

HU&SPENCE: THE FUTURE OF GLOBALIZATION

JULY/AUGUST 2017

# FOREIGN AFFAIRS

**What Now?  
Trump's Next Steps**



RICKARD



## PART I

# *Kazakhstan:* The Transition To A Knowledge Based Economy



Kazakhstan's achievements since its independence in 1991 have been quite remarkable. The past decade in particular has been a time of great prosperity and improving living standards, mainly due to increased production and high prices of commodities. Among post-Soviet states, Kazakhstan was on the leading edge of reforms in the late 1990s and early 2000s.

Kazakhstan prudently invested some of its earnings from this period in a national fund that helped the country effectively navigate the aftermath of the 2008 global financial crisis. Now this growth model is being tested by a challenging global economic scenario and above all, a reduced outlook for revenues from oil and other commodities.

The authorities understand that achieving sustainable economic growth requires unleashing new drivers of growth.

As Daniyar Akishev, Governor of the National Bank Of Kazakhstan points out: "the

main challenges of diversifying the economy of Kazakhstan are the low participation of private capital in the innovation process, the weak interaction of science and production, the shortage of qualified personnel in high-tech industries, a small share of small and medium-sized businesses. At the moment, the government is taking strong and effective measures to overcome these difficulties through the implementation of various state programs "

In 2015, Kazakhstan started a long-term transformation program intended to have a lasting effect on local entrepreneurs, industry, and infrastructure. Under the "Nurly Zhol" plan --a state infrastructure development program for 2015-2019 that guarantees some US\$16 billion from various sources, including the state budget, the National Fund and international financial institutions-- the government envisages more spending to support local entrepreneurs, the banking system, and infrastructure development.

Numerous sectors are currently testing modernizing strategies to decrease oil dependence, develop transport hub capacities, increase financial intermediation, and improve the business climate.

The conditions for doing business have already improved considerably: in the World Bank "Doing Business" ratings, Kazakhstan now ranks 36th out of 190 states and, alongside Russia, has the best indicators among post-Soviet states.

According to the Minister of National Economy, Timur Suleimenov, Kazakhstan is striving to become one of the world's top 30 most competitive economies by 2050, as described in the "Kazakhstan 2050" strategy. "To achieve this ambitious goal, we plan to grow by 5-6% annually in GDP, increase investments from 18% to 30% of GDP, increase labor productivity by 5 times, and increase the share of SMEs in GDP from 25% to 50%," the Minister said.

## ONE BELT ONE ROAD - INTEGRATING HIGH VALUE CHAINS

Few anticipated the resurgence of the ancient trade routes that once spanned the Eurasian continent. Trade on the Silk Road played a key role in the development of the civilizations of China, Japan, India, Iran/Persia, Europe, the Horn of Africa and Arabia, opening long-distance trade, economic and political relations between the civilizations. In the 16th century, the discovery of new sea routes all but eclipsed a network that at one point crossed all of Eurasia.

Fast forward to today, the Silk Road Economic Belt and the 21st-century Maritime Silk Road is a development plan proposed by the Chinese government that emphasizes connectivity and cooperation between Eurasian countries. The Belt and Road Initiative addresses an "infrastructure gap" and thus has potential to accelerate economic growth across the Asia Pacific area and Central and Eastern Europe. The network connects Asia, Europe and Africa, and guarantees to further integrate its 4.4 billion population into a global network, enabling the exchange of goods and ideas. President Xi Jinping of China believes this is a long-term plan that promises more than US \$1 trillion invested in infrastructure, will engage the current and future generations to drive economic growth globally and further develop the Eurasian Region..

Among countries in central Asia now turning their attention to the opportunities

offered by China's "Belt and Road (B&R) Initiative", Kazakhstan has been particularly fast off the blocks.

As the largest landlocked country in the world, wedged between emerging powers Russia and China, sitting on a wealth of oil and mineral deposits, Kazakhstan's location is unique.

As Minister of National Economy Suleimenov revealed, "Kazakhstan is located in the heart of the Eurasian continent, which opens up huge opportunities for Kazakhstan to represent international transit routes between Europe and Asia. This initiative allows us to participate in a large-scale project for the construction of an international transit route -Western Europe - Western China. We expect that about 8% of the trade turnover between China and European countries will pass through this transport corridor by 2020."

Multilateral institutions and development banks are investing billions of dollars in loans to fund an international corridor that will connect China to Western Europe. The corridor is projected to have a positive impact on the regional trade, optimizing logistics costs, promoting new trade agreements and facilitating the development of new manufacturing export hubs outside China.

To strengthen its critical role in the new One Belt One Road initiative, Kazakhstan has contracted with the Dubai-based logistics group DP

World to develop its free economic zone, "Khorogos—Eastern Gate," which processed 350,500 loads of TEU (twenty-foot equivalent unit) between 2015 and 2017. Kazakhstan proposes transport links and logistics support reducing the cost and time of cargo transportation from north to south and from east to west.

