emphasizing preventive measures such as diagnostics, treatment of social diseases, and patient rehabilitation. Approximately $3.6 billion were allocated to Kazakhstan's healthcare sector from the 2013 budget. The government plans to allocate approximately $4.2 billion and 4.7 billion to the healthcare sector in 2014 and 2015 respectively.

There is almost no production of medical equipment in Kazakhstan and the government recognizes the need to replace obsolete equipment, which comprises approximately 80% of medical equipment currently being used in the country's public hospitals. 85% of medical equipment in Kazakhstan is purchased by the public sector. Most procurement for public healthcare institutions is done through government-related tenders.

From 2012 to 2013, the market for medical equipment in Kazakhstan increased by an estimated 2%, with almost all of the medical equipment imported (91%). Medical equipment imports from 2012 to 2013 increased by 2%, totaling $440 million. U.S. market share was 21% of total imports in 2013, valued at almost $95 million. America's closest competitors are Russia, Germany, and Japan. Local production of medical equipment in 2013 accounted for only 9.6% of the total market.

Sub-Sector Best Prospects

Return to top

The best potential for U.S. medical equipment is in the following areas:

- electro-medical diagnostic and therapy equipment,
- diagnostic imaging with a special emphasis on X-ray equipment and supplies,
- surgical supplies,
- equipment for cardio surgery,
- cardiac rhythm management and interventional cardiology equipment,
- medical lasers,

- chemotherapy, radiotherapy, and oncology markers,
- neurosurgery equipment
- endoscopes,
- dental equipment and supplies,
- laboratory equipment, and
- test kits including HIV/AIDS blood testing sets.

Opportunities Return to top

The construction of facilities to produce medical equipment and devices is not included in the Government of Kazakhstan's Accelerated Industrial Innovation Development Program 2010-2014 (AIIDP) designed to stimulate industrial innovation in various sectors of Kazakhstan's economy. This means that the market will be heavily in need of imported medical devices and equipment. Local producers of medical equipment will not be able to fully supply the market with necessary equipment and there are no capabilities to develop a strong local industry in the near term. Currently, there are about 60 companies in Kazakhstan registered as medical equipment producers, most of which are small businesses with insignificant production volumes.

The Ministry of Health continues to work on the introduction of telemedicine and mobile medicine in the country's rural regions. The goal of the project is to improve diagnostics and treatment in rural hospitals, improve access to quality healthcare for rural citizens, and further the professional development of medical personnel.

In June 2008, the government of Kazakhstan established the National Medical Holding. A joint stock company wholly-owned by the government, the company comprises seven separate entities that include Kazakhstan Medical Academy, National Center for Maternal and Child Health, National Research Center for Emergency Care, Republican Center for Medical Rehabilitation, National Center for Neurosurgery, Republican Diagnostic Center and National Research Center for Cardiac Surgery. The mission of the National Medical Holding is to introduce international standards of quality and safety of care and to ensure financial sustainability and growth. The holding's priorities and goals include the following:

- consolidation and efficiency of management processes,
- creation of a comprehensive hospital information system,
- development and integration of electronic patient records,
- establishment of RIS/PACS system, and
- design of financial and operational modules such as accounting, treasury, human resources, inventory management and purchasing.

Web Resources Return to top

Ministry of Health: http://www.mz.gov.kz/en

National Medical Holding: http://www.nmh.kz/

For more information contact Commercial Specialist Nurlan Zhangarin

Mining Equipment

Overview

Return to top

In USD Millions

	2007	2008	2009	2010	2011	2012	2013	2014 (est.)
Total Market Size	920	972	868	818	830	845	895	895
Total Local Production	88	92	56	50	50	45	45	40
Total Exports	5	6	3	2	2	2	2	2
Total Imports	832	880	812	768	780	800	850	850
Imports from the U.S.	70	76	62	45	40	55	55	60

Source: The above statistics are unofficial estimates based on Kazakhstan customs data and industry sources.

Kazakhstan is endowed with a wide range of mineral resources including coal, ferrous metals, and non-ferrous metals. Because of this mineral wealth, there is a large mining sector and more than 230 separate enterprises which produce or process coal, iron and steel, copper, lead, zinc, manganese, gold, aluminum, titanium sponge, uranium, barites among others. The mining sector is responsible for approximately 30% of export earnings, 7% of GDP, and 19% of industrial employment. The volume of industrial production by the mining industry in 2013 increased 2.6% compared to 2012, exceeding $2.3 billon which represents 1/5 of the volume of total industry in Kazakhstan.

In 2013, the production of iron ore in Kazakhstan decreased to 51.759 million tons, which is 1.6% less than in 2012. Production of copper ore was 41.732 million tons (up by 7.3%), copper and zinc - 4.910 million tons (up by 1.7%), lead and zinc - 7.256 million tons (down by 5.8 %).

In 2013, coal production in Kazakhstan decreased by 0.6%, totaling 119.9 million tons, including coal concentrate. In 2012, Kazakhstan produced 120.5 million tons of coal, a 3.5% increase over 2011. Kazakhstan is currently the world's 10th largest producer of coal and has the 8th largest iron ore reserves with 12.5 billion tons. The nation ranks second in manganese ore reserves with an estimated 600 million tons. Kazakhstan boasts 30% of worldwide chromite ore deposits. The country is also a significant producer of beryllium, tantalum, barite, cadmium, and uranium. Kazakhstan is interested in further developing its gold mining (ranked 10th globally) and uranium mining (25% of world reserves) as commodity prices rise, and will need to attract foreign investment in order to expand current production.

The mining industry in Kazakhstan is mainly focused on exporting their products. The main importers are Russia, China and the EU.

Much of the technology and management practices of this industry date from Soviet times, which has hampered foreign sales. Exports of mining equipment to Kazakhstan have been limited by a lack of investment in this sector. In the mid-1990's, many foreign investors entered the country and started exploration and development activities, but, with few exceptions, have ceased their operations. The investors claimed that lack of transparency, poor financial incentives, unclear and arbitrary laws which favor local investors, bureaucracy, and unclear land tenure made it impossible to continue their operations. The government, in turn, claims that many investors failed to deliver on promised commitments. As a result, under the current system, few foreign companies are willing to risk investment, with or without a local partner.

Sub-Sector Best Prospects Return to top

Due to price increases for non-ferrous metals, gold, uranium and the growing demand for coal from 2000-2007, Kazakhstan's mining industry rapidly developed. With the global economic crisis from 2008-2010, however, prices decreased for non-ferrous metals and coal demand dropped. Consequently, local mining companies decreased capital expenditures and production, although 2012 saw a small increase.

Still, Kazakhstan remains an attractive market for U.S. mining equipment/machinery suppliers, particularly for manufacturers of bulldozers, drilling equipment, explosives, trucks, drill rigs, trams, cranes, crushing and pulverizing machinery, dredges, hydraulic excavators, quarrying machinery and equipment, elevators, compressors, hammer mills, special trucks, etc.

Among the best sales prospects and services are diamond drilling contractors and service providers that perform geological, geochemical and geophysical surveying; equipment involved in bulk sampling such as a processing plant; small aircraft; fuel supplies; and geological supplies like sample bags. Companies that provide goods and services that address erosion, formation of sinkholes, loss of biodiversity, and contamination of groundwater and surface water by chemicals from the mining process as well as products that may minimize the harm towards the environment, will also enjoy significant demand in Kazakhstan. Explosives also present interesting opportunities in the region.

Opportunities Return to top

More than half of Kazakhstan's mining, processing, and smelting enterprises currently use outdated equipment that is often in need of repair. Almost all lack environmentally friendly technologies. Kazakhstan does not have its own mining machinery industry and relies heavily on Russian imports. U.S. mining equipment firms should explore trade opportunities in used and refurbished equipment, as well as turnkey project management. Demand in Kazakhstan for mining machinery grew 9% annually through 2008, but slowed in 2009 and 2010. U.S. mining equipment and service suppliers should target major players in the mining sector such as Kazakhmys, Eurasian Natural Resources (ENRC), TNK Kazchrome, KazakhGold Group, ShalkiyaZinc, KazAtomProm, and others.

Kazakhstan's Accelerated Industrial Innovation Development Program 2010-2014 (AIIDP) identifies the metallurgy sector as one of its priorities in the overall plan to diversify the economy and significantly increase the country's GDP by 2015. Key projects in the sector include:

- Construction of an ore mining and processing enterprise based on Aktogay, and
- Bozshagol deposits, East Kazakhstan and Pavlodar Regions (2010-2014).

Web Resources

Return to top

Astana Mining & Metallurgy (AMM) 2014: www.amm.kz

Eurasian Natural Resources Corporation (ENRC): www.enrc.com/

KazakhGold Group: www.kazakhgold.com/

KazAtomProm Corporation: www.kazatomprom.kz/

Kazakhmys: www.kazakhmys.com

Mining World Central Asia Expo: www.miningworld.kz/en/

MinTek Kazakhstan: www.tntexpo.com

Tau-Ken Samruk: www.tsk.kz

National Center on Complex Processing of Mineral Raw Materials of the Republic of Kazakhstan, RSE: www.cmrp.kz

Central Asia Mining Congress 2014:
www.zapaday.com/event/63092/1/Central+Asia+Mining+Congress.html

Republican Association of Extraction and Mining and Metallurgical Enterprises of Kazakhstan (AEME): www.agmp.kz

For more information contact Commercial Specialist Azhar Kadrzhanova

Oil/Gas Equipment and Services

Overview

Return to top

In USD Millions

	2007	2008	2009	2010	2011	2012	2013	2014 (est.)
Total Market Size	8,752	9,115	8,590	8,068	8,375	8,584	9,585	9,690
Total Local Production	112	115	90	68	75	80	85	90
Total Exports	14	12	8	3	3	4	3	3
Total Imports	8,640	9,000	8,500	8,000	8,300	8,500	9,500	9,600
Imports from the U.S.	438	530	500	470	460	550	650	750

Source: The above statistics are unofficial estimates based on Kazakhstan customs data and industry sources.

Kazakhstan is ranked 11th in the world in terms of proven oil reserves (US Energy Information Administration, Kazakhstan, October 28, 2013) and is the second largest oil producer among the former Soviet Republics after Russia, producing nearly 1.6 million barrels per day (bbl/d). Kazakhstan has the Caspian Sea's largest recoverable crude oil reserves. The Government of Kazakhstan and foreign investors continue to focus heavily on the hydrocarbons sector, which, since 1991, has received approximately 60% of the foreign direct investment in Kazakhstan, and constitutes approximately 53% of its export revenue. Existing oil extraction sites offshore in the North Caspian, combined with onshore fields currently under development, signify Kazakhstan as a potential major near-term oil exporter.

According to Kazakhstan's Oil and Gas Ministry, oil and gas production in 2013 was 81.8 million tons - 1.56 million bbl/d. In 2010, oil production in Kazakhstan reached a high of 1.71 million bbl/d, compared with 1.62 million bbl/d in 2009 (a 5.5% increase). Major producers include Tengiz, Karachaganak, CNPC-Aktobemunaigas, Uzenmunaigas, Mangistaumunaigas, and Kumkol, all of which account for 1 million bbl/d. Output solely from the country's three major fields (offshore Kashagan, onshore Karachaganak, and onshore Tengiz) is projected to grow to 1.2 million bbl/d by 2016.

The huge offshore Kashagan field, with an estimated 7-9 billion barrels of recoverable oil, was expected to come on stream by the end of 2013, however, a routine inspection of the gas pipeline, running from Island D to Bolashak Unit, revealed a gas leak. The Kashagan field was shut down for repairs and the oil production was suspended and has not been resumed since then. The commercial production at Kashagan is not expected to resume until 2016. Production will start after the 200 km pipeline is replaced. Kashagan is developed by North Caspian Operating Company (NCOC) as part of the North Caspian project. Its shareholders are Agip Caspian Sea B.V. (16.81%), KMG Kashagan B.V. (16.81%), ExxonMobil Kazakhstan Inc. (16.81%), Inpex North Caspian Sea Ltd. (7.56%), Shell Kazakhstan Development B.V. (16.81%), Total EP Kazakhstan (16.81%) and CNPC (8.4%).

Sub-Sector Best Prospects

Return to top

Oil industry sources estimate that Kazakhstan could eventually attract up to $140 billion of foreign investment in its oil infrastructure. The market for oil and gas field equipment and services slowed in 2009-2010 due to the global economic crisis as well as cuts in capital expenditures by oil and gas exploration and production companies. Overall demand remains strong, however, with opportunities for U.S. companies in virtually every sub-sector associated with oil extraction, processing, and transportation. Best prospects include drilling, research and data management, laboratory studies, oil spill cleanup technologies, and pipeline equipment and services.

To date, Kazakhstan has no experience in offshore production and operations. This experience gap offers many opportunities for U.S. service companies in rig work, support infrastructure, and environmentally sensitive technologies. The Caspian Basin's oil-bearing formations are generally quite deep (15,000 feet), under considerable pressure, and often contain a high degree of sulfur and other contaminants, making special Western-made drilling and processing equipment necessary.

U.S. oil and gas field equipment suppliers have the potential for solid growth over the next decade as new fields are brought on-stream and secondary recovery methods are introduced to existing deposits. The most promising sub-sectors are the following: offshore/onshore oil and gas drilling and production equipment; turbines, compressors and pumps for pipeline applications; measurement and process control equipment for pipeline applications; industrial automation, control and monitoring systems for refineries, gas processing and petrochemical plants; seismic processing and interpretation; petroleum software development; sulfur removal and disposal technologies; well stimulation and field abandonment services.

There are significant opportunities for companies producing oil and gas field equipment and machinery such as drilling and wellhead equipment, Christmas trees, valves, pumps, motors, compressors, electrical submersible and jet pumps, underwater repair equipment, and oil spill containment equipment. Good prospects also exist for firms offering downstream engineering and services such as fabrication, welding, engineering services and testing in accordance with API and ASME standards.

Opportunities

Return to top

The Government of Kazakhstan is pursuing a development program for oil fields in the Caspian Sea that calls for increasing oil production to about 3 million bbl/d, and for the development of terrestrial infrastructure. The offshore development program also calls for more new offshore blocks to eventually be privatized through open tenders. These future projects, combined with current production and exploration, should provide opportunities for interested U.S. exporters over the next few decades.

Web Resources

Return to top

Caspian Pipeline Consortium: www.cpc.ru/

Kazakhstan Ministry of Oil and Gas: mgm.gov.kz/

Kazakhstan International Oil & Gas Exhibition and Conference (KIOGE) 2014: www.kioge.com/2014/

Kazakh Institute of Oil and Gas (KING): www.king.kz/

Kazakhstan Petroleum Association: www.kpa.kz/

KazEnergy Association: www.kazenergy.com/

KazMunayTeniz: www.kazmunayteniz.kz/

KazStroyService: www.kazstroyservice.kz/

KazTransGas: www.kaztransgas.kz/

KMG: www.kmg.kz/

KMG Exploration Production: www.eng.kmgep.kz/

North Caspian Operating Company: www.ncoc.kz/

U.S. Energy Information Administration: www.eia.doe.gov/emeu/cabs/Kazakhstan/Background.html

For more information contact Commercial Specialist Azhar Kadrzhanova

Agricultural Sectors

Return to top

Kazakhstan's vast territory and various climate conditions make it a unique country for agriculture, forestry, hunting, fishery, and eco-tourism. The country's 85.2 million hectares (ha) of agricultural lands include 22.5 million ha of arable land and 57.5 million ha of pasture. Agricultural output in Kazakhstan is dependent on weather conditions as summer droughts often drastically affect the productivity of land, and irrigation infrastructure is largely absent. Hard wheat grain production is primarily in the north/northeast and large parts of the west and central regions.   Kazakhstan is a major producer and exporter of wheat, and is one of the world's largest exporters of flour. However, the Government of Kazakhstan is encouraging a diversification of crop production away from wheat and into more feed grains and oilseeds, in order to support the livestock sector. The eastern and southeastern regions are favorable for oilseeds, sugar beets, corn, fruits, and vegetables. Southern Kazakhstan's climate is favorable for fruits and vegetables, horticultural products, and cotton and rice production. The livestock sector is developing in Kazakhstan, and large portions of government funding have gone into rapidly building this sector, including support for the importation of breeding cattle. The Government of Kazakhstan has a strategy to turn Kazakhstan into a major net exporter of beef by 2020, with the goal of Russia as its primary market.

