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A NEW HUB OF GROWTH AT THE HEART OF EURASIA

Kazakhstan is relishing its new status as a regional economic and political power. The 26-year-old republic has known only one leader in the figure of Nursultan Nazarbayev, whose daunting task was to rebuild the country's economy and integrate it with the rest of the world after it declared independence from the erstwhile Soviet Union in 1991.

In the international arena, Kazakhstan's growing political clout is best exemplified by its role as an intermediary in the Syrian peace talks. Earlier this year, the country hosted the World Expo in the capital of Astana, an event aimed at highlighting its economic and technological achievements.

"The right business approach to Kazakhstan and this region is to treat it as a frontier market, not an emerging market. The risks are high, but so are the returns," said CEO of Globalink Logistics, Siddique Khan, who oversees the vast Eurasia territory from its regional headquarters in Almaty.

The world's ninth-largest country, equivalent in size to Western Europe, has less than 20 million people and presents logistical challenges to businesses in which success depends on economies of scale. This, however, is a matter of perspective. The greater integration of Central Asian countries positions Kazakhstan as a springboard to the Eurasian market of 100 million people throughout six countries.

Ever since Kazakhstan declared independence, foreign companies have invested more than \$260.8 billion in the country, an indication of the trust and confidence that international companies have placed in Kazakhstan's investment climate.

In 2017, Kazakhstan placed 35th overall in the World Bank and IFC ranking of ease of doing business, an impressive feat considering that the young country fell one notch behind Japan, the world's third-largest economy.

However, the country's economy is still dependent on mining. In 2015, Itochu Corp., in partnership with

Kazakhstan's Dala Mining, started construction of a mining and metallurgical plant for the extraction and processing of tungsten-molybdenum ores at the Koktenkol field in the Karaganda region.

"Japanese companies supply Kazakhstan with mining equipment. In particular, the enterprises of the mining-metallurgical of Kazakhstan use the equipment of Komatsu, Hitachi, Mitsubishi, Toyota and other Japanese machine-building companies," said Nikolai Radostovets, executive officer of the Mining and Metallurgical Association of Kazakhstan.

Cooperation between Kazakhstan and Japan in nuclear energy has also developed strongly. State-run uranium processor KazAtomProm has established various enterprises with the participation of Japanese capital, among them Kharassan, a partnership with Japanese trading giant Marubeni.

"We are one of the first Japanese companies that saw the potential of Kazakhstan back in 1993. Our trust in the market has paid off in successful projects that range from mining, oil and gas and energy. We see infrastructure as the next promising sector, and we are committed to developing the country with Japanese technology," Marubeni Astana General Manager Ken Ando said.

Kazakhstan is said to have mineral deposits that cover most of the elements in the periodic table and is well known to have a highly developed mining sector. Thus, the sector has nurtured a large number of well-trained mining engineers and geologists. However, Nicholas Bridgen, CEO of Ferro-Alloy Resources, Ltd., pointed out that the sector's post-independence performance has been disappointing.

"The mining industry has been overshadowed by the much larger oil industry, which drove legislation in a direction that made Kazakhstan a relatively unattractive destination for mining investment and gave it a relatively uncompetitive exchange rate," Bridgen said.

But, the slump in oil prices and devaluation of the currency last year made Kazakhstan a very low-cost country to operate in, forcing the country to propose changes in existing laws that would bring the industry in line with international practice.

The proposed changes should put Kazakhstan into a very attractive position for inward mining investment. The international share prices of many Kazakhstan-based mining companies already reflect the increasingly competitive position of Kazakhstan. The listing of Ferro-Alloy Resources Ltd., with its massive vanadium deposits, later this year in London will be a new test for the appetite of overseas investors.

While Kazakhstan's extractive and hydrocarbon sectors will dominate the country's GDP for the foreseeable future, the government has enacted new laws and initiatives to diversify the economy and further cushion it from shocks in the commodities market.

The Kazakh government has stepped up efforts to strengthen the country's financial sector. After Russia, Kazakhstan enjoys the greatest financial depth in the Eurasian market. This will be further strengthened when the Astana International Financial Centre (AIFC) goes online by 2018. The AIFC aims to become a core of Kazakhstan's financial infrastructure and leading center of financial services in the region.

"For the first time in the post-Soviet era, the AIFC

will introduce English common law in its territory as a way to integrate its activities into the global market. Our paramount task is to assuage investor worries, particularly those who are new to the market," said AIFC Managing Director Sayasat Nurbek.

In a bid to demonstrate Kazakhstan's agility, banks are pouring millions of dollars in digitalization. Bank of Astana, considered an upstart in the banking sector, recently won an award as the country's best digital bank.