Sultan Ahmed Bin Sulayem, Group Chairman and CEO, DP World, said: "Kazakhstan is an important link in the New Silk Route and in the development of the Belt and Road Initiative. Focusing on soft and hard infrastructure development that supports multimodal transport links will be key in realizing its potential as a transit corridor as well as boosting its own economy."

Energy integration is also part of the initiative. Bakytzhan Kazhiyev, Chairman of The Management Board of KEGOC, Kazakhstan's largest utility company noted, "As a part of the development strategy KEGOC actively develops cooperations with domestic and foreign partners in the electric power industry: GE, SIEMENS, ABB, NREL DigSilent and others. Looking ahead, in the longer term we will have to integrate the national energy systems on a global scale. This will be a natural development of the global power industry and such initiatives are already voiced at the international level. With the globally integrated energy network and large-scale development of renewables, the green energy has the potential to cover the future global energy demand."

## INCREASING FINANCIAL INTERMEDIATION AND RELAUNCHING A PRIVATIZATION WAVE

Although Kazakhstan's economy is growing steadfastly, the challenges facing the country's banking and financial sectors have not yet been overcome. Back in the 2000s, the financial sector was successful and banking assets amounted to almost 100 percent of GDP—but these achievements were tarnished by the economic crises of 2007-08 and then 2014.

To address this issue, the Astana International Financial Center (AIFC) was launched on January 1, 2018. The launch of the AIFC is part of the President's "100 Concrete Steps", a detailed roadmap which aims to bring Kazakhstan into the world's 30 most developed countries by 2050.

The AIFC is supported by an ambitious objective to become the financial hub for Central Asia, the Caucasus, Eurasian Economic Union, the Middle East, and Europe. The new financial centre is positioning itself to attract US\$40 billion of investments by 2025 and guarantee about 1 per cent growth in the carbonless GDP of Kazakhstan.

The AIFC is a unique institution offering straightforward tax, visa and labor regimes, including tax exemptions until 2065, free flow of capital, ultra-modern infrastructure, and a special visa program for foreign citizens. Based on the extraterritoriality principle, the AIFC abides to the norms of British law, with legal proceedings in English. Such a move, however, is not a panacea for Kazakhstan's delicate investment climate

as it has to take institutional and legislative steps if it is to build greater economic partnerships and diversify its investments.

As Kairat Kelimbetov, Governor of AIFC explains, "It is obvious that each investment decision, especially when made abroad, is driven not only by its financial attractiveness, but also by the economic stability of country, fair and transparent market, effective legal systems, favorable environment, and availability of infrastructure, among others. In other words, an international investor needs long-term confidence in the recipient country and that is exactly what is being built in Kazakhstan by the country's support and AIFC's efforts, in particular. To earn the global community's confidence, AIFC has invested a significant amount of time in building its fundamental blocks, which will guarantee the resilience, security and efficiency of its underlying systems."

The Astana International Financial Center and the Astana International Exchange (AIX) will become the main stages for privatization. One of main objectives of President Nazarbayev's recent address to the nation - "New development opportunities under the Fourth industrial revolution" - is the acceleration of the implementation of the privatization plan. Kazakhstan's \$67 billion worth sovereign wealth fund Samruk-Kazyna has sold over 120 small and mid-sized assets and is preparing larger assets for IPO under its privatization program.

## THE LEGACY OF EXPO 2017: RENEWABLES POTENTIAL

During the Expo 2017 Astana, President Nazarbayev announced an economic transformation centered on sustainable development, greater foreign investment, and a move toward renewable energy. This was an important announcement given the fact that since independence Kazakhstan's economy has been driven by the extractive industry, with oil accounting for 50 percent of the country's GDP in 2017. Sitting on the 11th-largest oil reserves in the world, Kazakhstan's abundant natural resource

wealth has been the key to rapid economic development.

In 2013, Kazakhstan created the "National Concept for Transition to a Green Economy up to 2050" outlining a future development path guided by green energy policies. The plan aims to expand the share of renewable energy in electric power generation to 30 percent by 2030 and 50 percent by 2050.

Nowadays, renewable sources (excluding hydropower) represent less than 1 percent of power produced in Kazakhstan. Both the

government and independent observers corroborate that the potential for renewables is high. Foreign investors, such as the European Bank for Reconstruction and Development, are funding several high-profile pilot projects throughout the country.

Kazakhstan has committed to a 15-25% carbon dioxide reduction target compared with 1990 levels under the COP21 Paris agreement. This, coupled with feed-in tariffs linked to US dollars for renewables, should help the business case for renewables.