Best Prospects/Services

Kazakhstan's U.S. agricultural product imports were $154 million, a decrease of 19 percent compared to 2012, primarily due to smaller poultry sales. While poultry continues to dominate, representing 65% of all agricultural imports from the United States, breeding cattle remained the second largest agricultural export and has the potential to continue growing. Kazakhstan has sought to enhance its domestic capacity in meat production and has looked to the United States to bolster its breeding program. Kazakhstan has already imported thousands of U.S. cattle and plans to continue to import U.S. livestock, as well as new equipment and technologies to complement the national strategy to increase domestic meat production. U.S. tree nut exports have also shown strong growth, with imports of U.S. almonds more than doubling to nearly $6 million in 2013.

Opportunities

In 2013, the United States was the fifth largest supplier of agricultural products to Kazakhstan, after Ukraine, Uzbekistan and China. Trade has become more challenging with Kazakhstan since it became a member of the Customs Union with Russia and Belarus in 2010, because of new requirements. Currently, the majority of U.S. agricultural exports are poultry. However, Kazakhstan does have ambitious plans to develop it agricultural sector so opportunities may exist for agricultural inputs.

Poultry

U.S. poultry dominates the Kazakh market, and U.S. exports of poultry were $100 million in 2013, down 14 percent from 2012, primarily due to delays in quota allocations. Further opportunities are hindered by the implementation of Customs Union regulations and are limited by Tariff Rate Quotas.

Livestock breeding

The Government of Kazakhstan is investing large sums in developing livestock production, with the goal of making Kazakhstan a major exporter to Russia and other countries. Large subsidies have been provided for the importation of breeding stock, and this has boosted imports of cattle from the United States. Livestock and genetics (bovine semen and embryos) are expected to continue to be a growth market in Kazakhstan for the next few years as they continue to try to build up their livestock herds and the Government continues to subsidize costs of imported products.

Source:
www.minagri.kz
http://www.agrosektor.kz
www.sib-agro.com

For more information contact the agricultural specialist at the U.S. Embassy in Astana, Ms. Zhamal Zharmagambetova, Zhamal.Zharmagambetova@fas.usda.gov.

Return to table of contents

Return to table of contents

Chapter 5: Trade Regulations, Customs and Standards

Import Tariffs

Return to top

With Kazakhstan's entry into the Russia-Kazakhstan-Belarus Customs Union (CU), the average import tariff rate almost doubled and has now reached 11.1%. Member countries opened their markets to each other, exposing domestic producers to more competition and forcing Kazakhstan to raise their customs duties to non CU-members, which led to price hikes on goods coming from outside of the union. In 2012, Kazakhstan saw a tariff increase for more than for 45% of goods.

Kazakhstan implemented a common external tariff (CET) with Belarus and Russia beginning on January 1, 2010. However, Kazakhstan retains some flexibility in applying that CET regime. According to CU regulations, Kazakhstan is allowed to apply tariffs that differ from the CET on 88 tariff lines (down from 409 prior to July 2011), although all tariff lines must be harmonized by 2015. The 88 tariff lines cover pharmaceuticals, medical equipment, aluminum foil, rail wagons, and prefabricated buildings. In addition, a CU Party can increase tariffs for up to six months on selected goods without the consent of the other CU Parties. Agricultural combines and tractors will be exempt from customs duties if the import is financed through state programs. In September 2013, almost half of import duties within the Customs Union decreased by 1.5-2%, mainly for food, equipment and certain types of tissues and some types of clothing.

Starting from August 2011 a moratorium on changes in import duties and on changes in the unified nomenclature of goods was in place on the territory of the Customs Union in Russia, Belarus, and Kazakhstan. This decision was made by the Customs Union Commission.

The full Customs Union schedule can be found (in Russian only) at the websites of the Customs Union Commission http://www.tsouz.ru/ and at the Kazakhstan Customs Control Agency www.keden.kz.

Kazakhstan charges a 12% value-added tax (VAT) which is paid on top of all customs duties and excise taxes at the time of customs clearance. Taxpayers need to have a

VAT registration in Kazakhstan if their turnover during the calendar year exceeds $360,000. Penalties for non-payment on VAT are up to 30% of turnover. The country also provides a refund of import duties and taxes when the imported goods are processed in Kazakhstan and exported within two years after importation. The processing operations that qualify for drawback include manufacturing and assembly operations and repairs.

Trade Barriers

Return to top

Structural Barriers: Structural barriers to trade in Kazakhstan include a weak system of business law, a lack of an effective judicial system for breach-of-contract resolution, and an unwieldy government bureaucracy. Many companies serving the Kazakhstani market report significant logistical difficulties. In addition, there is a burdensome tax monitoring system for all companies operating in Kazakhstan, which may affect U.S. firms that decide to operate through a representative office. Many companies report the need to maintain excessively large staffs in Kazakhstan to deal with the cumbersome tax system and frequent inspections. The tax authorities have, on occasion, initiated criminal cases against local employees of foreign firms.

Though the Customs Code has provisions for WTO-compliant customs valuation methodologies, in practice customs administration remains a problematic aspect of trade. U.S. exporters to Kazakhstan have consistently identified the requirement to obtain a "transaction passport" to clear imported goods through customs as a significant barrier to trade. Though new regulations have simplified the practice, the requirement is still seen as stifling trade growth. The impact of the Customs Union between Russia, Kazakhstan and Belarus is also troublesome as implementation is still not harmonized across the CU or within the country of Kazakhstan itself. Customs inspectors have not received adequate training and are not able to make informed or educated decisions regarding requirements or clearances. Widespread corruption, present at all levels of government, is also seen as a barrier to trade and investment in Kazakhstan. It reportedly affects nearly all aspects of doing business in Kazakhstan, including customs clearance, registration, employment of locals and foreigners, payment of taxes, and extends even to the judicial system.

Service Barriers*:* Foreign banks and insurance companies are limited to operating in Kazakhstan through joint ventures with Kazakhstani companies. Oil and gas procurement regulations stipulate that oil companies must purchase services only from Kazakhstan-based companies unless the required service is unavailable in Kazakhstan.

Import Requirements and Documentation

Return to top

All goods entering the customs territory of Kazakhstan are subject to declaration and customs clearance at approved customs clearance points. A declaration must be filed within thirty days of arrival of the goods to Kazakhstan, but a brief declaration and notification on arrival of goods shall be submitted to the customs body within 24 hours after the goods cross the border and are placed at a temporary storage warehouse. With the exception of private persons permitted to transfer goods under a simplified procedure, a customs declaration must be filed by a Kazakhstani entity - that is, a business organization registered under Kazakhstani law or its affiliate or representative located in Kazakhstan, an individual entrepreneur registered in Kazakhstan, or a permanent resident of Kazakhstan. *Foreign entities cannot deal directly with customs officials in Kazakhstan and are legally required to use services provided by licensed customs brokers having the right to operate in Kazakhstan.*

A party declaring commercial goods at a customs office in Kazakhstan for their release for free circulation is responsible for submitting the paper and electronic copies of customs declarations (one copy of each per shipment), as well as accompanying documents. The Customs Cargo Declaration (5 copies) must be completed in either the Kazakh or Russian language. Other documents may be submitted in a foreign language. A customs officer, however, has the authority to request a translation of such documents into Kazakh or Russian as well as a notarization of the translation. In addition to the Customs Cargo Declaration, a party declaring goods is required to submit a set of other documents including invoices, a contract for the supply of goods, an import/export transaction passport, and shipping documents (e.g., bill of lading, airway bill, etc.) The passport of transaction is the primary tool used in the framework of the currency control system. The passport of transaction represents a cross-agency document filled out by the exporter/importer and reviewed by customs officials and representatives of the exporter/importer's bank.

As already mentioned in this report, Kazakhstan entered the Customs Union with Russia and Belarus in 2010. Adoption of a common customs tariff within the Union impacted customs fees for imported goods. According to the Minister of Industry and Trade, the average level of customs fees increased from 6.2% to 10.6% in January 2010. According to the forecast of the Russian Ministry of Economic Development, the average rate of customs fees within the Union will gradually fall, reaching around 6.9% in 2015.

U.S. Export Controls Return to top

Exports and re-exports of munitions, as well as dual-use commodities and technology, to Kazakhstan are subject to U.S. export controls. U.S. companies exporting to Kazakhstan may need to apply for an export license from the Bureau of Industry and Security (BIS) if their products or services are controlled by BIS' designations (see Part 738 of the EAR for descriptions). If a firm does not know its export commodity control number, it should contact its local U.S. Export Assistance for more information on BIS commodity classification, or review the Export Administration Regulations database. Additional information about the types of products covered may be obtained from the State Department's Directorate of Defense Trade or the Commerce Department's Bureau of Industry and Security.

Temporary Entry Return to top

Certain goods that are imported temporarily are fully or partially exempt from payment of customs duties and taxes. These include transport vehicles, professional equipment, goods imported for demonstration purposes, shipping containers, and advertising materials. Specific periods for temporary use of the goods are determined by the party declaring the goods, but are not to exceed two years from the date of shipment in or out of the customs territory of Kazakhstan.

A firm importing goods for a temporary period should provide customs with documents containing the description and value of the goods and a written confirmation stating that the goods will be sent out of Kazakhstan after a defined period. Goods not eligible for full or partial duty exemption include spare parts and components (not intended for use on temporarily imported transport vehicles), raw materials, foodstuffs, and industrial wastes.

The "temporary import" customs regime may provide for the full or partial exemption from import VAT and import customs duties. Generally, the term of the "temporary import" may not exceed 3 years.

- *Partial Exemption:* Under the "temporary import" customs regime, import VAT and customs duties are payable on a monthly installment basis at 3% of the import VAT and customs duties that would have been paid had the imported assets been imported under the "free circulation" regime (i.e. normal import).
- *Full Exemption:* For assets imported under a financial lease arrangement, the Customs Code permits full exemption from Kazakhstan import VAT and customs duties for the period of the financial lease, provided that certain statutory conditions are met.

Labeling and Marking Requirements Return to top

Government observance of standards, testing, labeling, and certification requirements is uneven. Such requirements constitute a barrier when they differ significantly from U.S. and internationally accepted standards. Kazakhstan requires that most products be labeled in both the Kazakh and Russian languages, and permits placing a labeling sticker with information in Kazakh on top of the packaging. It is recommended to use both languages when labeling goods. Details should include the name of the goods, country of origin, the producer, and for food items, the date of manufacture and expiry, storage and handling instructions, and nutrition data.

The Customs Union plans to establish a uniform marking of goods produced in Kazakhstan, Russia and Belarus.

Prohibited and Restricted Imports Return to top

According to Kazakhstani law, import of the following items is prohibited:

- (i) military weapons, its ammunition; weapons of mass destruction, material and equipment that can be used to create weapons of mass destruction;
- (ii) printed or graphic material intended to undermine state and public systems, or promote war, terrorism, violence, racism or pornography;
- (iii) narcotics, psychotropic substances, and precursors;
- (iv) ozone layer destructing substances (21 titles);
- (v) products of plant protection (10 items);
- (vi) wood, regenerable paper, cardboard, waste paper (8 items);
- (vii) tools of catching aquatic biological resources (3 items);
- (viii) products made of Greenlandic hair-seal and hair-seal pups (14 items).

Item (iii), narcotics, psychotropic substances, and precursors, are generally prohibited but can be imported subject to Government of Kazakhstan legislation or permission. See the U.S. Export Controls section of this report for additional information.

As part of the non-tariff regulations, the Kazakhstan customs legislation prescribes that certain types of goods imported to Kazakhstan must comply with Kazakhstan's quality standards and must have a certificate of conformity to such standards. Specific restrictions (bans, quotas, licensing, registration, etc.) may apply to the import or export of certain goods, such as uranium, ozonous products, special-purpose hardware, oil products, weapons, etc.

Customs Regulations and Contact Information Return to top

Kazakhstan's customs code remains overly complicated and does not encourage transparency or the expeditious movement of goods. This is one of the reasons why the country continues to rank at the bottom (186th out of 189) on the World Bank's "Trading Across Borders" indicator.

On January 1, 2010, Kazakhstan adopted the unified customs tariffs and non-tariff regulations of the Russia, Belarus, and Kazakhstan Customs Union (CU). The CU implemented the new common Customs Code and abolished internal customs borders in July 2011. Detailed information on legal agreements and the customs duties schedule can be found at the website of Customs Union Commission http://www.tsouz.ru/

According to CU regulations, Kazakhstan is allowed to apply tariffs that differ from the CET on 88 tariff lines (down from 409 prior to July 2011), although all tariff lines must be harmonized by 2015. The 88 tariff lines cover pharmaceuticals, medical equipment, aluminum foil, rail wagons, and prefabricated buildings. In addition, a CU Party can increase tariffs for up to six months on selected goods without the consent of the other CU Parties.

Kazakhstan continues to maintain tariff-rate quotas (TRQs) on imports of poultry, beef, and pork, as part of its obligations within the CU. Precious metals and stones, encrypted technologies, documents from national archives, and items of cultural value are among the products now subject to export licensing. Kazakhstan will remove the requirement on import licensing for alcoholic beverages as a result of Russia's accession to the WTO.

The Law on Investments provides customs duty exemptions for imported equipment and spare parts, but only if Kazakhstani produced stocks are unavailable or not up to international standards. In addition, imported equipment and spare parts designated for priority investment projects under the governmental industrialization program are exempted from customs duties.

Other reforms allow foreign citizens to import and declare goods at a port of entry without utilizing domestic customs brokers. Previously, foreign citizens that wished to import goods into Kazakhstan were required to have a Kazakhstani partner. Notwithstanding this reform, foreign citizens may still be required to have domestic customs brokers in order to file electronic customs declarations, unless they have software compatible with the new CU computer system.

Kazakhstan's customs valuation rules largely conform to the WTO Valuation Agreement, and the country has adopted HS 96 as its tariff nomenclature. Kazakhstan is planning to join WTO in 2014 or 2015. Foreign firms can import some items for their own use duty-free including equipment and spare parts imported to implement an investment project, if this equipment is unavailable on the territory of Kazakhstan. Generally, Customs requires that imported goods be placed in a temporary storage warehouse operated by a customs-licensee pending clearance - a procedure that importers claim can add significant costs and delays to customs processing. U.S. firms have noted that the need to present "transaction passports" ranging from document procurements to bank transfers in order to clear their goods with Customs is a significant barrier to trade. Implementation of regulations allowing periodic declarations remains problematic.

Beginning August 2011, a moratorium on changes in import duties and on changes in the unified nomenclature of goods was in place for the Customs Union. The Customs Union Commission made this decision. Foreign entities cannot deal directly with customs officials in Kazakhstan and are legally required to use services provided by licensed customs brokers having the right to operate in Kazakhstan. The Customs Control Agency maintains a registry of licensed customs brokers and is required to post it at: www.keden.kz and http://www.evrazes.com/en/about/ with regular updates.

Standards

Return to top

Overview

Return to top

Certification and/or conformity assessment procedures are part of the national system of technical regulation. Kazakhstan is striving to join the World Trade Organization (WTO), thus, much work has been done to harmonize its legal base with international standards. To implement international standards, in 2007 Kazakhstan adopted a number of laws and amendments to the existing Law on Technical Regulations including such laws as Safety of Chemical Products, Safety of Food Products, Safety of Toys, and Safety of Equipment and Machinery. The national file of standards now includes 67,037 rules and norms, including 15,439 representing international standards (ISO) and 2650 American standards (ANSI). The standards are applied in all economic sectors.

Under the current regulations, safety standards acquire the status of normative documents, mandatory for consideration, while quality standards will gradually become voluntary. The functions of governmental bodies will be limited to dealing with safety control issues. Technical regulations will acquire the status of laws and will be intended to ensure the safety of life and health of consumers. Other standards relating to quality of goods will be given a voluntary status, and manufacturers will no longer be forced to follow outdated requirements dictating a shape, or color of goods as it was under the old legislation.

Standards Organizations Return to top

The Committee on Technical Regulation and Metrology (Gosstandart), under the Ministry of Industry and New Technologies, is the national agency regulating technical regulation issues in Kazakhstan. Gosstandart is subdivided into two subordinate enterprises: the Kazakh Institute for Standardization and Certification and the Kazakh Institute of Metrology.

NIST Notify U.S. Service
Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: http://www.nist.gov/notifyus/.

Conformity Assessment Return to top

The existing procedure of conformity assessment applied in Kazakhstan does not allow for 100% application of international standards due to legal and technical inconsistencies. Kazakhstan entered the International Laboratory Accreditation Cooperation (ILAC) in 2010 and joined the International Accreditation Forum (IAF) in 2013.

The Conformity Assessment is based on legislature of Russia, Kazakhstan and Belarus. It sets 9 types of certification and 6 types of declaring.

Any goods imported into Kazakhstan and included on the mandatory list of goods are subject to the mandatory procedure of certification under national requirements. The list includes machines, cars, agricultural and telecommunication equipment, electro technical equipment, construction materials and equipment, fuel, clothes, toys, food, medical equipment and drugs. Contracts for goods delivery should be accompanied by the following documents: product description, country of origin certificate, name of producer, customs declaration, expiration date, storage requirements, and user manuals printed in Kazakh and Russian. Foreign certificates, testing protocols, and compliance indicators of imported products should correspond to appropriate international treaties.

In Kazakhstan, as well as in other CIS countries, mandatory requirements for goods are set out in standards and legal documents regulating sanitary, environmental, veterinary and other issues, thus requiring further harmonization efforts.

The existing system of conformity assessment represents an onerous set of procedures that includes, among others: state control over conformity with mandatory standard requirements, mandatory certification and examination, obtaining a conclusion, and registration. All of these factors are considered as serious non-tariff administrative barriers to trade, and prevent competition and free market circulation of goods.

Product Certification

Return to top

The law on certification establishes the legal foundations of product certification and quality systems in manufacturing, operations, and services, as well as regulating relationships in the field of certification and establishing rights, commitments and responsibilities of certifying parties. The government owned National Center of Expertise and Certification manages certification. In order to increase protection against fake or falsified certificates of conformity, the government has introduced a hologram for additional protection, which has the mark of conformity and inscription "Memstandard."

Accreditation

Return to top

Kazakhstan is a member of the International Organization for Standardization (ISO), the International Laboratory Accreditation Cooperation (ILAC), IEC System of Conformity Assessment Schemes for Electrotechnical Equipment and Components (IECEE) and International Accreditation Forum (IAF). National mechanisms for the adoption of international standards are in place. This process stipulates a gradual, but complete, transition to international standards. Kazakhstan has already adopted some of the international standards in the sphere of quality assessment including ISO/IEC17025 General Requirements in Terms of Competence of Testing and Calibrating Laboratories, and these standards are considered to be national.

In August 2008, the Law on Accreditation in Conformity Assessment and a number of appropriate legislative amendments came into force. According to the law, accreditation in conformity assessment became voluntary and the validity of an accreditation certificate was increased to five years.

The National Center for Accreditation (NCA) of the Committee on Technical Regulation and Metrology is an authorized state organization for accreditation.

Publication of Technical Regulations

Return to top

Firms can subscribe to SNIP, which publishes monthly updates to technical regulations and standards in use in Kazakhstan.

Labeling and Marking

Return to top

According to Kazakhstani legislation, most products imported into the country should be labeled in both the Kazakh and Russian languages. Product labels should include names, manufacturer, country of origin, and information on date of production, period of validity, storage conditions, and usage.

Product manufacturers or sellers obtaining a certificate of conformity have a right to use a mark of conformity by all means established by the state system of technical regulation.

Contacts Return to top

Committee on Technical Regulation and Metrology: www.memst.kz/en/index.php

Kazakh Institute for Standardization and Certification: www.kazinst.kz/

National Center of Expertise and Certification: www.naceks.kz/en/

National Center of Accreditation: www.nca.kz/

Russian Certification Services: www.rcsint.com/

SNIP www.snip.com/index.php?Page=Kazakhstan

Trade Agreements Return to top

Kazakhstan signed a Free Trade Zone treaty with Commonwealth of Independent States countries in November 2011 that eliminates nearly all tariffs between the countries. This treaty came into force in December 2012.

Trade agreements signed by Kazakhstan with the United States include:

- The U.S. and Kazakhstan Bilateral Investment Treaty of May 1992; and
- The U.S. and Central Asian Countries Trade and Investment Framework Agreement (TIFA) of June 2004. This includes Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

Kazakhstan continues to negotiate its WTO accession. Kazakhstan completed bilateral negotiations with almost all of its Working Party members in 2011, including the United States and the European Union. Although Kazakhstan must still negotiate issues such as tariff rate adjustment and state support for agriculture, the government has stated its intention to join by the end of 2014.

In 2010, the Russia-Kazakhstan-Belarus Customs Union came into force. The three states agreed to share common external customs tariffs and common customs procedures. The Customs Union's Customs Code came into effect on July 1, 2010. Kazakhstan and Russia abolished the customs border between themselves on July 1, 2011.

Russia, Kazakhstan and Belarus continue to pursue closer economic integration. The three countries signed a treaty on May 29, 2014 establishing the Eurasian Economic Union, a successor to the Customs Union, which will come into effect on January 1, 2015. Many details of this deeper economic integration, including non-tariff trade barriers, have yet to be fully resolved.

Web Resources Return to top

Customs Union Commission: http://www.tsouz.ru/

Kazakhstan Customs Control Agency: www.keden.kz

Bureau of Industry and Security (BIS): www.bis.doc.gov

U.S. Export Assistance: www.export.gov/eac/

Export Administration Regulations: http://www.access.gpo.gov/bis/index.html

State Department's Directorate of Defense Trade: http://www.pmddtc.state.gov/

World Bank's Doing Business Rankings: http://www.doingbusiness.org/rankings

Committee on Technical Regulation and Metrology: http://www.memst.kz/en/index.php

Kazakh Institute for Standardization and Certification: http://www.kazinst.kz/

National Center of Expertise and Certification: http://www.naceks.kz/en/

National Center of Accreditation: http://www.nca.kz/

Russian Certification Services: www.rcsint.com/

SNIP: www.snip.com/index.php?Page=Kazakhstan

Return to table of contents

Return to table of contents

Chapter 6: Investment Climate

Kazakhstan has made significant progress toward creating a market economy since it gained independence in 1991, and has achieved considerable results in its efforts to attract foreign investment. As of December 31, 2013, the total stock of foreign investment in Kazakhstan reached $209.1 billion. Of that total, net Foreign Direct Investment (FDI) constituted $129.5 billion, with portfolio and other investments comprising the remaining $79.6 billion. The majority of foreign investment is in the oil and gas sector, and the United States is a leading source of investment capital with around $31.4 billion invested in Kazakhstan during the period 2005-2013.

The government continues to make incremental progress toward its goal of diversifying the country's economy away from an overdependence on extractive industries by improving the investment climate. Kazakhstan's efforts to remove bureaucratic barriers have yielded some progress, and the World Bank in 2013 ranked the country 50 out of 189 in its annual Doing Business report. In spite of these incremental changes, however, corruption and bureaucracy remain challenges for foreign investors working in Kazakhstan. Attracting FDI in the underdeveloped manufacturing sector remains difficult and requires more concrete actions from the government.

The government maintains a dialogue with international investors and is committed to improving the investment climate. President Nazarbayev himself has publicly pledged to create a favorable climate for foreign investors in order to spur domestic innovation and the use of new technologies, and in early 2014 threatened to form a new government if reforms remained stalled. He made good on his threat in April 2014, and appointed a new prime minister with a clear mandate to improve the country's investment climate.

The country's vast hydrocarbon and mineral reserves continue to form the backbone of the economy, and foreign investment continues to flow into these sectors. Despite this growing investment, concerns remain about the government's tendency to challenge contractual rights, to legislate preferences for domestic companies, and to create mechanisms for government intervention in foreign companies' operations, particularly in procurement decisions. Together with vague and contradictory legal provisions that are often arbitrarily enforced, these negative tendencies feed the perception that Kazakhstan's investment environment is less than optimal.

The government is also optimistic that further integration with Russia and Belarus will make the country more attractive to foreign investors by expanding access to those countries' markets. Although Kazakhstan has so far not realized the gains it sought when it joined the Customs Union with Russia and Belarus, economic integration will likely continue to deepen following the May 29 singing of a treaty to create a single economic space effective on January 1, 2015, to be known as the Eurasian Economic Union.

Openness to Foreign Investment

Return to top

Attitude Toward FDI

Kazakhstan has attracted significant foreign investment since independence. As of December 31, 2013, net foreign direct investment in Kazakhstan totaled $129.5 billion, primarily in the oil and gas sector. Kazakhstan is widely considered to have the best investment climate in the region, and numerous international firms have established regional headquarters in Kazakhstan.

Although Kazakhstan's government has incrementally improved the business climate for foreign investors overall, as explained below its efforts to support local content requirements have restricted foreign investment, especially in the extractive sectors.

Other Investment Policy Reviews

Kazakhstan announced in 2011 its desire to join the Organization of Economic Cooperation and Development (OECD). To meet OECD requirements, the government will need to amend its investment legislation. The OECD presented its Investment Policy Review on Kazakhstan in March 2012: http://www.oecd.org/countries/kazakhstan/kazakhstan-investmentpolicyreview-oecd.htm). In brief, the OECD review recommended corporate governance reforms at state-owned enterprises (SOEs), increased private participation in infrastructure, easier access to agricultural land for foreign investors, and better financing support for small and medium enterprises (SMEs).

Laws/Regulations of FDI

The following legislation affects foreign investment in Kazakhstan: 1) the 2003 Law on Investments; 2) the Civil Code; 3) the Tax Code; 4) the 2003 Customs Code and the Customs Code of the Customs Union (in force since July 2010); 5) the Law on Currency Regulation and Currency Control; and 6) the Law on Government Procurement. These laws provide for non-expropriation, currency convertibility, guarantees of legal stability, transparent government procurement, and incentives for priority sectors. Inconsistent implementation of these laws and regulations at all levels of the government, combined with a tendency for courts to favor the government, create significant obstacles to business in Kazakhstan.

The 2003 Law on Investments established a single investment regime for domestic and foreign investors, and thus in principal codifies non-discrimination for foreign investors. It guaranteed the stability of existing contracts at the time of its passage, with the qualification that new contracts will be subject to amendments in domestic legislation, certain provisions of international treaties, and domestic laws dealing with "national and ecological security, health, and ethics." The Law on Investments contains incentives and preferences for government-determined priority sectors, providing customs duty exemptions and in-kind grants which are more fully explained in Part 5.2 (Performance Requirements and Investment Incentives). The law also provides for dispute settlement through negotiation, use of Kazakhstan's judicial process, and international arbitration. In general, U.S. investors have expressed concern about the law's narrow definition of investment disputes, its lack of clear provisions for access to international arbitration, and certain aspects of investment contract stability guarantees.

The tax code that Kazakhstan adopted in 2009 lowered corporate income and value-added taxes (VAT), replaced royalty payments with a mineral extraction tax, and introduced excess profit and rent taxes on the export of crude oil and natural gas. Accordingly, the corporate income tax rate has dropped from 30% to 20%. The government gradually reduced the VAT from 16% in 2006 to 12% in 2009, where it is expected to remain in the near term. Kazakhstan applies a flat 11% social tax to employers based on employees' earnings, and a personal income tax rate of 10%. The tax rate for non-residents varies between 5% and 20% depending on the type of income. Subsurface users may be subject to additional taxes, such as signing bonuses, commercial discovery bonuses, and historical cost reimbursements.

Experts consider Kazakhstan's tax laws among the most comprehensive in the former Soviet Union. It is common for Kazakhstan's tax authorities to invoke the national Tax Code provisions over International Financial Reporting Standards (IFRS). At times this can lead to double taxation, especially when employing IFRS standards for deducting expenses between a company's home office and its branch office in Kazakhstan (see Section 4 on Dispute Settlement).

In 2001, Kazakhstan adopted transfer pricing legislation which gives tax and customs officials the authority to monitor export-import transactions, and which since 2009 have codified the "arm's length principle" embraced by the OECD. Amendments to the law made in 2010 further clarified the rights and liabilities of government agencies by providing private parties contracting with the government the right to justify applied prices to state agencies and to appeal tax inspection results. According to the law, the Ministry of Finance has the right to monitor companies' transactions by surveying the prices of transactions and analyzing companies' reports. Foreign investors have noted the new law is more closely aligned with international standards, but remain concerned that the law will be applied, not only to transactions with related parties, but all international transactions.

Industrial Strategy

The government's primary industrial development strategies, such as the Concept for Industrial and Innovative Development 2015-2019 and the national program to attract investments, prioritize diversifying Kazakhstan's economy away from its overdependence on extractive industries. In order to facilitate the work of foreign investors, especially in targeted non- extractive industries, the government has announced plans to improve visa and work permit acquisition procedures, as well as to streamline customs clearance and cross-borders processes.

The government maintains a dialogue with foreign investors through the Foreign Investors' Council under the president, the Council for Improving the Investment Climate chaired by the prime minister, and a recently created Investment Ombudsman. The government is drafting a bill on the investment climate that would reportedly remove obstacles to increased foreign investment and expand incentives for investors, including simplification of work permit procedures, optional tax exemption, and long-term contracts with national companies.

President Nazarbayev in February 2014 publicly pledged to create a favorable climate for foreign investors in order to spur domestic innovation and the use of new technologies, and threatened to form a new government if investment climate reforms remained stalled. In April 2014, he made good on his threat, appointing a new prime minister with a clear mandate to improve the country's investment climate. At the time of this writing, it is unclear whether the new Prime Minister can implement the necessary reforms to increase foreign investment in Kazakhstan. Nevertheless, these events show that top officials are focused on investment climate issues.

Limits on Foreign Control

Although no sectors of the economy are legally closed to investors, restrictions on foreign ownership exist, such as a 20% ceiling on foreign ownership of media outlets, a 49% limit in domestic and international air transportation services and a 49% limit in telecommunications that does not apply to mobile operators. The government has indicated that it will remove restrictions in the telecommunications sector upon Kazakhstan's accession to the World Trade Organization (WTO). No constraints limit the participation of foreign capital in the banking and insurance sectors, but foreign bank and insurance company branches are forbidden to operate in Kazakhstan. The government requires foreign banking and insurance companies to form subsidiaries incorporated in Kazakhstan, and restricts foreign ownership of agricultural land.

Privatization Program

By law and in practice, foreign investors can participate in privatization projects. The government of Kazakhstan and parastatal National Welfare Fund "Samruk-Kazyna" ("SK") are currently preparing 103 state-owned companies (SOEs) for privatization from 2014-2016. These companies are mostly subsidiaries of large national companies operating in the energy, mining, transportation, and service sectors. SK plans also to conduct so-called People's Initial Public Offerings (IPO) from 2014-2016, the terms of which would allow citizens and institutional investors to buy up to 10% of the stock of national companies, such as those that operate Kazakhstan's electrical grid (KEGOC) and national railway system (Kazakhstan Temir Zholy).

Screening of FDI

Foreign investors have complained about the irregular application of laws and regulations, and interpret such behavior as efforts to extract bribes. Some investors report harassment by the Financial Police via unannounced audits, inspections, and other methods. At times, the authorities have used criminal charges in civil disputes as a pressure tactic.

Many foreign companies say they must vigilantly defend investments from a steady stream of decrees and legislative changes, most of which do not exempt or "grandfather in" existing investments. Foreign investors also complain about arbitrary tax inspections, as well as problems in finalizing contracts, delays and irregular practices in licensing, and land fees. Foreign companies report that the authorities at the local and national level arbitrarily impose environmental fines which are then placed in the general budget, as opposed to directly offsetting any alleged environmental damage. As a result, they argue that environmental fines are assessed to generate additional revenue rather than to punish companies for breaching environmental regulations. Some foreign firms have expressed concern that the government's failure to pay for services on time can prevent the foreign partner from advancing its investment program. In the past, the government has used such disputes as a pretext for alleging non-performance, enabling it to cancel a contract.