### **An Interview With Mr. Todd Levy, President of Chevron Europe, Eurasia and Middle East Exploration and Production Company**

**In 1993, Chevron signed the foundation agreement with the Republic of Kazakhstan that created the joint-venture company Tengizchevroil. What role has Chevron played in making the country what it is today, and how do you measure its success as a transformative influence?**

Chevron is proud to be one of the first foreign investors in Kazakhstan and has been successfully working in Kazakhstan for 25 years. The Tengizchevroil joint venture (TCO) is a bellwether partnership not only in the region but globally, showcasing how a successful partnership can provide mutual benefits for shareholders as well as long lasting benefits for the people of Kazakhstan.

In April 2018, we are celebrating the 25th anniversary of TCO. Along the way, TCO delivered impressive results in safety, production and revenue, and in the process, created thousands of jobs, provided specialized training, established a supplier base, supported the growth of local businesses, and actively invested in the development of the local communities. Through 2017 TCO contributed over \$125 billion into the Kazakh economy.

Success can of course be measured in many ways. Last summer, Tengiz produced its 3 billionth barrel of crude. This milestone wouldn't have been possible without the collective efforts of the many thousands of TCO team members and support from the Republic of Kazakhstan leadership over the decades.

On top of which, TCO has invested more than \$24 billion on Kazakhstani goods and services since 1993.

**What would you say are the highlights of your operations as well as your growth strategy in the region?**

Chevron is Kazakhstan's largest private oil producer, holding important stakes in two of the nation's biggest oil-producing fields – Tengiz and Karachaganak.

The Tengiz Field is one of the world's deepest operating super-giant oil fields, with the top of the reservoir at about 12,000 feet (3,657 m) below ground. Alongside, Tengiz, TCO is also developing the nearby Korolev Field. Additionally, Chevron holds an 18 percent interest in the Karachaganak Field, one of Kazakhstan's largest petroleum producing reserves.

In 2008, we successfully completed a major expansion of the Tengiz Field and began piloting high pressure gas injection into the reservoir utilizing cutting edge technology. The injection pilot proved highly successful and is a foundation to our current major expansion of the Tengiz Field, which will increase crude oil production to about 850,000 barrels per day, with peak rates exceeding 900,000 barrels of crude oil per day.

Chevron has continued to bring advanced technologies to bear in the development and operation of the Tengiz Field. These technologies include revolutionary seismic techniques which have enabled optimized well placement, state of the art reservoir modeling and advances in data application to increase production.

**A consortium of international oil majors led by Chevron has approved a \$36.8-billion expansion plan for the giant Tengiz oilfield in Kazakhstan. Plans are to bolster production to approximately 1 million barrels a day. This is a historic event not just for the oil and gas sector but for the whole country. Challenges and opportunities for the years to come?**

People often ask, what's next for this super giant oil field? Well, the next stage of expansion,

the Future Growth Project-Wellhead Pressure Management Project (FGP-WPMP), is designed to further increase TCO's production (by approximately 260,000 barrels per day), increase the ultimate recovery of the field, extend the field's production plateau and keep the existing plants producing at full capacity. The final investment decision was given for this expansion in July 2016.

Executing this project on schedule and on budget will have a positive effect on Kazakhstan's investment climate. The success of FGP-WPMP will establish a strong foundation for more projects to come.

This next phase of Tengiz expansion will benefit the country and generations of Kazakhstanis further.

Since 2010 alone, FGP-WPMP has spent around \$4 billion on Kazakhstani content and more than 2,000 Kazakhstani companies have been pre-screened, with more than 300 being awarded contracts. In addition, more than 33,000 Kazakhstanis are currently employed on FGP-WPMP, representing more than 91% of the project workforce in-country.

Alongside the revenues and taxes that will be realized from increased Tengiz production, FGP-WPMP is already generating many other significant economic benefits for Kazakhstan.

Through the wide participation from Kazakhstani companies, the project is creating prosperity by building local capacity and creating a legacy of new capabilities in areas such as engineering, high-tech equipment servicing, project management and construction.

We are also forming joint ventures between Kazakhstani and international companies for engineering, module fabrication and drilling.

We're proud of so many things we've been able to achieve in partnership with the Republic of Kazakhstan.

## THE INNOVATION ECONOMY

Kazakhstan's wealth still depends considerably on petroleum and mineral extraction, making its economy vulnerable to global markets volatility—slowdowns in Russia and Asia have had a harmful effect on the economy. In order to diversify and modernize, Kazakhstan is executing a series of new policies designed to boost the country's knowledge-based economy.

The main objective of the government program "Digital Kazakhstan" is the improvement of the competitiveness of Kazakhstan's economy and quality of life through the gradual development of the digital ecosystem. The "Digital Kazakhstan" program supports how a digital ecosystem development becomes the main driver of the economy, improves conditions for business dealing, raises the level of digital literacy of the population, and in general, the competitiveness of the nation. Labor automation, robotics, artificial intelligence, exchange of "big data", 3D printing and virtual reality - innovative technologies not only create new spheres of business but also provide stimulus to traditional sectors of the economy, such as industry, agriculture, logistics, and construction.