The government regulates foreign labor at macro and micro levels. Foreign workers must obtain work permits, which can be difficult and expensive. The government limits work permits to boost local employment based on the area of specialization and geographic region. From 2003-2008, the quota for foreign labor steadily increased from 0.14% to 1.6% of the total workforce, but was reduced by half on the heels of the economic crisis in 2008. In 2013, the foreign labor quota grew to 1.2% of the active labor force, but shrank in 2014 to 0.7%. A February 2011 amendment to Kazakhstan's Expatriate Workforce Quota and Work Permit Rules required medium and large businesses to have 90% local content in their workforce for technical personnel and 70% for company executives as of January 2012. Following a concerted campaign led by Western oil companies, Kazakhstan passed an October 2011 decree exempting Kazakhstan's three largest hydrocarbon projects – Tengiz, Karachaganak and Kashagan – from the requirement for three years. Other foreign businesses find it difficult to meet the local content demands, especially in technical fields where Kazakhstan cannot supply skilled workers in sufficient numbers.

The 2011 Law on Migration allows foreign citizens with legal residence in Kazakhstan to work without seeking additional permission and without being counted against labor quotas. Kazakhstan has also opened its labor market for its Common Economic Space partners Russia and Belarus, and labor migrants from those countries may stay in the country for 90 days without registering with the migration police.

Competition Law

A law on competition which came into force in 2009 targets cartel agreements, unfair competition, and uncompetitive actions by state agencies.

Investment Trends

Eurasian Economic Integration

Kazakhstan submitted its Memorandum on the Foreign Trade Regime (MFTR) to the WTO in 1996, and the first round of consultations on accession took place in 1997. Kazakhstan has made significant progress in implementing the legal framework necessary for WTO accession and has signed bilateral protocols on market access for goods and services with the bulk of working party members. Multiparty talks have been more contentious, with difficult negotiations centering on agricultural subsidies, sanitary and phytosanitary standards, local content requirements, export duties on petroleum, tariff rate adjustments, and enforcing intellectual property rights for pharmaceuticals. Despite domestic opposition to compromising on these issues, the government has vowed to satisfy working party concerns in order to accede to the WTO as soon as possible.

Russia, Belarus, and Kazakhstan officially entered into a Customs Union on July 1, 2010. Kazakhstan's trade policy is now heavily influenced by regulations promulgated by the Customs Union and its governing body the Eurasian Economic Commission, a supra-national body located in Moscow. As a condition of membership in the Customs Union, Kazakhstan almost doubled its average import tariff and introduced annual tariff-rate quotas (TRQs) on poultry, beef, and pork. U.S. exporters have expressed frustration about the trade-limiting effects of these TRQs, and the way they are calculated and distributed.

On May 29, 2014 Kazakhstan and its Customs Union partners signed a treaty to create a common economic space to be known as the Eurasian Economic Union (EEU). The EEU is expected to further integrate their economies, and provide for the free movement of services, capital and labor within their common territory. The legal basis of the EEU will be the legislation of the Customs Union and 17 agreements of the Common Economic Space, a precursor to the Eurasian Union. The government of Kazakhstan has asserted that CES agreements comply with WTO standards.

Kazakhstan's government is optimistic that further integration with Russia and Belarus will make Kazakhstan more attractive for foreign investment by expanding market access to those countries. The parliament passed a new law with a serious package of incentives for investments in priority areas in June 2014. Incentives include state reimbursement of up to 30% of construction and equipment costs, corporate and property income tax exemptions, and guarantees of long-term stability regarding taxation and local labor requirements.

Foreign Investment in the Energy & Mining Industries

Despite growing investment in Kazakhstan's energy sector, concerns remain about the government's tendency to challenge contractual rights, to legislate preferences for domestic companies, and to create mechanisms for government intervention in foreign companies' operations, particularly in procurement decisions. Together with vague and contradictory legal provisions that are often arbitrarily enforced, these negative tendencies feed the perception that Kazakhstan's investment environment is less than optimal.

Business associations and investment advisors are concerned that Kazakhstan's tax code could undermine tax stability clauses in existing and future subsoil contracts. The government has stated that it will only guarantee tax stability for existing production sharing agreements (PSAs) and for the one major hydrocarbon project that has a tax and royalty contract (Tengiz). Furthermore, in December 2011, the Minister of Finance publicly stated that only tax rates, but not tax filing/collection procedures, will be held stable. Contracts for the Tengiz, Kashagan, and Karachaganak fields include tax stability clauses that theoretically shelter the operating companies from changes to the tax code or customs regime.

In April 2008, Kazakhstan introduced a customs duty on crude oil and gas condensate exports that on April 1, 2014 stood at $80 per ton. Companies that pay taxes on mineral or crude oil exports are exempted from export duties. Revenues from the export customs duty are not deposited into the National Fund, which accumulates much of the government’s proceeds from the commodity sector, but instead go directly into the government budget. Government officials stated recently that export customs duties add about $3 billion to the budget, 95% of which comes from oil and oil products.

The 2010 Law on Subsoil and Subsoil Use contains explicit requirements for purchasing local goods and services related to offshore oil and gas exploration and production. The December 2009 Local Content Law (LCL) also requires companies to set a minimum percentage of local content for goods and services in contracts, but did not address pre-existing contracts. The government’s local content strategy is widely considered to discriminate against foreign investors. International oil companies complain that implementation is uneven, irregular, and non-transparent, particularly at the local level. Representatives of international service companies also report it is difficult to obtain Kazakhstani certificates of origin. According to the LCL, a product must carry a Kazakhstani certificate of origin to meet the local content criteria, and the lack of such a certificate constitutes a legal violation. U.S. businesses have reported pressure from the government to rewrite contracts to include revised local content standards. The LCL allows the state to revoke the subsoil production rights of companies that do not meet local content requirements during a project’s exploration phase. The National Agency for Local Content Development under the Ministry of Industry and New Technologies (MINT) has threatened to unilaterally terminate subsoil use contracts over alleged violations of local content requirements; no contracts are known to have been annulled.

The government is currently drafting an Action Plan on Enhancement of Local Content in Procurements for Major Subsoil Users and Strategic Mining and Petroleum Companies that would require companies to utilize 50% local content for front end engineering design work, ban the export of geological information (core samples, rocks and reservoir fluids) and place a MINT representative on the Boards of Directors of key subsoil use projects. Kazakhstan's Foreign Investors Council was allowed to express industry's concerns with the Action Plan, the status of which is still pending.

The Subsoil Law also allows the government to unilaterally amend existing contracts of "strategic significance," and to terminate contracts deemed to threaten Kazakhstan's economic security or national interests. In April 2012, the government issued a new decree listing 361 hydrocarbon fields and mineral deposits as having “strategic significance.” Companies must also obtain the government's permission to conclude combined exploration and production contracts. In addition, the Subsoil Law shortens the time limits for exploration contracts, enhances the government's authority to terminate contracts not in compliance with the law, requires parliamentary approval for tax stability clauses in individual contracts, and prohibits the future use of PSAs. Moreover, the law treats draft work plans containing cost and production volume projections as formal contractual commitments. Companies must establish equal terms, conditions, and pay for Kazakhstani and foreign workers, and the government can evaluate subsurface resource bids based on proposed social spending plans. The Law also severely reduces gas flaring quotas and imposes harsher penalties for environmental violations.

The Subsoil Law reaffirms the state's preemptive right to participate in equity transactions involving subsurface user rights in oil and gas or mining operations, including but not limited to the purchase of shares in new exploration and production projects. The Subsoil Law establishes transparent procedures for state and private companies to exercise subsurface rights, and clearly defines when the state can exercise its priority right. A December 2010 regulation established an interdepartmental committee to advise whether and how to exercise the government's preemptive rights in extractive projects. The 2012 Law on Natural Gas and Gas Supply regulates gas transportation, distribution, and pricing, and creates a state-owned monopoly for buying natural gas.

Despite effective dispute resolution mechanisms for most commercial activity, foreign investors have expressed serious concern about the lack of explicit provisions in the Subsoil Law for international arbitration. International law firms worry that the government might not include such provisions in future subsoil contracts, although the Ministry of Justice does have a special legal department to defend the country's interests in international courts. Parliament is also reviewing proposed amendments to the Subsoil Law aimed at improving offshore oil spill response measures and better differentiation between mining and oil and gas operations.

An April 2014 amendment to the Administrative Code reduces by 50% the size of potential penalties for exceeding permissible greenhouse gas emissions, and will exempt industrial firms from paying over $1 billion of greenhouse fines assessed in 2013. It also provides relief for greenhouse penalty charges for the first half of 2014. Several international oil companies, however, believe that the government targets them with environmental fines to recoup revenue losses caused by stagnant, declining, or delayed production.

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

Measure	**Year**	**Rank or value**	**Website Address**
TI Corruption Perceptions index	2013	(140 of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	(67 of 178)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	(50 of 189)	http//doingbusiness.org/rankings
Global Innovation Index	2013	(84 of 142)	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	USD 9,780	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

Conversion and Transfer Policies Return to top

Foreign Exchange

The National Bank of Kazakhstan (NBK) regulates the national currency by means of a managed float exchange rate regime. In February 2014, the NBK devalued the tenge 19% from 155 to 185 to the U.S. dollar. According to the NBK, growing speculative pressure on the tenge and other emerging currencies, highly volatile world commodity markets, and the depreciation of the Russian ruble fueled this decision. Since devaluation, the NBK has pledged to maintain the tenge at 185 to the U.S. dollar, plus or minus 3 tenge, and promised to pursue policies designed to mitigate sharp fluctuations and short-term volatility of the exchange rate. Although this is the third such devaluation in the past 15 years, the tenge remains generally stable and the government has ample currency reserves to defend it within the designated corridor.   Kazakhstan's total international reserves, including the NBK's foreign currency and gold reserves, equaled $99.3 billion (at current prices). The NBK monitors the currency operations of select subsidiaries or joint ventures of foreign corporations, primarily in the oil and gas, construction, and mining industries on the grounds that such practices improve statistical data on balance of payments and external debt.

Kazakhstan is bound by Article 8 of the International Monetary Fund's Articles of Agreement, adopted in 1996, which forbids the government to restrict currency conversions or the repatriation of investment profits. No distinction is made between residents and non-residents in opening bank accounts, but all account holders must have a Kazakhstani tax identification number. Money transfers associated with foreign investments, whether inside or outside of the country, are unrestricted. Article 16 of Kazakhstan's Law on Currency Regulation and Currency Control (hereafter the "currency law"), has since June 2005 permitted employers to pay non-residents their wages in foreign currency, and foreign investors may convert and repatriate earnings. However, since 2012 the government requires all companies in the electricity generation sector to reinvest all profits and amortization to improve their respective plants. This regulation is expected to expire in 2015, but the government has not yet announced the follow-on regulation. Only one foreign company is known to be effected by this regulation. The currency law likewise prohibits restrictions on money transfers, and allows individuals to take up to $10,000 in cash out of the country without documenting its origin. The Customs Union has further liberalized money transfer rules by removing the requirement for a member state central bank to certify the origin of amounts exceeding $10,000. On January 1, 2007, Kazakhstan eliminated licensing requirements and procedures for foreign currency operations except the licensing of exchange operations. Banks conducting transactions in a foreign currency are still required to notify the NBK of their operations once certain thresholds, $100,000 for capital outflow operations and $500,000 for capital inflow operations, are reached.

The NBK's registration regime also governs export-import credits and financial loans with terms longer than 180 days. Banks must register these transactions and notify the NBK before completing them. Legislation stipulates that non-fulfillment of payment obligations related to export-import contracts can trigger administrative or criminal charges. Administrative penalties are applied for non-payment of up to $50,000, above which criminal charges are applied. Following December 2011 legislative amendments to the currency law, the NBK no longer requires so-called transaction passports for export-import operations, but requires commercial banks to issue contract registration numbers for currency imports and exports. A registration number is required for all transactions exceeding $50,000, and the procedure to receive a registration number can take several days.

The currency law allows the government to create a "special currency regime" in the event the country's economic and financial stability are in jeopardy. Measures may include requirements for companies to retain a certain percentage of their foreign currency profits in the NBK or other authorized banks, the mandatory sale of foreign currency earnings, and limits on the use of foreign bank accounts.

Remittance Policies
The U.S. Embassy is not aware of any concerns with regard to remittance policies or the availability of foreign exchange conversion for remittance of profits. However, Kazakhstan's 2012 Law on Electricity Generation could be used to require electricity generators to reinvest all of their profits into infrastructure upgrades, thereby negating foreign investors' opportunity to realize profits or take them out of the country.

A 2011 Financial Action Task Force (FATF)-style peer review conducted by members of the Eurasian Group on Combatting Money Laundering and Terrorist Finance found Kazakhstan compliant or largely compliant with 13 recommended preventive measures, partially complaint with 18 recommended preventive measures, and not complaint with 16 preventive measures, including recommendations that regulators pay close attention to suspicious or unusual transactions or transactions concerning certain foreign countries deemed to be high-risk for money laundering or terror financing. The report, available at http://www.fatf-gafi.org/countries/j-m/kazakhstan/, recommends that the government further strengthen legislation in order to comply with these recommendations.

Expropriation and Compensation Return to top

The bilateral investment treaty between the United States and Kazakhstan requires the government to provide compensation in the event of expropriation. The 2003 Law on Investments allows the state to nationalize or requisition property in emergency cases, but fails to provide clear criteria for expropriation or require prompt and adequate compensation at fair market value.

Dispute Settlement Return to top

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts
Kazakhstan's Civil Code establishes general commercial law principles. The 2003 Law on Investments defines an investment dispute as "a dispute ensuing from the contractual obligations between investors and state bodies in connection with investment activities of the investor," and states such disputes can be settled by negotiation, litigation, or international arbitration. Aggrieved investors can seek dispute settlement in Kazakhstan's courts or international arbitration. Although some analysts believe the government prefers litigation to arbitration, courts will enforce arbitration clauses in contracts. Any court of original jurisdiction can consider investment disputes and bankruptcy cases. Under Article 28 of the Civil Code, however, the Almaty Financial Court retains jurisdiction over civil suits concerning financial institutions. Monetary judgments are normally made in domestic currency.

Bankruptcy

A 2014 bankruptcy law improves the insolvency processes by permitting accelerated business reorganization proceedings, extending the period for rehabilitation or reorganization, and expanding the powers of – and making more stringent the qualification requirements to become –insolvency administrators. The law also eases bureaucratic requirements for bankruptcy filings, gives creditors a greater say in continuing operations, and introduces a time limit for adopting a rehabilitation or reorganization plans, and adds court supervision requirements. In part due to these changes, the World Bank ranked Kazakhstan 54th for ease of resolving insolvency in its latest "Doing Business" report. The World Bank's report indicates the average business bankruptcy in Kazakhstan takes 1.5 years on average, costs 15% of the debtor's assets, and the average outcome is breakup and sale. The average recovery rate is 43 cents on the dollar.

Investment Disputes

A number of investment disputes involving foreign companies have arisen in the past several years linked to alleged violations of environmental regulations, tax laws, transfer pricing laws, and investment clauses. Some disputes relate to alleged illegal extensions of exploration schedules by subsurface users, as production sharing agreements with the government usually make costs incurred during this period fully reimbursable. Some disputes involve hundreds of millions of dollars. One ongoing dispute relates to the non–payment for services rendered by a U.S. company to a government-owned enterprise. Problems arise in the enforcement of judgments, and ample opportunity exists for influencing judicial outcomes given the relative lack of judicial independence.

In an effort to encourage foreign investment, the government has developed dispute resolution mechanisms aimed at enabling aggrieved investors to seek redress without requiring them to litigate their claims. In 2012, every regional government set up an Investors' Service Center, and the national government in 2013 established an Investment Ombudsman, who it is hoped will be able to resolve foreign investors' grievances by refereeing inter-governmental disagreements that hamper investors' activities. Although other countries have benefited from creating Investment Ombudsman, it is a new institution for Kazakhstan which has yet to demonstrate its efficiency.

Kazakhstani law provides for government compensation for violations of contracts that were properly entered into and guaranteed by the government. However, where the government has merely approved or confirmed a foreign contract, the government's responsibility is limited to the performance of administrative acts (for example, concerning the issuance of a license, granting of a land plot, or mining allotment, etc.) necessary to facilitate the investment activity in question. In such a case, litigation or commercial arbitration may be needed to remedy the alleged violation.

International Arbitration

Despite effective dispute resolution mechanisms for most commercial activity, foreign investors have expressed serious concern about the lack of explicit provisions in the Subsoil Law for international arbitration. International law firms worry that because the Subsoil Law does not expressly provide for international arbitration, the government might choose not to include such a provision in future subsoil contracts, although the Ministry of Justice does have a special legal department to defend the country's interests in international courts.

ICSID Convention and New York Convention

Kazakhstan has been a member of the International Center for the Settlement of Investment Disputes (ICSID) since December 2001 and ratified the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1995. By law, any international arbitral award rendered by the ICSID, a tribunal applying the UN Commission on International Trade Law Arbitration rules, Stockholm Chamber of Commerce, London Court of International Arbitration, or Arbitration Commission at the Kazakhstan Chamber of Commerce and Industry is enforceable in Kazakhstan.

Duration of Dispute Resolution

Even when investment disputes are eventually resolved in accordance with contractual conditions, the process of reaching a resolution can be very slow and require a considerable investment of time and resources. Many investors therefore elect to handle investment disputes privately, rather than make their cases public. The U.S. Embassy advocates on behalf of U.S. firms with investment disputes.

Additionally, the U.S. Ambassador participates in every meeting of the Prime Minister's Council to Improve the Investment Climate. The Council was created with the goal of paying special attention to questions related to foreign investors, including protection of their rights and interests. The Council has proved to be an efficient forum for foreign companies to raise concerns about doing business in Kazakhstan to the country's ministers and decision makers. In 2012-2013, the Council discussed various issues, including tax administration problems, decriminalization of administrative violations, the rule of law, judicial independence, and the arbitrary application of environmental fines.

Performance Requirements and Incentives

Return to top

Investment Incentives

The 2003 Law on Investments and 2008 Tax Code provide for tax preferences, customs duties exemptions, and in-kind grants as incentives for foreign and domestic investment in priority sectors. The Investment Committee under MINT makes decisions on customs duties exemptions (with notification to customs authorities) and in-kind grants on a case-by-case basis. The Investment Committee also ensures that investors meet their contractual obligations. Regional tax authorities have the discretion to extend tax preferences, but the law also allows the government to rescind incentives, collect back-payments, and revoke an investor's operating license if an investor fails to fulfill contractual obligations.

The government is using preferences to help diversify its economy away from the extractive sector. Priority sectors include agriculture, agricultural chemistry, agricultural machinery manufacturing, construction materials, metallurgy, chemistry, food production, oil refining, oil and gas machinery manufacturing, transport, electric equipment, and mining. The government’s preference system applies to new and existing enterprises, and the duration of tax preferences increases with the size of investment.

In light of Kazakhstan's Accelerated Industrialization and Innovation Program, the government in 2012 amended the Law on Investments in 2012 to extend preferences to “strategic investment projects.” If a project helps develop the high-tech industry or exceeds $50 million of investment in an economically depressed region, it is eligible for property and land tax exemptions and/or subsidies for electricity and gas.

More information on preferences and incentives is available at www.invest.gov.kz.

Performance Requirements

Local content requirement is one of the government's major performance requirements, and especially affects the work of foreign investors in energy and mining industries, as well as suppliers of goods and services to national holding companies like Samruk-Kazyna. The Ministry of Oil and Gas, MINT and SK monitor local content compliance in respective companies. The government has promised to reduce local content requirements upon accession to the WTO.

Right to Private Ownership and Establishment Return to top

Private entities, both foreign and domestic, have the right to establish and own business enterprises, buy and sell business interests, and to engage in all forms of commercial activity.

Kazakhstan's constitution provides that land and other natural resources may be owned or leased by Kazakhstani citizens. The 2003 Land Code allows citizens and Kazakhstani companies to own agricultural and urban land, including commercial and non-commercial buildings, complexes, and dwellings thereupon situated. Amendments to the Labor Code in 2011 permit foreigners to own land to build industrial and non-industrial facilities, including dwellings. Foreigners may rent, but not own, agricultural and forest service land for up to 10 years. Foreigners may, however, own agricultural land through either a Kazakhstani-registered joint venture or a full subsidiary. The Land Law does not allow private ownership of the following types of land:

- land used for national defense and national security purposes;
- specially protected nature reserves;
- forests, reservoirs (lakes, rivers, canals, etc.), glaciers, swamps, etc.;
- designated public areas within urban or rural settlements;
- main railways and public roads;
- land reserved for future development and construction of national parks, railways and public roads, subsoil use and power facilities, and social infrastructure.

Protection of Property Rights Return to top

Real Property

Secured interests in property (fixed and non-fixed) are recognized under the Civil Code and the 2003 Land Code. All property and lease rights for real estate must be registered with the Ministry of Justice through its service centers distributed throughout the country. According to the "Doing Business Report," Kazakhstan ranks 18 out of 189 countries in terms of the ease of registering property. In 2014, Kazakhstan introduced new procedures aimed at expediting property transfer and registration.

Intellectual Property Rights

To facilitate its WTO accession and attract foreign investment, Kazakhstan continues to improve its legal regime for protecting intellectual property rights (IPR). The Civil Code and various laws, in principle, protect U.S. intellectual property.

In 2010, the government amended its trademark legislation to comply with WTO guidelines on trade-related aspects of intellectual property rights (TRIPS), and in 2010 joined multiple international agreements intended to strengthen trademark protection. Kazakhstan has ratified 18 of 24 treaties endorsed by the World Intellectual Property Organization (WIPO). http://www.wipo.int/wipolex/en/profile.jsp?code=KZ). Trademark violation is a crime in Kazakhstan. Although trademarks are protected in Kazakhstan, counterfeit goods can still be found at local markets. Registration fees charged to foreign trademark applicants are significantly higher than those charged to domestic applicants. Applications for trademark, service mark, and appellations-of-origin protection must be filed with the National Patent Office and approved by the Committee for Intellectual Property Rights. Trademarks and service marks are afforded protection for 10 years from the date of filing. In December 2011, Kazakhstan simplified procedures for trade mark registration.

The 1996 Law on Copyrights and Related Rights largely conforms to the requirements of the WTO TRIPS Agreement and the Berne Convention. Importantly, the Copyright Law allows licensed vendors to seek damages from unauthorized dealers selling pirated merchandise.

Article 184 of the Criminal Code and Article 129 of the Administrative Code define the punishments for copyright violation, and the law also permits the government to target Internet piracy and shut down websites unlawfully sharing copyrighted material, provided rights holders register copyrighted material with Kazakhstan's IPR Committee. U.S. companies and associated business groups have alleged that 76% of software used in Kazakhstan is pirated, and criticized the government's enforcement efforts.

Patent protection is available for inventions, industrial designs, prototypes, novel processes and products with industrial applications. The National Institute of Intellectual Property performs formal examinations of patent applications. Patents for inventions are granted for 20 years, whereas patents for utility models are granted for a five year period with a possible three year extension. Prototype patents are granted a 10 year initial period of protection, with the possibility of an additional five year extension. Kazakhstani law permits an "innovation" patent valid for an initial three-year period with a possible extension for two years. Unsuccessful applicants can appeal the National Institute of Intellectual Property's decisions to the Committee for Intellectual Property Rights. Kazakhstan is a member of the Moscow-based Eurasian Patent Bureau and the Munich-based European Patent Bureau.

Disclosure of trade secrets as well as the production, purchase, transportation, storage or sale of unregistered or counterfeit pharmaceuticals are prosecuted by the Administrative Code and the Civil Code, although enforcement of these prohibitions is considered lax.

Country/Economy resources: The American Chamber of Commerce (AmCham) in Kazakhstan: http://www.amcham.kz

Transparency of Regulatory System

Return to top

The non-transparent application of laws remains a major problem in Kazakhstan and an obstacle to expanded trade and investment. Foreign investors complain of inconsistent standards and corruption. In spite of the government's efforts to encourage foreign participation in the economy, some foreign investors point out that the government is not always evenhanded and sometimes reneges on its commitments. Although the Investment Committee of the MINT was established to facilitate foreign investment, it has been largely unable to address the concerns of foreign investors, and the recently-created Investment Ombudsman has yet to prove effective.

Kazakhstan has steadily improved its business environment since independence. It has streamlined some bureaucratic practices, provided accelerated business start-up procedures, reduced minimum capital requirements for businesses, and simplified the procedures for registering property and getting construction permits. As a result, the World Bank in 2013 moved Kazakhstan up 3 places to 50 out of 189 countries in its "Doing Business" report.

Efficient Capital Markets and Portfolio Investment Return to top

Liquidity, Credit, Banking System, Hostile Takeovers

Kazakhstan has created a sound financial system and stable macroeconomic framework. Official policy supports credit allocation on market terms and the further development of legal, regulatory, and accounting systems that are consistent with international norms.

Most domestic borrowers obtain credit from Kazakhstani banks, although foreign investors often find margins and collateral requirements onerous, and it is usually cheaper and easier for foreign investors to use retained earnings or borrow from their home country. Kazakhstani banks have since 1998 placed Eurobonds on international markets and obtained syndicated loans to support domestic lending. Leading Kazakhstani banks were able to obtain reasonably good ratings from international credit assessment agencies until the global financial crisis struck. Kazakhstan has 38 commercial banks. As of February 1, 2014, the five largest banks (KazKommertsBank, HalykBank, BTA bank, Bank CenterCredit and Sberbank-Kazakhstan) held assets worth approximately $46.8 billion, or about 54% of the banking sector's total assets. Although Kazakhstan's banking system remains stable, it has not yet recovered due to the poor and deteriorating quality of many banking assets, capital constraints, and the aggressive growth of consumer lending, in 2013 in particular. In spite of the government's efforts, local banks have been unable to overcome a high rate of toxic assets. Loans overdue by more than 90 days reached nearly $23.7 billion as of February 1, 2014, and comprised just over 32% of the total. BTA bank, which has defaulted on its debt obligations twice in the past few years, "leads" Kazakhstan's banks with $11.4 billion worth of non-performing loans on its books.

Kazakhstan's Stock Exchange (KASE), which has operated since 1993, is an insignificant source of investment. The number of listed companies dropped from 354 in 2010 to 131 in 2013. The government's 2013 decision to consolidate all pension savings into a single state-owned pension fund practically froze the stock market, as private pension funds, which until that time were Kazakhstan's main institutional investors, ceased to operate. Trading is dominated by block trades, and the spreads are extremely wide. In 2013, 57% of KASE trades were in foreign exchange, repo transactions comprised a further 37%, and government securities trading accounted for roughly 4% of KASE volume. In December 2013, the stock market capitalization was $28.2 billion, and bond market capitalization was $35.2 billion. The newly created Single Pension Fund has accumulated nearly $22 billion. Its largest investment positions are in

Kazakhstani government securities (47.4%) and corporate bonds of Kazakhstan-based companies (21.4%). The Single Pension Fund is not listed, and does not trade, on the KASE. As the KASE is not fully developed, decreased capitalization and diminished transaction volumes have not impacted financial markets or the overall economic situation.

As there are relatively few publicly traded firms, few hostile takeovers have occurred in Kazakhstan. Defensive measures against takeovers are not targeted toward foreign investors in particular. The Civil Code requires a company that has purchased a 20% share in another company to publish information about the purchase.

Competition from State Owned Enterprises Return to top

Officially, private enterprises compete with public enterprises under the same terms and conditions. In reality, however, SOEs generally enjoy better access to natural resources, markets, credit, and licenses than private entities.

The law on state property defines national companies, national holding companies, and national managing holding companies. A national company is a government-created joint stock company which operates in "fundamental industries" or facilitates regional economic development, and in which the state holds a controlling interest. A national holding company is a government-created entity which holds shares in national companies. A national managing holding company is a government-created entity which manages the government's interest in national holding companies, national development institutes, and other legal entities. As of April 2014, Kazakhstan had three national managing holding companies, two national holding companies and 33 national companies. The law requires all SOEs to publish annual reports and submit their books for independent audit.

National Welfare Fund Samruk-Kazyna (SK) is Kazakhstan's largest national holding company, and manages the state-owned companies that dominate the oil and gas, energy, mining, transportation, information and communication sectors. By some estimates, SK controls more than half of Kazakhstan's economy, and is the nation's largest buyer of goods and services. Created in 2008, SK's official purpose is to facilitate economic diversification and to increase effective corporate governance; however, it spent its first two years spearheading the government's efforts to respond to the global financial crisis of 2008. The Prime Minister chairs SK's board of directors, and several other ministers and the Head of the Presidential Administration also serve on the board, alongside three independent directors. President Nazarbayev endowed SK with special rights, such as the ability to conclude large transactions between members of its holdings without public notification. SK enjoys a pre-emptive right to buy strategic facilities and bankrupt assets, and is exempt from government procurement procedures. Critically, the government can transfer state-owned property to SK, easing the transfer of state property to private owners. Although domestic and foreign companies can sell their products and services to SK, local content requirements may distort free competition. The government in 2013 created a national managing holding company called Baiterek to provide financial and investment support to non-extractive industries, drive economic diversification, and to improve corporate governance in its subsidiaries. Baiterek is comprised of the Development Bank of Kazakhstan, the Investment Fund of Kazakhstan, the Housing and Construction Savings Bank, National Mortgage Company, National Agency for Technological Development, Distressed Asset Fund and other financial and development institutions. Like SK, the Prime Minister is Chairman of the Board, assisted by several cabinet ministers and independent directors.

Other notable SOEs include KazAgro, which manages state agricultural holdings such as the government's wheat purchasing agent the National Food Contract Corporation, farm equipment subsidy provider KazAgroFinance, the Agrarian Credit Corporation, and an agricultural insurance company. National company Parasat is charged with stimulating domestic scientific research and development in the high-tech sector, and manages several scientific institutions and funds, while holding company Zerde is charged with creating modern information and communication technologies and to stimulate investments in the communication sector.

Although the government has announced plans to conduct IPOs to spur domestic private investment in national companies, the number of state-owned enterprises has increased in recent years. In addition to creating Baiterek in 2013, the government also established National Company Astana Expo-2017 that is responsible for Expo-2017 preparations. (Expo-2017 is an international exhibition designed to showcase "Future Energy" in Kazakhstan's capital, Astana.) The government also created KazAvtoZhol to operate a planned toll road network. Analysts consider these national companies to be quasi-sovereign entities due to their strong affiliation with the government. International investment ratings of national companies are usually tied to the sovereign rating. National holding companies and national companies pursue investment policies consistent with the government's official industrial policy. The government considers national companies tools for accomplishing its economic goals, and supports them accordingly. For example, since 2008 SK has several times received substantial subsidies and contributions from the government via its National Oil Fund.

Sovereign Wealth Funds

Kazakhstan's sovereign wealth fund is called the National Oil Fund, and was established by presidential decree in 2000. The fund exists to reduce the country's budgetary dependence on fluctuating world oil prices and to accumulate savings to benefit future generations. The Fund receives all direct taxes and a percentage of revenues from the oil sector, revenues from the privatization of state property in the mining and manufacturing industries, proceeds from sales of farmlands, as well as the Fund's investment income. The Ministry of Finance owns the National Fund, while the NBK acts as trustee and selects external administrators from internationally recognized investment companies or banks to oversee the fund. Information on external administrators and the assets they manage is confidential. In addition to preserving wealth for future generations, the Fund is also used to support the government's political and economic objectives. The Fund extended a $4 billion loan in 2012 to Kazakhstan's state-owned oil company KazMunayGas (KMG) to support its participation in the Kashagan oil field. In 2014, President Nazarbayev decided to invest around $5.5 billion from the Fund to stimulate economic diversification and small business development. The Fund also invests in the domestic economy through official transfers to the state budget, which currently vary from $6.8 billion to $9.2 billion annually. President Nazarbayev has decreed that the Fund should retain a minimum balance of no less than 20% of GDP. The NBK has directed the investment of $5 billion over the next five years into private equity, hedge funds, real estate, and infrastructure projects abroad to diversify the Fund's assets and increase returns. As of April 1, 2014, the National Fund's assets totaled $72.8 billion.