As Aidar Arifkhanov, Chairman of Baiterek National Managing Holding, points out, "Key initiatives of the Government within the State Program "Digital Kazakhstan" could be highlighted as institutional reforms: creation of the international Technopark of IT-startups (Astana hub), legislation improvement on the issues of venture (risk) financing, assistance in creation of corporate venture funds and favorable conditions for corporate innovation.

Holding Baiterek is at the vanguard of key government initiatives of the Government and starting in 2018, in accordance with the best world practice, launches a business incubation development program in a pilot mode. The program will provide financial and methodological support to private business incubators and technology businesses."

Creating a "Digital Silk Road" is one of the pillars of the "Digital Kazakhstan" initiative. As Saparbek Tuyakbayev, Chairman of the Board Of Kazhahk Invest national company remarks, "This is the development of a reliable, affordable, high-speed, secure digital infrastructure. If we look at logistics for instance, in order to reduce the time for processing orders and to select the optimal logistics route, an integrated multi-modal transportation management platform is implemented on the principle of a "single window". Information systems are also being introduced in freight rail transport. They increase the efficiency of the organization of the transportation process".

## KAZAKHSTAN AND THE WORLD

Easing the way forward for foreign investors is on top of the government's agenda. As Minister of Investment and Development, Zhenis Kassymbek points out, "We are working on reforming various parts of our laws, tax codes and customs regulations to improve the investment and entrepreneurial climate. We have reduced the red tape, decreased the number of documents, permits and licenses required for investment as well as time needed for obtaining them."

Investment and other bureaucratic processes are becoming electronic, and inspections by civil servants have become streamlined and shortened. Legislations on enforcing these reforms have become stricter. "Thanks to these efforts, the total amount of foreign direct investment in Kazakhstan topped \$20 billion last year," according to the Minister. "Investors regard Kazakhstan as a gateway to the Eurasian Economic Union market of 180 million people."

In 2016, Kazakhstan became the first Central Asian country to be elected as a non-permanent member of the UN Security Council. It's a huge milestone for Kazakhstan and true evidence of Kazakhstan's growing role in the international community.

Along with the Kazakhstan 2050 Strategy, the goal of joining the OECD, and several institutional reforms, the authorities seek to bring about long-term cultural, institutional, and social transformations. Yet for the moment, while economic changes are certainly in transition, political reforms remain to be seen.

## An Interview With **H.E. Mr. KAIRAT ABDRAKHMANOV**, *Minister of Foreign Affairs of Kazakhstan*

**Kazakhstan had a challenging 2016, but prudent intervention from the Central Bank and a well-rounded government vision for the future mean confidence is beginning to creep back into the economy. What mechanisms will the government use to achieve long-term sustainable economic growth?**

Despite the legacy impact of the global economic crisis, Kazakhstan continues to show robust economic growth. The country's GDP grew 4% in 2017 and industrial production increased more than 7% in the

same period. The processing sector continued to account for more than 40% of total industry volume.

Looking forward, Kazakhstan has a clear vision for its future development. By 2050, we seek to become one of the top thirty most competitive economies in the world, meeting the most advanced global standards in terms of economic performance and transparent governance, especially those of the OECD. A new model of economic growth, the Third Modernization of Kazakhstan, outlines the path for our country to achieve those ambitious goals.

In 2015, we adopted the 100 Concrete Steps Plan of the Nation to Implement Five Institutional Reforms. The reforms are answers to the challenges of our time. Through these reforms, Kazakhstan has been able to insulate itself against current issues facing the country, such as the drop in oil prices and geopolitical tensions affecting the nation. To date, sixty steps out of the one hundred have been completed. Full implementation of these reforms will set Kazakhstan firmly on its path towards joining the 30 most developed countries in the world.



**In past years, the country's foreign policy has proven effective in balancing international interests as Kazakhstan continues to forge its path into international and regional organisations. What have been the most significant foreign policy successes during your tenure and how do you see Kazakhstan's role on the global stage developing over the coming years?**

Kazakhstan's diplomacy has created a robust system of friendly relations with all countries of the world and international organisations based on the principles of equality, cooperation and pragmatism. Guided by these principles we have been able to achieve some major tangible foreign policy results.

First and foremost, they include creation of favourable external conditions for substantial political, economic and social reforms within the country. The Foreign Ministry has doubled its efforts to link economic diplomacy tools with the national economy's needs. The Ministry and its foreign missions continue thorough work on attracting investment and technologies into priority sectors of the economy, promoting the interests of Kazakh businesses and ensuring access to foreign markets for our products.

The EXPO 2017 international exhibition in Astana was one of our major accomplishments that was in line with Kazakhstan's efforts to promote the implementation of the UN Sustainable Development Goals, the Paris Agreements and the principles of green economy.

Second, thanks to President Nazarbayev's well-deserved reputation as an honest broker and a mediator in international diplomacy, Astana was selected as a suitable platform to host Syrian talks. The Astana Process over the past year has demonstrated that Kazakhstan can play an important role as a mediator and a contributor to the settlement of crises and provide a platform for successful negotiations.

Third, Kazakhstan was elected as a non-permanent member of the United Nations Security Council for 2017-2018, the first Central Asian country to assume this high post. We see this as an opportunity to contribute to global peace, development and security and reaffirm our adherence to voicing regional views so that Central Asia's concerns have fair representation in international dialogue.

According to the views of observers, the first ever Presidency of Kazakhstan at the UNSC in January 2018 was successful and fruitful.

Last year we also hosted the historic summit of the Shanghai Cooperation Organisa-



KAIRAT ABDRAKHMANOV, Minister of Foreign Affairs of Kazakhstan

tion that accepted India and Pakistan as full members. The organisation now unites more than 44 percent of the world's population and is thus one of the biggest in the world.

The first Summit of the Organisation of Islamic Cooperation on Science and Technology was also held here in Astana in 2017 on the initiative of President Nazarbayev. Its main purpose was encouraging the exchange of knowledge and experience in order to help the Ummah (Muslim society) advance in terms of science, technology and education.

Integration processes are being strengthened within the framework of the Eurasian Economic Union.

We note with satisfaction the significant breakthrough in the intraregional partnership of the countries of Central Asia. The first working (consultative) meeting of the heads of state of Central Asia was held in Astana in 2018.

**The United States was the first country to establish diplomatic relations with Kazakhstan after its independence 26 years ago. This relationship has grown in large part because American and Kazakh officials and companies have continued to work well together in a cooperative partnership. Can you set out a short overview of the US-Kazakhstan bilateral relations?**

Yes, indeed, the United States was one of the first countries to recognise the state sovereignty of the Republic of Kazakhstan and was the first country to establish its Embassy here.

Over the past 26 years, relations between the two countries have transformed from

cooperation on non-proliferation of weapons of mass destruction to an enhanced strategic partnership in a broad spectrum of areas that covers cooperation in bilateral and regional formats, as well as global security issues.

These relations have continued to develop steadily in recent years due to the regular political dialogue between the leaders of the two countries. Contacts are regularly maintained between the governments of our nations – over the past year alone more than 45 bilateral meetings were held at various levels.

On January 15th-18th, 2018, at the invitation of President Donald Trump, President Nazarbayev paid an historic official visit to the US, following which the leaders of the two countries adopted the Joint Statement "Kazakhstan and the United States: An Enhanced Strategic Partnership for the 21st Century."

An important trajectory of the regional cooperation agenda has been the interaction of Central Asian countries and the USA in the C5+1 group. All sides have expressed support for the efforts of the five Central Asian countries to strengthen regional cooperation. They also discussed this process through the prism of expanding trade and economic ties between Central Asia and Afghanistan.

During his visit to the US, President Nazarbayev also met with American business representatives. The round-table event held in the US Chamber of Commerce resulted in 24 contracts worth approximately US \$7 billion, while the volume of investment agreements amounted to US \$4.3 billion.



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# “Kazakhstan In A Changing Eurasia”

*Investment Forum:*

**The Council on Foreign Relations,  
New York City, October 4th 2018**



From left to right: Stuart Reid, Managing Editor, Foreign Affairs; Kairat Kelimbetov, Governor of Astana International Financial Centre; Susan M. Elliott, President & CEO, National Committee on American Foreign Policy; Todd Levy, President of Europe, Eurasia and Middle East Exploration and Production, Chevron



From right to left: Gideon Rose, and Askar Zhumagaliyev, Deputy Prime Minister of Kazakhstan

On January 2018, the White House welcomed H.E President of Kazakhstan Nursultan Nazarbayev, for a meeting with U.S President Donald Trump. In a joint statement titled “enhanced strategic partnership” for the 21st Century both leaders reaffirmed, bilateral business ties, deepening trade, innovation and ever-growing cooperation.

As a follow up, Foreign Affairs magazine organized the “ Kazakhstan in a Changing Eurasia” investment conference on October 4th in New York City at

the Council on Foreign Relations. Presided by Gideon Rose, editor of Foreign Affairs, this timely initiative examined how the country is planning to future proof its economy, attract investment and strengthen its institutions. Topics covered issues ranging from the privatization of government assets, investment in non-oil

sectors of the economy to the revival of the Great Silk Road initiative, as well as innovation as a driving force across all of Kazakhstan’s economy.