Corporate Social Responsibility

Return to top

OECD Guidelines for Multinational Enterprises

Kazakhstan continues to make steady progress toward meeting OECD Guidelines for International Investment and Multinational Enterprises, and the government actively promotes corporate social responsibility. President Nazarbayev has repeatedly asked foreign investors and local businesses to implement corporate social responsibility (CSR) projects, to provide occupational safety, pay salaries on time, and invest in human capital. The President presents annual awards for achievements in CSR. Foreign Investors report that local government officials regularly pressure them to provide social investments in order to achieve local political objectives. These local officials also attempt to exert as much control as possible over both the selection of and the subsequent allocation of funding for the projects. A survey conducted in 2013 by a well-regarded NGO found that large companies are better practitioners of CSR principles than their small and medium-size counterparts, although there is a likely correlation between resources and CSR outlays.

Political Violence

Return to top

There have been no incidents of politically motivated violence against foreign investment projects, and politically motivated civil disturbances remain exceptionally rare. In 2012, Kazakhstan experienced several isolated incidents in which individuals or groups associated with Islamic extremists launched small-scale violent attacks against government offices, with most concentrating on police and national security organs. Foreign investment or foreigners working in Kazakhstan have not been targeted. Kazakhstan enjoys generally good relations with its neighbors, although the government is concerned that the borders with Kyrgyzstan and Uzbekistan are vulnerable to penetration by extremist groups.

In the January 15, 2012 parliamentary elections, the president's party Nur Otan won 80% of the vote, Ak-Zhol won 7.47%, and the Communist People's Party won 7.19%. All three parties elected are generally considered supporters of President Nazarbayev. While the Organization for Security and Cooperation in Europe (OSCE) asserted that the election did not meet Kazakhstan's OSCE commitments or international standards for democratic elections, and opposition groups denounced the election as fraudulent, no significant demonstrations against the results occurred.

Corruption

Return to top

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: http://www.justice.gov/criminal/fraud/

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. Generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see http://www.oecd.org/corruption/oecdantibriberyconvention.htm). Major exporters China and India are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see http://www.oas.org/juridico/english/Sigs/b-58.html)

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.)

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize "active bribery" of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic "passive bribery" (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Corruption in Kazakhstan

Although the Kazakhstani Criminal Code contains special penalties for accepting and giving bribes, corruption is common throughout Kazakhstan. The President issued an anti-corruption decree in April 2009 that provides whistle-blower protection, punishes state officials who fail to report corruption cases, and tries to prevent conflicts of interests. Amendments to the anti-corruption law were signed on December 7, 2009 which increased punishments for corruption, instituted mandatory asset forfeitures, broadened the definition of corruption to include fraud committed by government officials, and criminalized the acceptance of bribes on behalf of a third party. The law also extended the definition of a government official to include managers of companies in which the government stake exceeds 35%.

Resources in Kazakhstan to report corruption

The Ministry of Interior, Financial Police, Disciplinary State Service Commission, and Committee for National Security (KNB) are responsible for combating corruption. However, questions of jurisdiction and competition between the Financial Police and KNB have occurred recently.

Transparency International (TI) maintains a national chapter in Kazakhstan. Kazakhstan's rating in TI's annual Corruption Perceptions Index is 26/100, ranking Kazakhstan 140 out of 177 countries rated – a relatively weak score but the best in Central Asia. TI has pointed out that corruption is particularly prevalent in the judiciary, police, customs, land registration, licensing, and construction projects. The government has signed on to the Extractive Industries Transparency Initiative (EITI) and EITI's International Board has designated Kazakhstan as "EITI compliant" country.

U.S. firms have cited corruption as a significant obstacle to investment. Law enforcement agencies occasionally pressure foreign investors to pay bribes. Foreigners perceived to be uncooperative with the government are most likely to be targeted. Many errors or omissions which would constitute routine civil violations in OECD countries are treated as criminal cases in Kazakhstan, which makes law enforcement officers' threats more credible. The government and local business entities are aware of the legal restrictions placed on business abroad, such as the Foreign Corrupt Practices Act and the UK Bribery Act.

Other Anti-Corruption Resources
Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: http://www.justice.gov/criminal/fraud/fcpa.

- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: http://www.oecd.org/dataoecd/11/40/44176910.pdf.

- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/publications/gcr.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/index.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://data.worldbank.org/data-catalog/BEEPS.

- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See http://www.weforum.org/s?s=global+enabling+trade+report.

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at http://www.state.gov/g/drl/rls/hrrpt/.

- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: http://report.globalintegrity.org/.

Bilateral Investment Agreements Return to top

The United States-Kazakhstan Bilateral Investment Treaty came into force in 1994, and the United States and Kazakhstan signed an Investment Incentive Agreement in 1992. In 1996, a Treaty on the Avoidance of Double Taxation between the United States and Kazakhstan came into force. Since independence, Kazakhstan has signed treaties on the avoidance of double taxation with 44 countries, and bilateral investment protection agreements with 47 countries (and ratified 30), including Great Britain, Germany, Italy, France, Russia, South Korea, Iran, China, Turkey, and Vietnam. In 2012, Kazakhstan signed investment agreements with Macedonia and Afghanistan, and joined the investment protection agreement of the Eurasian Economic Community (EVRAZES) in 2006. Some foreign investors have charged that Kazakhstani tax authorities are reluctant to refer double taxation questions to the appropriate bi-national resolution bodies.

OPIC and Other Investment Insurance Programs Return to top

The Overseas Private Investment Corporation (OPIC) and the government of Kazakhstan signed an Investment Incentive Agreement in 1992, and OPIC has been active in Kazakhstan since 1994. OPIC seeks commercially viable projects in Kazakhstan's private sector and offers a full range of investment insurance and debt/equity stakes. Kazakhstan is also a member of the Multilateral Investment Guarantee Agency (MIGA), which is part of the World Bank Group and provides political risk insurance for foreign investments in developing countries.

Labor Return to top

Kazakhstan has an educated workforce, although the proportion of highly technically competent workers is fairly small. Demand for skilled labor generally exceeds local supply. Technical skills, management expertise, and marketing skills are all in short supply. Many large investors rely on foreign workers and engineers to fill the void. The Kazakhstani government has made it a priority to ensure that Kazakhstani citizens are well represented in foreign enterprise workforces. In 2009, and as noted above, the government instituted a comprehensive policy for local content, particularly for companies in the extractive industries. The government is particularly keen to see

Kazakhstanis hired into the managerial and executive ranks of foreign enterprises. Local content regulations require a minimum of 1% of a project budget be earmarked for training programs and workforce development, including overseas assignments with the lead operator. Employers' reliance on foreign labor in the face of poverty in rural Kazakhstan has become a political issue in recent years. The current minimum wage as of April 2014 is approximately $109.70 per month, and the minimum pension is $114.20 per month. As of February 2014, the government estimates the unemployment rate is holding steady at 5.2%.

The quota system which restricts the hiring of foreign employees and local content requirements create additional burdens for employers. Several American and other foreign employees doing business in Kazakhstan have informed the U.S. Embassy that immigration authorities continue to closely scrutinize foreign work permits. U.S. companies are strongly advised to contact Kazakhstan-based law and accounting firms and the U.S. Foreign Commercial Service in Almaty for current information on work permits.

The Constitution and 2007 Labor Code guarantee basic workers' rights, including the right to organize and the right to strike. Workers can exercise this right if all arbitration measures defined by law are exhausted. Strike votes must be taken in a meeting where at least half of workers are present, and strikers are required to give five days' advance notice to their employer, include a list of complaints, and tell the employer the proposed date, time and place of strike. The court has the power to declare a strike illegal at the request of an employer or the General Prosecutor's office. Workers who participate in illegal strikes are subject to penalties. The Labor Code prohibits lockouts. The government is drafting a new law on Labor Unions which several international organizations and labor unions believe will unduly restrict workers' freedom of association by requiring previously independent unions to affiliate with larger unions. Several rights groups have also expressed concern that proposed amendments to Kazakhstan's Criminal Code would increase penalties for participating in strikes that are deemed to be illegal, which is of special concern given Kazakhstan's lack of an independent judiciary. Kazakhstan joined the International Labor Organization (ILO) in 1993, and has ratified key ILO conventions pertaining to minimum employment age, prohibition on the use of forced labor and the worst forms of child labor, prohibition on discrimination in employment, equal pay, and collective bargaining.

Foreign-Trade Zones/Free Ports

Return to top

The 2011 Law on Special Economic Zones (SEZs) allows foreign companies to establish enterprises in special economic zones, simplifies procedures to attract foreign labor, and establishes a special customs zone regime not governed by Customs Union rules. A system of tax preferences exists for foreign and domestic enterprises engaged in prescribed economic activities in Kazakhstan's ten SEZs. The SEZs are located in the New Administrative Center in Astana, the Seaport of Aktau, the Alatau Information Technology Park (near Almaty), the Ontustik Cotton Center in south Kazakhstan, the international tourism zone "Burabay" (a resort area 300 kilometers from Astana), the Atyrau National Industrial Petrochemical Techno park, SEZ “Saryarka” in the Karaganda region, a transport and logistics zone in Khorgos at the Kazakhstan-Chinese border, and SEZ “Pavlodar”, and SEZ ”Chemical Park Taraz”.

Foreign Direct Investment Statistics Return to top

TABLE 2: Key Macroeconomic data, U.S. FDI in Kazakhstan

	Host Country Statistical Source*		U.S. Government or International Source		Source of Data
Data	Year	Amount	Year	Amount	
GDP (*Million USD)*	2012 2013	203,521 224,413.6	2012 2013(est)	203,500.0** 204,614.5	http://www.worldbank.org/en/country/kazakhstan Economist Intelligence Unit
FDI	Host Country statistical source *		U.S. Government or International Source		Source of Data
U.S. FDI (*Million USD)*	12/31/2013	13,794.8	12/31/2012	12,869.0**	http://elibrary-data.imf.org/public/FrameReport.aspx?v=3&c=11666796&pars=Country%2c916
Kazakhstan FDI in the U.S. (*Million USD)*	12/31/2013	611.7	12/31/2012	579.0**	http://elibrary-data.imf.org/public/FrameReport.aspx?v=3&c=11666796&pars=Country%2c916
Total inbound stock of FDI as % host GDP	6.2%	2013	6.3%	2012	

* - Local source is the NBK of the Republic of Kazakhstan:
http://www.nationalbank.kz/?docid=679
** - Latest available data

TABLE 3: Sources and Destination of FDI Kazakhstan, 2012*

Direct Investment from/in Counterpart Economy Data	
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*	
Inward Direct Investment	**Outward Direct Investment**

Total Inward	120,074	100%	Total Outward	21, 228	100%
Netherlands	51,268	43%	Netherlands	11,718	55%
United States	12,869	11%	United Kingdom	4,271	20%
France	8,421	7%	Switzerland	835	4%
People's Republic of China	5,312	4%	Russian Federation	594	3%
Virgin Islands, British**	5,277	4%	United States	579	3%
"0" reflects amounts rounded to +/- USD 500,000.					

Source: http://cdis.imf.org
*Although the NBK published the data as of the end of 2013 only, general results in terms of key foreign investors in the country and main destinations of Kazakhstan's outward direct investment are consistent;
** Tax heavens like Virgin Islands, British Cayman Islands, or Luxemburg have always been among top ten and top twenty sources of inward investment and destinations of outward investment.

TABLE 4: Sources of Portfolio Investment
Kazakhstan as of the end of June 2013*

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
All Countries	67,371	100%	All Countries	9,638	100%	All Countries	57,733	100%
United States	34,508	51%	United States	4,846	50%	United States	29,662	51%
United Kingdom	4,348	6%	United Kingdom	946	10%	Germany	3,788	7%
Germany	4,141	6%	Japan	870	9%	United Kingdom	3,401	6%
Japan	3,915	6%	Switzerland	401	4%	France	3,345	6%
France	3,707	6%	France	362	4%	Japan	3,045	5%

Source: http://cpis.imf.org/
*Although the NBK published the data as of the end of 2013 only, results of Kazakhstan's portfolio investment assets are consistent;

Contact Point at Post for Public Inquiries Return to top

Address: U.S. Embassy Astana
Rakhymzhan Koshkarbayev Avenue, No. 3.
Astana, Kazakhstan, 010010
Telephone: +7 (717) 270 2100
Email: InvestmentClimateKZ@state.gov

Return to table of contents

Return to table of contents

Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment)

Return to top

As in other markets, payment methods and terms vary depending upon the U.S. company's business model and relationship with its trading partners. For companies that are new to this market, requesting advance payment for goods and services from a Kazakhstani customer may be prudent until both parties establish a positive record of payment. Exporters should also keep in mind that Kazakhstani firms are finding it increasingly difficult to gain access to credit from local banks due to the decreased access to international financing available to these banks following the global economic crisis.

The safest method to receive payment for a U.S. export is through an irrevocable letter of credit (L/C) confirmed by a major Western bank. In general, importers must deposit enough funds to cover the payment before applying for a letter of credit. Local companies may apply at any of several major local commercial banks to obtain an L/C, which, according to Kazakhstani banking legislation, must usually be confirmed by a reputable Western bank. U.S. companies are strongly advised to reconfirm payment arrangements with the importer prior to shipping goods. A number of U.S. banks accept letters of credit from some of the largest Kazakhstani banks, especially those that have been approved by the U.S. Export-Import Bank. Once a U.S. firm has established a strong relationship with a local trading partner, it may wish to consider extending short- and eventually longer-term credit as a way to bolster sales volume. This should be done with caution and only after careful evaluation and the establishment of successful payments.

As of April 2014, the National Bank's refinancing rate remains at a record low of 5.5%. This rate was established in 2012 due to low inflation levels and structural problems within the banking sector after the global financial crisis.

How Does the Banking System Operate

Return to top

Kazakhstan has a two-tiered banking system. The first tier is comprised of the National Bank of Kazakhstan (NBK), which reports to the president. The second tier includes 38 commercial banks, including one state-owned bank and 17 banks in which foreigners hold 30% or more of the bank's shares. The National Bank acquired the functions of a financial regulator after merging with the Financial Supervision Agency in April 2011, and is therefore charged with overall supervision of the banking sector.

Prior to the financial crisis of 2007, the international financial community considered Kazakhstani banks among the most dynamic and developed in Central Asia. From 2002-2007, the ration of banking sector assets to Kazakhstan's GDP increased from 25% on January 1, 2002 to 88% on January 1, 2008. From 2004-2007, Kazakhstan's relatively high sovereign rating provided banks easy access to global capital markets. A favorable macroeconomic environment and high demand for credit fueled domestic banks' external borrowing, which encouraged rapid development, particularly in construction and real estate, leading to price bubbles. At the end of 2007, a sudden freeze in global financial markets and the loss of capital inflows caused a credit crunch and severe liquidity constraints for Kazakhstani banks. The subsequently sharp fall of oil and commodity prices in 2008 aggravated the economic situation and plunged Kazakhstan into recession. At the end of 2009, Kazakhstan's total external debt hit $112.8 billion, equivalent to 98% of GDP. External debt within the banking sector was as high as $30.2 billion, equivalent to 26% of GDP.

Kazakhstan's banking sector remains burdened by a legacy of non-performing loans (NPLs) accumulated before and during the global financial crisis, which were estimated at one-third of the sector's outstanding loan portfolio as of March 2014. Despite efforts by both the government and the National Bank, the banking sector's NPLs were not substantially reduced in 2013. Provisioning for bad loans is one factor limiting the availability of credit to small- and medium-sized enterprises (SMEs), which the government has identified as a key obstacle to growth in the real economy.

Banking sector recovery therefore remains a top priority for the government, which announced in April 2014 a new $5.5 billion stimulus package aimed in part at resolving the sector's legacy debts and encouraging new SME lending. The stimulus package is expected to inject approximately $1.4 billion into a Toxic Asset Relief Fund which the NBK will use to purchase bad loans from local banks, and an additional $550 million to increase lending to SMEs.

In addition, the government announced in late 2013 the sale of three banks it bailed out during the global financial crisis: BTA Bank, Alliance Bank, and TemirBank. Under the terms of sale, BTA Bank will merge with Kazkommertsbank to become what is projected to be the largest financial institution in Kazakhstan.

The National Bank in 2014 also announced it will implement far more stringent capital and NPL requirements on banks operating in Kazakhstan. The NBK will require each Kazakhstan-based bank's NPL ratio to be lower than 15% by the end of 2014, and lower than 10% by the end of 2015. The NBK has also indicated it may significantly raise capital requirements on banks to prompt greater consolidation within the sector, although Kazakhstan's banking sector is already highly concentrated. Kazkommertsbank, Halyk Bank, BTA Bank, CenterCredit Bank, and Sberbank-Kazakhstan are the country's largest and most systemically important banks, controlling 55% of total banking assets as of April 1, 2014. Mergers planned for later in 2014 are projected to raise the share of sector deposits in the top five banks to 63%. The top 10 banks controlled roughly 80% of the country's banking assets as of April 1, 2014.

Loan growth in 2013 averaged 12% across the entire sector, though retail portfolios grew considerably faster at 27%. While retail lending remains relatively small at 10.3% of GDP, consumer loans nevertheless accounted for the majority of loan growth in 2013 and helped to drive increased profitability within the sector. Supported in part by an increase in retail lending, consumption emerged as a primary driver of economic growth in 2013, with trade contributing an estimated 16% of GDP. In December 2013, the average weighted interest rate on tenge-denominated loans was 10.0% for non-bank legal entities, and 20.3% for individuals. Total bank assets as of April 2014 reached 16.9 trillion tenge ($92.74 billion), while total bank equity capital reached two trillion tenge (or $11.4 billion).

Foreign banks are active in Kazakhstan. Although the law forbids them from creating branches in Kazakhstan, foreign banks may establish subsidiaries, joint ventures, and representative offices. As of May 2014, 28 foreign banks had representative offices in Kazakhstan. National laws mandate equal treatment for foreign and Kazakhstani investors, a position reinforced in 2005 by legislative amendments that lifted restrictions on the participation of foreign capital in the banking sector. Notably, no individual may own more than 10% of a bank's shares (unless that bank is a subsidiary of another bank) without permission from the National Bank.

The recent global financial crisis appears to have made Kazakhstan's banking sector more attractive to foreign investors. As of April 2014, the country has 17 banks in which foreigners hold 30% or more of the stock. A number of foreign stockholders entered the banking market from 2008-2012, including Russia's Sberbank, Israel's Bank Hapoalim, South Korea's Kookmin Bank, the Arab investment company Alnair Capital, Russia's VTB and Islamic Al-Hilal bank from the United Arab Emirates. After selling 30% of its shares to Kookmin Bank, CenterCredit Bank became the largest bank with foreign participation in Kazakhstan and the fourth largest bank by asset size. Kazakhstan's subsidiary of Russian Sberbank has grown three years running to become the country's fifth largest bank by asset size. Citibank established subsidiaries in Almaty in 1998 which offer a wide range of products and services for foreign and local corporate clients, including cash management, working capital and trade finance, electronic banking, foreign exchange and money market products, card services, and personal banking for corporate employees. Turkish, Chinese, Pakistani and Indian banks have also established joint ventures in Kazakhstan.

Foreign-Exchange Controls Return to top

The National Bank of Kazakhstan (NBK) controls the tenge, which is fully convertible with the U.S. dollar, via a managed float. In 1996, Kazakhstan joined Article 8 of the International Monetary Fund Charter, which calls for full convertibility and the removal of all controls on current account transactions. After the tenge devaluation on February 4, 2009, the NBK returned to a managed-float exchange-rate regime and maintained throughout 2009 a tenge exchange rate in the range of 150 tenge per U.S. dollar (+/-3%). In 2010, the NBK widened the KTZ/USD exchange rate corridor, allowing it to fluctuate between 127.5 KZT/USD and 165 KTZ/USD. In 2012, it kept the tenge between 147.79-150.52 per U.S. dollar.

In February 2014, however, the NBK devalued the tenge from 155 to 185 to the U.S. dollar, citing growing speculative pressure on the tenge and other emerging currencies, volatile world commodity markets and the depreciation of the Russian ruble. Since devaluation, the National Bank has set up a fluctuation corridor of 185 tenge to the U.S. dollar, plus or minus three tenge, and has promised to pursue policies that mitigate sharp fluctuations and short-term exchange rate volatility.

According to Kazakhstan's 2005 Law on Currency Regulation and related 2009 amendments, the NBK has the right to establish a different regime of currency regulation for different types of capital movement, including registration or notification. The procedures and necessary documentation required for each of these regimes are specified in the Law on Currency Regulation and special rules approved by the National Bank. For example, the NBK must be notified about foreign direct investment, participation in joint ventures, and securities operations if the operation exceeds $500,000. Other currency operations can be conducted without any restrictions, including non-resident transfers to/from the National Bank and the Finance Ministry. However, the Bank reserves the right to impose a notification regime on selected foreign-currency operations. In order to process a foreign currency transfer, residents and non-residents must present supporting documentation (e.g., a copy of an invoice or a copy of a contract) to justify the purpose of the transfer. The NBK no longer requires so-called transaction passports for export-import operations following December 2011 legislative amendments to the Law on Currency Regulation and Currency Control (please see Chapter 6 for details).

Both residents and non-residents must provide information and supporting documents, such as invoices and contracts, about capital movements (for example, foreign loans) in line with the reporting requirements of the NBK, including the purpose of the subject payment or capital movement and the beneficiary's residence. New Russia-Belarus-Kazakhstan Customs Union rules allow residents and non-residents to take amounts less than $10,000 abroad without declaration while any amount in excess of $10,000 must be declared at the border of the Customs Union. The Customs Union agreement removed the requirement for a National Bank to certify the origin of funds in amounts over $10,000.

U.S. Banks and Local Correspondent Banks

Return to top

Citibank and J.P. Morgan Chase have a presence in Kazakhstan. Citibank and J.P. Morgan Chase opened offices in 1994 and 2011 respectively to provide services to corporate clients. In 2007, Standard Chartered Bank purchased an office of American Express Bank Ltd. and it works in close cooperation with Kazkommertsbank in Kazakhstan on some of its credit card and retail banking.

CitiBank
41A, Kazybek Bi St, 2nd floor
050010 Almaty, Kazakhstan
Tel: 7 (727) 298-0400
Fax: 7 (727) 298-0415

J.P. Morgan
13/1 Al-Farabi Ave, b/c Nurly Tau, 3B, 7th floor
050059 Almaty, Kazakhstan
Tel: 7 (727) 330-5035
Fax: 7 (727) 330-5005

U.S. banks with correspondent relations include, but are not limited to: American Express Bank, Bank of New York, Citibank, Deutsche Bank Trust Company Americas, JP Morgan Chase Bank, Mashreq Bank and Wachovia Bank.

Project Financing

Return to top

In addition to the Export-Import Bank of the United States (EXIM) and Overseas Private Investment Corporation (OPIC), the U.S. Trade and Development Agency (USTDA) provides funds to carry out feasibility studies related to major projects in emerging markets. USTDA has extensive experience in transitional economies, and the agency moved quickly to establish programs when Kazakhstan became independent in 1991. As of year-end 2013, USTDA provided approximately $13 million in funds to benefit Kazakhstan, and has financed a number of feasibility studies and technical assistance projects and sponsoring missions to the U.S. regarding major projects in key sectors such as oil and gas, railway transportation, information technology, health care and electric power. These projects, which require significant inputs of foreign equipment and technology, will help develop Kazakhstan's physical infrastructure. Feasibility studies typically assess the technical, economic, financial, and environmental aspects of a project to determine whether and how the investment project should be built.

The appropriate Kazakhstani sponsoring organization (government or private sector) must submit an official request for TDA assistance directly to TDA in writing. If a U.S. firm is already working with a Kazakhstani entity, the American partner should submit a separate proposal to TDA following an outline available from TDA.

World Bank

Historically, the World Bank has been a major source of external assistance to Kazakhstan, having provided 40 loans that total over $6.8 billion, of which about $5 billion has been disbursed. World Bank support now focuses on investment projects that include agriculture development, environmental protection, health and general infrastructure and capacity building.

The Country Partnership Strategy (CPS) approved in 2012 concentrates on the government's key priorities of competitiveness, jobs growth, strengthened governance in public administration and service delivery, and safeguarding the environment.

The current portfolio consists of 12 projects that support government efforts to manage oil revenues, promote competitiveness, invest in human capital and basic infrastructure and ensure environmentally friendly growth. The Bank's total commitment for active projects is currently $3.67 billion, over 80 percent of which are concentrated in the South-West Roads Project, which has been operational for over three years, and the recently approved East-West Roads Project. The Bank's other active projects focused on institution building in the areas of education, health, innovations and the revenue administration agenda. There are a number of projects at various stages of preparation, including justice sector development, youth engagement, pollution reduction, competitiveness and technology commercialization, as well as access to finance.

Since 2002, the World Bank and the government of Kazakhstan have jointly financed and implemented the multi-year Joint Economic Research Program (JERP). The program has effectively provided strategic research on key areas of policy development. Current themes include public-finance management reform, municipal reform, vocational education, the implementation of international financial reporting standards, public-private partnerships and the country's pension and social protection systems.

International Finance Corporation

Kazakhstan became a member of the International Finance Corporation (IFC) in 1993. As the IFC's largest client in Central Asia, Kazakhstan has received commitments of over $1.5 billion worth of IFC funds, including $298 million of syndicated loans to support 60 private sector projects in the financial, oil and gas, agribusiness and manufacturing sectors.

As of December 31, 2013, the IFC's total committed portfolio in Kazakhstan amounted to $271 million, with nine clients in financial markets, agribusiness, retail, construction materials, and the railway sector.

IFC intends to facilitate infrastructure development through Public-Private Partnership (PPP) advisory work and direct investments with both private sector and subnational sponsors. Specific focus areas include the logistics and transportation sectors to improve connectivity and trade. IFC has recently provided financing to Eastcomtrans to help expand its railcar fleet, broadening commercial logistics services and helping develop the country's infrastructure for trade and industry. In addition to investments, IFC, jointly with the European Bank of Reconstruction and Development (EBRD), is advising the government on its first large-scale PPP project for the Almaty Ring Road.

IFC supports the country's financial sector development by providing a full range of investments to financial institutions. IFC provided over $900 million in investments to Kazakhstan via equity participation, quasi-equity products, and senior debt and trade finance products to a number of commercial banks, including microfinance and leasing companies.

European Bank for Reconstruction and Development

The European Bank for Reconstruction and Development (EBRD), whose largest shareholder is the U.S. government, offers a full range of financial services to U.S. investors in Kazakhstan. The largest investor outside Kazakhstan's oil and gas sector, the EBRD seeks to promote economic diversification. The Bank provides loans for large projects and technical assistance in a number of economic sectors, concentrating on enterprise, financial system and infrastructure development. The EBRD uses its AAA credit rating to provide debt, equity, quasi-equity, syndications and trade finance in local and foreign currency at competitive commercial rates, and with longer tenors than are usually supplied by commercial lenders. The EBRD prioritizes lending to private sector-led investment, but also provides sovereign lending, particularly for water, transport and energy needs at the municipal level. For sovereign loans, the EBRD requires open, competitive tenders that offer an opportunity to supply U.S. goods and services.

In 2013, the EBRD celebrated its 20th anniversary in Kazakhstan and began work on a new country strategy for Kazakhstan. As of March 31, 2014, the EBRD had disbursed more than €2.96 billion in Kazakhstan, with 56% of financing going to the private sector. Currently, EBRD's portfolio totals €1.7 billion with 82 active operations.

Of the EBRD's loan portfolio, 37% is invested in infrastructure projects, 29% is directed to the energy sector, 19% in industry, and 15% toward commercial and financial institutions. In the last two years, the EBRD has also invested in infrastructure, transport, power, utilities and the banking sector. In 2013, the EBRD began preparatory work on an €12.1 million project on developing intelligent transport system in Almaty and an €11.3 million project to help modernize the district heating system in the city of Semey. The

EBRD co-financed construction of a wind farm in northeast Kazakhstan's Pavlodar region with a €6 million loan, and has signed a €76 million deal to replace obsolete equipment at the Shardara hydropower plant in southern Kazakhstan.

Kazakhstan is also a donor to the Bank, since it provided €3 million in 2012 to co-finance a small business support program.

Asian Development Bank

Headquartered in Manila, the Asian Development Bank (ADB) is an international financial development institution owned by its 67 member countries, 48 of which are from the region and 19 from other parts of the world. ADB assists developing member countries with policy dialogue, loans, equity investments, guarantees, grants and technical assistance.

Since joining the ADB in 1994, Kazakhstan has received $3.2 billion in sovereign and non-sovereign loans in the agriculture, education, finance, transport and communications, water supply, sanitation and irrigation sectors. The ADB has also supervised 68 technical assistance projects with a value of $31 million and six private sector projects worth $455 million.

Under its current Country Partnership Strategy (CPS), ADB's $1.6 billion public sector investment program bolsters the financial sector, small and medium-sized enterprises, improvements in infrastructure, private sector development, and regional cooperation and integration. ADB augments this program with investments through its private sector operations with instruments including equity, debt, and guarantees.

Kazakhstan's government and the ADB signed a major deal in May 2014 aimed at helping Kazakhstan diversify its economy away from the extractive industries. Under the terms of the agreement, the ADB has pledged to provide the remaining balance of the $1.6 billion in CPS funds and its technical expertise to help Kazakhstan prudently invest $5.5 billion in stimulus funds from the National Oil Fund, a sovereign wealth fund, which President Nazarbayev ordered disbursed earlier 2014. The arrangement is projected to help the government promote small- and medium-sized enterprise development, expand its manufacturing base, and re-energize the country's NPL-laden banking sector.

The ADB also finances upgrades to Kazakhstan's transport network along the Central Asia Regional Economic Cooperation (CAREC) transport corridors, aimed at strengthening regional trade and economic integration. Multi-tranche financing facilities for CAREC-related investment programs have included $700 million to reconstruct roughly 375 kilometers of roadway in Zhambyl Province, on the Western Europe–Western China International Transit Corridor (also known as CAREC corridor 1), which is expected to increase external trade and economic development, and $800 million for roadway development along CAREC corridor 2 in Mangystau Province, expected to reduce travel times within the region by 2016.

ADB continues public sector lending assistance to SMEs, primarily through a multi-tranche financing facility which provides liquidity support to financial institutions. In the energy sector, ADB focuses on energy efficiency projects and provides technical assistance, and supports modernizing district heating distribution networks in an effort to create stable, safe and energy-efficient operations.

ADB likewise co-finances projects in partnership with government agencies, multilateral financing institutions and commercial organizations. By the end of 2013, cumulative direct value-added co-financing for Kazakhstan amounted to $2.56 billion for three investment projects (all part of international transit corridors) and four technical assistance projects.

Web Resources Return to top

Export-Import Bank of the United States: http://www.exim.gov

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: http://www.opic.gov

Trade and Development Agency: http://www.tda.gov/

SBA's Office of International Trade: http://www.sba.gov/oit/

USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm

U.S. Agency for International Development: http://www.usaid.gov

The World Bank: http://www.worldbank.org.kz

The International Finance Corporation: http://www.ifc.org

The European Bank for Reconstruction and Development:
http://www.ebrd.com/pages/country/kazakhstan

The Asian Development Bank: http://www.adb.org

Return to table of contents

Return to table of contents

Chapter 8: Business Travel

Business Customs Return to top

Kazakhstan draws on a combination of Russian and Central Asian cultural influences, and customs may depend on the ethnicity of the person with whom you are meeting. It is customary to shake hands and call people by their first name and patronymic (adaptation of the father's first name) at business meetings and at informal gatherings, though use of just the first name is also acceptable. Business attire is generally a suit and tie for men, and a suit or business dress for women. Refreshments are usually served at business meetings - coffee, tea and water are the norms. Small gifts (pens, company logo pins, portfolios, and books) are frequently given at the end of an initial meeting as a token of appreciation. Business cards are the norm, often printed in both Russian and English.

Scheduling meetings can be difficult, but this is also the norm. It can sometimes take weeks to get a response to an email, fax, or a telephone message request for a meeting. Once contact has been established, patience is still required to confirm a date and time to meet. It is not uncommon for meetings to be cancelled with no explanation. Since traffic is a problem in Almaty, company representatives appreciate meeting at their office locations, but are not averse to accepting an invitation for a lunch meeting.

Kazakhstani businessmen are generally less direct than American businessmen. What can be accomplished in a few meetings in the U.S. might take more in Kazakhstan, requiring patience and discipline on the part of the American. An experienced and competent interpreter can be invaluable to your business meetings.