Opening the event, Thomas Firestone, Partner, Baker & McKenzie maintained a Q&A fire chat with Kazakhstan’s Deputy Prime Minister



H.E Askar Zhumagaliyev who mentioned “my mission is to ensure the implementation of the agreements reached by the leaders of our countries in the White house. Now is the time to build on the positive trends currently emerging for both countries and move towards innovation and knowledge projects. Over the past few years, Kazakhstan has completed a large-scale reform program, which has improved the business and investment climate, as well as integrate our country into regional and global trade,” Economic reforms enacted under the Complex Privatization Plan for 2016-2020 are aimed at improving the country’s business and investment climate through measures that eliminate red tape and improve intellectual property protections. The idea behind the changes is to use common law principals in commercial law to foster best practices in corporate finance. Governor of the AIFC, Kairat Kelimbetov, called it the “Dubai model.”



Todd Levy, President of Europe, Eurasia and Middle East Exploration and Production, Chevron

According to Susan M Elliott, President & CEO at the National Committee on American Foreign Policy, Kazakhstan has “maintained low business risk,” sustained healthy diplomatic relations with the United States, and recognizes the importance

of investing in human capital. Further easing worries of Western investors is the sentiment expressed by Todd Levy, President of Europe, Eurasia and Middle East Exploration and Production at Chevron, that tensions between the U.S., E.U. and Russia have not impact-



ed business practices of foreign entities in Kazakhstan.

The Innovation panel gave an overview of the key challenges and opportunities arising as traditional industries such as agriculture, energy, mining, manufacturing and transport are disrupted. Huschke Diekmann, General Manager of Transportation Digital for Europe, CIS-Russia, North Africa & Middle East for

General Electric and Hans Timmer, Chief Economist for Europe and Central Asia, World Bank, discussed how digital optimization and the generation of massive amounts of new data is changing the way in which value and profit is created.

In addition, Nurlan Rakhmetov, Managing Director of Samruk-Kazyna JSC encouraged prospective investors to participate in the "Privatization Program" of

state assets and consider possibilities for establishing joint ventures at the three special economic zones in Kazakhstan. "The Samruk-Kazyna Fund has the largest portfolio of high-quality assets of Kazakhstan worth 74 billion US dollars and covers several companies across various sectors of economy. In the present year, we plan to finish the privatization of 50 assets that include large, medium and small companies," said Nurlan Rakhmetov, responsible for overseeing all the privatization for Samruk-Kazyna. The leadership of the Fund pointed out that all assets were properly prepared before entering the market. In particular, it was facilitated by the Transformation Program of groups of companies of Samruk-Kazyna. Following the panel session, several B2B meetings with American and international investors and other strategic partners were held as part of the forum.

From left to right: Roland Nash, Senior Partner, Verno Capital and David A. Merkel, Managing Director, Summit International Advisors; Eurasia Center, Atlantic Council



Bilateral B2B meetings





H.E. Erzhan Kazykhanov,  
Ambassador of  
Kazakhstan to the  
United States of America

## An Interview With **Erzhan Kh. Kazykhanov,** *Ambassador of Kazakhstan to the United States of America*

**The future of trade in Asia could depend heavily on what becomes of China's expansive One Belt, One Road initiative, which calls for massive investment in and development of trade routes in the region. How can Kazakhstan capitalize on such initiatives? What policy innovations and private-sector initiatives are needed if Kazakhstan's manufacturers are to compete globally and fully integrate global value chains?**

Strategically located between East and West, Kazakhstan was historically interlinked with major communication routes and paths of trade that is known today as the ancient Silk Road. Experts argue that the route along Kazakhstan's vast land carried more than just merchandise and precious commodities. Connecting eastern and western markets, spurring immense wealth, fostering innovation, intellectual and cultural exchange, made Kazakhstan one of the epicenters of the first waves of globalization. It is therefore not a coincidence that the vision for engaging the world in re-

creating the ancient Silk Road was presented by President Xi Jinping at Kazakhstan in September 2013. This initiative was supported by President Nursultan Nazarbayev who has been a strong champion of Eurasian integration and increased economic connectivity since the very early days of the country's independence. Five years on since the launch, Belt and Road Initiative set the stage for a sprawling network of railroads, highways, gas and oil pipelines, cities and investments in modern infrastructure to revive the hugely successful ancient Silk Road with a 21st century strategy and outlook

**In the past several years, the country's foreign policy has proven effective in balancing international interests as Kazakhstan continues to forge its path in international and regional organizations. What have been the most significant foreign policy successes during your tenure and how do you see Kazakhstan's role on the global stage in the coming years?**

Indeed, Kazakhstan is a textbook example of how a multi-ethnic nation – the ninth largest country in the world – can live in peace and stability as well as secure a major standing on the international arena, thanks to its balanced and multi-vector foreign policy.

As the Soviet Union collapsed in 1991, the newly independent Kazakhstan emerged overnight as the fourth-largest nuclear power in the world that could, in theory, pose a serious threat to humankind. But Kazakhstan did not pursue this destructive path. Instead, as a firm believer in confidence-building measures, dialogue and partnership, President Nursultan Nazarbayev laid down a comprehensive long-term strategy aimed at the complete dismantlement and removal of one of the world's largest nuclear arsenals, establishing his nation as a reliable global partner.

Years on, this decision is still highly praised by the members of the international community. Addressing the UN General Assembly last year, the 69th US Secretary of State Rex Tillerson noted positively that Kazakhstan is a particularly illustrative example of the wisdom of relinquishing nuclear weapons and of a modern nation making a substantial contribution to regional and international peace and prosperity.

As a member of the UN Security Council for 2017-2018, we have continued our pioneering model to address issues of worldwide implication. Chairing the high-level briefing of the UN Security Council in January 2018, President Nazarbayev noted that as the first country from Central Asia ever elected to the council, we became the voice of our people in this high office and laid down a comprehensive conflict prevention strategy. In addition to early warning, preventive deployment, mediation, peace-keeping, post-conflict peacebuilding, and accountability measures, for the first time this strategy included the issue of non-prolifera-

tion of weapons of mass destruction. This is what makes the adopted document unique.

Furthermore, in line with its commitments to promote global peace and prosperity, Kazakhstan continues to play a major role in stabilizing Afghanistan. Acknowledging that only an Afghan-led and Afghan-owned process will bring stability and security, Kazakhstan remains at the forefront when it comes to consolidating international efforts.

Last month, the nation's capital of Astana hosted the Regional Conference on Empowering Women in Afghanistan, which produced a powerful and inclusive effort aimed at elevating voices and perspectives from across all sectors and levels to stress the importance of full engagement of women in the reconciliation process, as well as in the social and economic life of Afghanistan. The US firmly supported this initiative by sending top State Department officials, while the special address was made by the Assistant to the President Mrs. Ivanka Trump, who acknowledged the efforts of Kazakhstan's government for championing this important cause.

Kazakhstan has been widely praised for these efforts and its exemplary role in building a safe and secure world during its presidency of some of the most respected international organizations and institutions, including the OSCE, OIC and now the UNSC. Kazakhstan will not cease to work closely with the international community and all actors involved in putting forward these important initiatives.

**The United States was the first country to establish diplomatic relations with Kazakhstan 25 years ago. This relationship has grown in large part because American and Kazakhstani officials and companies have continued to work well together in a cooperative partnership. Can you please provide an overview of US-Kazakhstan bilateral relations?**

The US was indeed the first country to recognize our independence and open its Embassy in Kazakhstan. Throughout the past twenty-six years, relations between our countries have grown profoundly both in substance and significance.

Recognizing this positive trend in Kazakh-American relations and upon the

formal invitation from the White House, President Nursultan Nazarbayev made an official visit to Washington, DC early this year to meet President Donald Trump, Vice President Mike Pence and large number of America's top business executives.

Distinctively, these meetings cemented our countries' commitment to foster our cooperation in many areas of mutual interest, such as global politics and regional integration, defense and security, trade and investment, strategic energy dialogue, cultural and humanitarian links, and people-to-people relations. Most importantly, this high-level commitment was reflected through the adoption of the milestone document entitled, "United States and Kazakhstan: An Enhanced Strategic Partnership for the 21st Century," which not only outlines the goals and priorities of our bilateral agenda but also sets a long-term vision to build a common future.

In terms of future plans, the visit reinforced close commercial and trade ties between Kazakhstan and the United States as an important way to create jobs and accelerate economic growth in both countries. For example, we signed numerous deals with far-reaching implications for both economies worth more than 7 billion US dollars.

Almost a year on since this high-level visit, I am delighted to see that both countries are continuing to unlock the immense potential for mutually beneficial cooperation with great enthusiasm. We have established the High Level Working Group on the Enhanced Strategic Partnership between Kazakhstan and the United States to ensure successful implementation of all agreements.

In just the past 9 months, both countries have exchanged an unprecedented number of highly successful bilateral visits and B2B communication in healthcare, agriculture, education, trade, culture and sciences. Later this month, US Secretary of Commerce Wilbur Ross will lead one of the largest certified trade missions to Kazakhstan. We are also expanding our presence in the United States by opening Kazakhstan's Consulate General in San Francisco to boost cooperation in technology, startups, innovation and tech policy.

As we look forward to continue working together for shared growth and prosperity, I am positive that the spirit of enhanced partnership and cooperation that exists between our nations will continue to thrive



# “Panel Discussion: Kazakhstan And The New Silk Road - The Creation Of The Astana International Financial Center”

The future of trade in Asia could rely greatly on what becomes of China’s expansive Belt Road initiative, which calls for huge investment in and development of trade routes in the region. Located on the Eurasian continent, Kazakhstan is not only an important stronghold of the economic belt of the Silk Road, but also an important member of the Eurasian Economic Union. Kazakhstan’s future economic growth depends on the development of infrastructure and regional trade. The country aims to become the largest business and transit hub of the Central Asia region, a bridge between Europe and Asia.