Though Kazakhstanis tend to be Muslim, business travelers with experience in Islamic countries will find the country to be very secular, and many practices that exist elsewhere are not widely observed here, although this is slowly changing. It is quite common for ethnic Kazakhs and Uighurs to consume alcohol at dinner functions or receptions.

Travel Advisory
Return to top

Please consult the State Department's Bureau of Consular Affairs web site, www.travel.state.gov or the Embassy's website http://kazakhstan.usembassy.gov for current travel and consular information, including the most recent Consular Specific Information for Kazakhstan.

All U.S. citizens residing in or visiting Kazakhstan are encouraged **to sign up for the Smart Traveler Enrollment Program (STEP).** Enrollment in the STEP greatly facilitates our ability to locate you in the event of an emergency. The STEP also allows us to replace your passport quickly if it is lost or stolen, or contact you in case the Embassy or your relatives need to pass you an urgent message. We will release information about you to others only in accordance with your wishes (as stipulated by the U. S. Privacy Act of 1966).

• The U.S. Embassy in Astana is located at Akbulak-4, St. 22-23, Building 3, 010010, Astana, tel. 7-7172-70-21-00, fax 7-7172-70-22-80, e-mail USAKZ@state.gov

• The U.S. Consulate General in Almaty is located at 97 Zholdasbekov St., Samal-2, Almaty 050059, tel. 7-727-250-49-00, 250-49-01, fax 7-727-250-48-84, e-mail USAKZ@state.gov.

Visa Requirements
Return to top

A valid passport and visa are required. The Embassy of Kazakhstan in Washington, D.C., and the Consulate of Kazakhstan in New York issue visas. The Embassy of Kazakhstan is located at 1401 16th Street NW, Washington, DC 20036, telephone (202) 232-5488 or 550-9617, fax (202) 232-5845, http://www.kazakhembus.com, and the Consulate at 866 United Nations Plaza, Suite 586 A, New York, NY 10017, telephone (212) 230-1900 or 230-1192, fax (212) 230-1172, http://www.kazconsulny.org.

Since August 1, 2013, the U.S. and Kazakhstan began issuing five-year multiple entry visas on a reciprocal basis to applicants traveling for tourism, business, diplomatic and official travel, education/participation in exchange programs, and journalism. An invitation is no longer required for business and tourist visas. The U.S. Embassy in Astana and the U.S. Consulate General in Almaty cannot provide any visa assistance to those interested in private travel to Kazakhstan. All travelers, even those simply transiting Kazakhstan, must obtain a Kazakhstani visa before entering the country. Travelers should be aware that overstaying the validity period of a visa will result in fines and delays upon exit. Travelers may be asked to provide proof at the border of their subsequent travel arrangements. Travelers transiting through Kazakhstan are reminded to check that their visas allow for a sufficient number of entries to cover each transit trip and to check the length of validity of the visa. Crossing the land border to and from the neighboring Kyrgyz Republic can result in delays or demands from border officials to pay fines.

Most visa categories cannot be extended in Kazakhstan. Exceptions to this rule are student visas, visas for medical treatment, visas for permanent residents of Kazakhstan, and work visas, which can be extended in Kazakhstan up to the expiration date of the holder's work permit, a separate document issued only in Kazakhstan. Business visas can be extended domestically if the traveler is in Kazakhstan at the invitation of the Government of Kazakhstan, a diplomatic mission, or international organization in Kazakhstan.

Registration of U.S. passports is conducted at the same time as the issuance of the visa in one of Kazakhstan's embassies and consulates abroad or at the time of a border crossing. At airports and border posts, Kazakhstani immigration officers present travelers with a white registration card. Travelers must retain this card throughout their stay in Kazakhstan. Two stamps on the card indicate that the traveler is registered. If the card contains only one stamp, the traveler must register with the Migration Police within five days. All registrations are valid for three months, regardless of where they are issued. To extend your registration beyond three months, or if you are not sure if you have been properly registered at the time of visa issuance or border crossing, please contact your local office of the Department of Migration Police. Foreigners must inform the Migration Police of changes of address. Penalties for violating registration rules include imprisonment for up to 15 days, and deportation.

Some HIV/AIDS restrictions exist for visitors to and foreign residents of Kazakhstan. Visitors applying for a work or residency permit, required for U.S. citizens who wish to spend more than 6 months in Kazakhstan, must submit negative HIV test results with their application to the Migration Police in the city where they intend to work or reside. The results must be less than three months old. The city HIV clinic in the place of registration can conduct the test or may certify test results performed abroad. If the original test results are in a language other than Russian or Kazakh, they must be accompanied by an official translation. If a foreigner tests positive for HIV in Kazakhstan, he or she must depart the country. Please verify this information with the Embassy of Kazakhstan before you travel.

Inviting Your Business Contacts to the U.S.

The Embassy supports business travel to the United States by making the U.S. visa process as efficient and transparent as possible. We encourage travelers to apply for U.S. visas 4-6 weeks before their planned departure to allow time for any special processing requirements or seasonal delays. Kazakhstani citizens wishing to renew a business or tourist visa who have been fingerprinted within the last 47 months are strongly urged to utilize the Embassy's Interview Waiver Program (IWP). Information about the IWP can be found at: http://www.ustraveldocs.com/kz/kz-niv-visarenew.asp.

For more information on U.S. visa requirements and validity, please consult either the Embassy website: http://kazakhstan.usembassy.gov, or www.travel.state.gov.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links:

State Department Visa Website: http://travel.state.gov/visa/

Contact the Consular Section in Kazakhstan.

Telecommunications

Return to top

Telephone coverage in Kazakhstan remains less than universal and Internet connections are not ideal especially in remote areas, but there is significant progress in providing high speed internet in the largest cities of the country. As in developing countries with poor telecommunications infrastructure and regulations, the number of cellular users has surpassed the number of landlines. Most business travelers with roaming capabilities will have no problem using mobile phones here. Both land line and cellular rates in Kazakhstan are higher than in Europe, especially for domestic long distance and international calls.

Business travelers can obtain Internet access via most hotels, but at a price. Wi-Fi at cafes is becoming more and more common in Almaty, including at shopping and entertainment facilities and at the Almaty airport. Many expatriates living in larger cities still find it difficult to get high-speed Internet access. Even after getting ADSL lines installed, many expatriates complain that speeds obtained are far from what was advertised by the provider.

Transportation

Return to top

Though Kazakhstan's capital moved to Astana in 1997, Almaty remains the country's business hub. Business travelers tend to arrive into Almaty via Frankfurt, Amsterdam or London, though there are also several other international connections. Kazakhstan's national airline, Air Astana, has a fairly modern fleet of Airbuses and Boeings along with direct flights from major European cities such as London so is an alternative to European airlines. It is roughly a 5-7 hour flight from Europe. For up-to-date travel information, it is best to check the websites of the airports in Almaty or Astana for arrival/departure schedules.

In-country travel is accomplished by utilizing the national airline, Air Astana. Some smaller scale companies also offer limited services within Kazakhstan. There is also a high-speed, overnight Spanish train between Almaty and Astana.

Almaty's public transit system can be confusing to business visitors, and it is recommended that travelers hire a driver to ensure their stay is efficient and effective. Rates for a car and driver vary between $15-20 an hour.

Language

Return to top

Despite a national movement to encourage the use of the Kazakh language, Russian is still widely used, especially in business. Both Kazakh and Russian languages appear on road signs, at stores and on product packaging. English is one of Kazakhstan's three official languages and occasionally appears on some signs. Travelers will also find that English skills are quite strong in the service industries. Though good interpreters demand a premium price, business travelers are well advised to ensure they have a qualified interpreter in business meetings.

Health

Return to top

Medical care in Kazakhstan is limited and well below North American and Western European standards. Basic medical supplies, including disposable needles, anesthetics, and antibiotics can be in short supply. Elderly travelers and those with pre-existing health problems may be at risk due to inadequate medical facilities. Most resident Americans travel to Western Europe for serious medical treatment. Such travel can be extremely expensive if undertaken under emergency conditions. For this reason, **all** visitors are strongly advised to carry medical evacuation insurance that includes overseas hospitalization coverage and emergency air ambulance evacuation insurance. There are many private insurers that offer these types of services such as: www.medjetassist.com/ or www.internationalsos.com/en/.

Although the U.S. Embassy cannot provide medical assistance or care to private citizens visiting Kazakhstan, there is a link to medical resources in Almaty and Astana on the consular section of the Embassy's website. No medical facilities in Kazakhstan currently take U.S.- issued insurance cards so be prepared to pay cash or, in some locations, with a credit card. You may be refused service at some hospitals if you cannot pay in cash at the time of service. Travelers requiring prescription medications or specific brand-name medicines should bring sufficient supplies with them and not rely on local availability.

Information on vaccinations and other health precautions, such as safe food and water precautions and insect bite protection, may be obtained from the Centers for Disease Control and Prevention's hotline for international travelers at 1-877-FYI-TRIP (1-877-394-8747) or via the CDC's internet site. For information about outbreaks of infectious diseases abroad consult the World Health Organization's (WHO) website. Further health information for travelers is available at www.who.int/ith.

Local Time, Business Hours, and Holidays

Return to top

Eastern Kazakhstan (which includes Almaty and Astana) is 10 or 11 hours ahead of EST, depending on the time of year (Kazakhstan does not practice day light savings). Business hours are normally 9:00 a.m. – 6:00 p.m.

Local holidays can be found on the Embassy's website but travelers are also advised to confirm dates with contacts in Kazakhstan. If a holiday falls on a Tuesday or Thursday, the Government of Kazakhstan may elect to make the preceding Monday or following Friday a holiday as well, thereby linking the holiday to the weekend.

Temporary Entry of Materials and Personal Belongings

Return to top

ATA Carnets cannot be used for the temporary entry of materials into Kazakhstan. Certain goods that are imported temporarily are fully or partially exempt from payment of customs duties and taxes. These include professional equipment, goods imported for demonstration purposes, shipping containers, and advertising materials. A firm importing goods for a temporary period should provide Customs with documents containing the description and value of the goods, and a written confirmation stating that the goods will be sent out of Kazakhstan after a defined period.

Web Resources

Return to top

State Department Bureau of Consular Affairs:	www.travel.state.gov
State Department Visa Website:	http://travel.state.gov/visa/
U.S. Embassy Kazakhstan:	http://kazakhstan.usembassy.gov
Embassy of Kazakhstan in Washington, DC:	http://www.kazakhembus.com
Kazakh Consulate in NY:	http://www.kazconsulny.org
Centers for Disease Control:	http://www.cdc.gov
World Health Organization:	http://www.who.int/en/

Return to table of contents

Return to table of contents

Chapter 9: Contacts, Market Research and Trade Events

- Contacts
- Market Research
- Trade Events

Contacts Return to top

U.S. Embassy, Astana
Ambassador John Ordway
Michael Klecheski, Deputy Chief of Mission
3, Rakhymzhan Koshkarbayev Avenue
010000 Astana, Kazakhstan
Tel: +7 (7172) 70-21-00
Fax: +7 (7172) 54-09-14

U.S. Consulate General, Almaty
Consul General Theresa Grencik
97 Zholdasbekov Street, Samal 2, 17th Floor
050051 Almaty, Kazakhstan
Tel: +7 (727) 250-76-12
Fax: +7 (727) 250-48-03

Consular Section
Ian Turner, Chief Consul
97 Zholdasbekov Street, Samal 2, 17th Floor
050051 Almaty, Kazakhstan
Tel: +7 (727) 250-4900
Fax: +7 (727) 250-4884
E-mail: USAKZ@state.gov

U.S. Agency for International Development
Jonathan Addleton, Regional Mission Director
41 Kazybek Bi Street
050010 Almaty, Kazakhstan
Tel: +7 (727) 250-7612
Fax: +7 (727) 250-7636

U.S. Department of Commerce
Global Markets - Office of Russia/Ukraine/Eurasia
14th and Constitution Aves, NW, Room 3316
Washington, DC 20230
Tel: +1 202-482-3952;
Fax: +1 202-482-3042
Danica Starks, International Trade Specialist

Special American Business Internship Training Program (SABIT)

1401 Constitution Aves, NW
HCHB 4318, Washington, DC 20230
Tel: +1 202-482-0392
Tracy Rollins, Director

41 Kazybek Bi Street
050010 Almaty, Kazakhstan
Tel: +7 (727) 250-7612; Fax: +7 (727) 250-0774
Natalya Maintser, Program Coordinator

U.S. Department of State, Washington, DC
U.S. Department of State, SCA/CEN
Washington, DC 20520
Tel: +1 202-647-6859; Fax: +1 202-647-3506
Martin O'Mara, Country Officer for Kazakhstan

Other U.S. Government Agencies

U.S. Trade and Development Agency
1000 Wilson Boulevard, Suite 1600
Arlington, VA 22209-3901
Tel: +1 703-875-4357; Fax: +1 703-875-4009
Scott Greenip, Country Manager

Overseas Private Investment Corporation (OPIC)
1100 New York Ave, NW
Washington, DC 20527
Tel: +1 202-336-8400

U.S. Export-Import Bank
811 Vermont Ave NW
Washington, DC 20571
Tel: +1 202-565-3946; Fax: +1 202-565-3931

International Financial Institutions

World Bank
1818 H Street, NW
Washington, DC 20433
Phone: (202) 202-458-0120/1954
Fax: +1 (202) 477-2967
Scott Bozek, U.S. Liaison Officer

World Bank in Kazakhstan
12 Samal, 14th Floor
473000 Astana, Kazakhstan
Tel: +7 (7172) 580-555
Fax: +7 (7172) 580-342
Sebnem Akkaya, Country Manager

41 Kazibek bi, 4th Floor
050010 Almaty, Kazakhstan
Tel: +7 (7273) 778220
Fax: +7 (7273) 778276
Saroj Kumar Jha, Reg. Dir. for Central Asia

International Finance Corporation
2121 Pennsylvania Avenue, NW
Washington, DC 20433 USA
Tel: +1 (202) 473-3800
Fax: +1 (202) 974-4384

International Finance Corporation in Kazakhstan
41 Kazybek Bi Street, 4th Floor
050100 Almaty, Kazakhstan
Tel: +7 (727) 298-0580; 298-0586
Fax: +7 (727) 298-0581
Moazzam Mekan, Regional Manager for Central Asia

Asian Development Bank
American Embassy Manila
1201 Roxas Boulevard, Ermita, Manila 1000 Philippines
Tel: +63 (2) 301 2000; +63 (2) 516 5093
Fax: +63 (2) 5166958
Margaret Keshishian, U.S. Liaison Officer

Asian Development Bank in Kazakhstan
12 Samal, Astana Tower BC, 20th Floor
010000 Astana, Kazakhstan
Tel: +7 717 270 9707
Fax: +7 717 232 8343
Matthew Westfall, Country Director

20A Kazybek Bi Street, 2nd Floor
050010 Almaty, Kazakhstan
Tel: +7 727 312- 3100
Fax: +7 727 312- 3110

European Bank for Reconstruction and Development
American Embassy, CS-EBRD
24 Grosvenor Square
London W1K 6AH
United Kingdom
Phone: + 44 (0) 20 7894 0419
Will Center, U.S. Liaison Officer

EBRD in Kazakhstan
12, Samal, Astana Tower, 15th Floor
010000 Astana, Kazakhstan
Tel: +7 (7172) 580-204
Fax: +7 (7172) 580-201
Anar Omarova, Head of Representative Office

41, Kazibek bi, 3rd floor
050010 Almaty, Kazakhstan
Tel: +7(727) 258-14-76
Fax: +7 (727) 258-14-22
Janet Heckman, Country Director

Market Research

Return to top

To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/mrktresearch/index.asp and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

Trade Events

Return to top

Please click on the link below for information on upcoming trade events.

http://www.export.gov/tradeevents/index.asp

http://export.gov/kazakhstan/index.asp

Return to table of contents

Return to table of contents

Chapter 10: Guide to Our Services

The President's National Export Initiative marshals Federal agencies to **prepare U.S. companies to export successfully**, **connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link:
http://export.gov/kazakhstan/servicesforu.s.companies/index.asp

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E).**

Return to table of contents