Stuart Reid, Managing Editor, Foreign Affairs moderated this timely panel on the one belt one road initiative. Participants included Kairat Kelimbetov, Governor of Astana International Financial Centre,

Todd Levy, President of Europe, Eurasia and Middle East Exploration and Production, Chevron and Susan M. Elliott, President & CEO, National Committee on American Foreign Policy.

One of the main themes of this panel revolved around the creation of the Astana International Financial Center

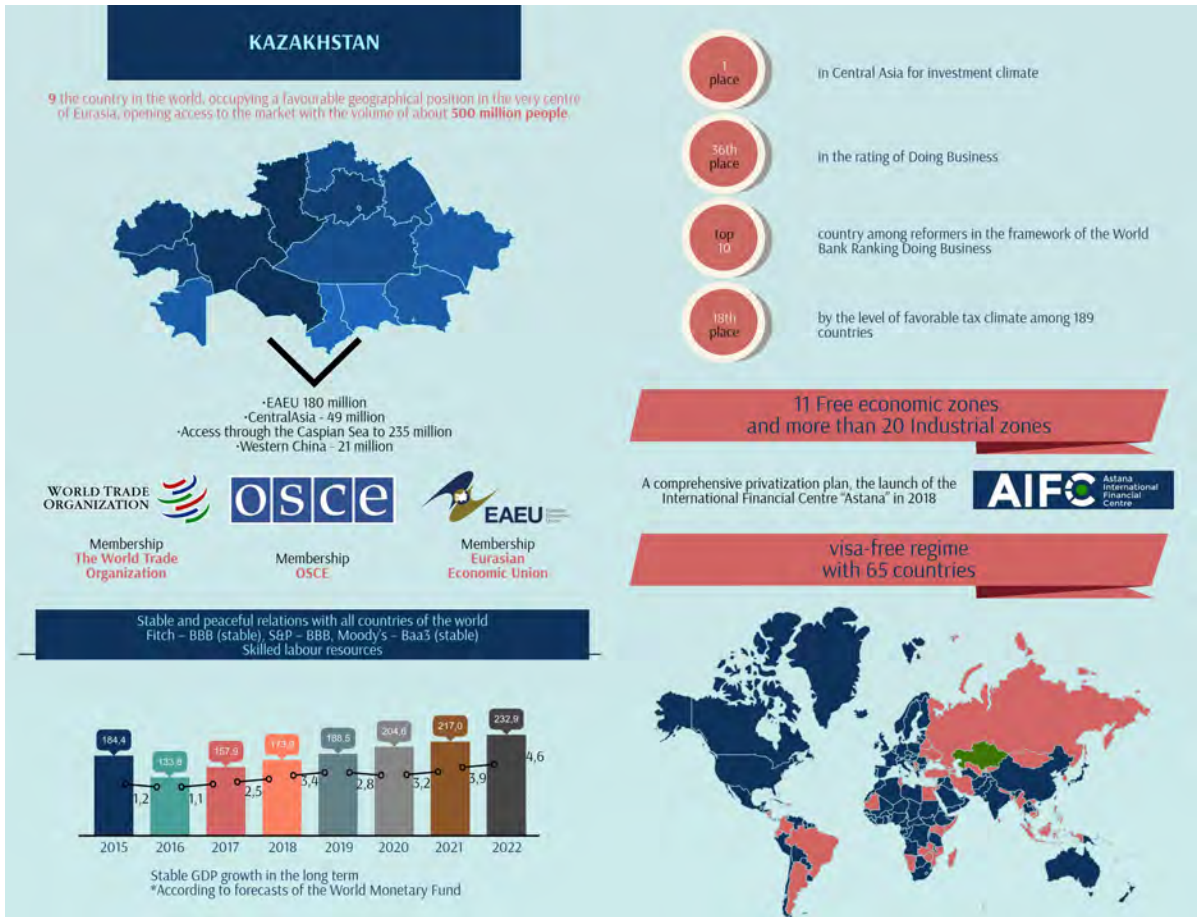
International experts place high hopes on the new financial center, they are sure that this site has high chances to become the largest hub in the territory from Western China to Eastern Europe, and Kazakhstan can be a center for attracting foreign investments.

AIFC is expected to become a financial hub for the CIS countries, as well as for the whole region of Western and Central Asia. In the long term, the Kazakh financial hub must join the 20 of the world’s foremost financial centers.

AIFC operates within the framework of a special legal regime based on common law that regulates relations between the Center’s participants and third parties and is aimed at the development of the financial market.

The AIFC created unprecedented conditions that have no analogues in the post-Soviet space. Participants are granted tax privileges up to 50 years, simplified currency, visa and labor regimes. This is the only center in the region, whose work is built on English law. An independent court, an international arbitration center guarantee the fairness and protection of the rights of the parties.

Thus, the director of Francis Maude Associates LLP, Lord Francis Maude, believes that the potential of the financial center is very impressive, as the epicenter of the world economy is currently shifting eastward over





EDITOR WELCOME



PANEL DISCUSSION



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