"We are responding to the rapidly changing Kazakh mentality when it comes to customer service and their openness to innovative products. Industry bodies and surveys consistently rated Astana Bank's mobile applications as the most user friendly. We are not simply responding to what the market wants, but we are also actively shaping consumers' expectations of what high-quality banking services mean," said Bank of Astana CEO Iskender Mailibayev.

Kazakhstan is also rapidly developing its transportation and communications networks to the country's far-flung regions. Additionally, the country's tourism sector is set to benefit from the government's infrastructure spending spree.

"We see that many tourists are looking for outdoor and experiential activities, rather than simple shopping and sightseeing. Almaty, which is Kazakhstan's commercial capital and the region's most cosmopolitan city, is a convenient staging point for Silk Road tours that snake through five countries," said Rixos Almaty General Manager Makhmut Zharimbetov.

"We strive to show a sampler pack of activities to business and leisure travelers, such as horse-back

riding, golf and exclusive helicopter tours," added the general manager of the five-star hotel.

Meanwhile, the country's flag carrier is making its own contributions to the improvement of the tourism sector.

Starting with a fleet of only three aircraft in 2002, Air Astana now flies 65 commercial routes around the world. It has won Skytrax's Best Airline Award for Eurasia and India six times.

"Bringing the world to Kazakhstan is our national duty. Just last year, our international passenger traffic increased by 22 percent. This is an indication of the region's growing extended home market, and the world is taking notice," said Air Astana Senior Vice President Ibrahim Canliel.

"A direct flight to Tokyo is on our radar, given the Kazakh people's affinity for the Japanese brand and its culture. Our experience with establishing flights to Seoul, Hong-Kong and Bangkok has shown that Kazakhstanis will go to places where there are direct routes. It goes without saying that Eurasia presents new, exotic experiences to Japanese travelers looking for something different. We have no doubt that Air Astana will deliver the *omotenashi* hospitality culture that Japanese expect of a top-notch carrier," Canliel added.

The big question for Kazakhstan is not how it should react to global upheavals, or how many major economies, such as Japan, have the appetite high risks and high returns. Rather, the land-locked country straddling two continents can show others how to surmount constraints of geography and distance. ■



Minister of the Economy
Timur Suleimenov



National Bank of Kazakhstan
Governor Daniyar Akishev



AIFC Managing Director
Sayasat Nurbek



Globalink Logistics
Managing Director Siddique Khan



Rixos Almaty General Manager
Makhmut Zharimbetov

REPUBLIC OF KAZAKHSTAN



Area: 2,724,900 sq. km (land and water)
It is the 9th largest country in the world and the 2nd largest among CIS nations (or former Soviet republics)



Population: 18.56 million

Major cities:

Astana (the capital) and Almaty.



National currency: **KZT**



Language:
Kazakh
& Russian

GDP (purchasing power parity): \$468.8 billion (2016 est.) World ranking: No. 43
GDP per capita (PPP): \$25,700. World ranking: No. 73

Benefits of doing business in Kazakhstan:

1. Tax regime is among the most favorable in the world. Its corporate tax rate is lower than that in China and Germany. Its VAT is also lower than that in Russia, Turkey, China and Germany.
2. As a member of the Eurasian Economic Union (EAEU), Kazakhstan, along with Russia, Belarus, Kyrgyzstan and Armenia, has direct access to markets with 182 million consumers. EAEU guarantees free movement of goods, services, capital and labor.
3. Fast growth rate of online retail.
4. Investor benefits in special economic zones
5. New investment opportunities in retail, trade, chemistry, agriculture and food manufacturing and machinery
6. The ease of doing business. According to the World Bank's rankings, Kazakhstan is No. 35. Russia ranked No. 40, Turkey No. 69, Kyrgyzstan No. 75, China No. 78

ERG DRIVES ALTERNATIVE ENERGY GROWTH



Expertise. Responsibility. Legacy.

Eurasian Resources Group (ERG) is a diversified natural resources group with fully integrated mining, processing, energy, logistics and marketing operations. Present in 14 countries across four continents, the Luxembourg-headquartered company employs more than 80,000 people around the world and is one of the leading businesses in Kazakhstan.

The world's largest high-carbon ferrochrome producer by chrome content, ERG supplies a full range of high-quality ferroalloys through TNC Kazchrome, while Kazakhstan Aluminium Smelter JSC produces high-quality aluminium that is trademarked on the London Commodity Exchange.

In Kazakhstan, ERG is the only aluminium producer and its exports account for approximately 90 percent of total output.

ERG is also a major cobalt and copper manufacturer and is enthusiastic about driving the growth of alternative energy through providing the materials for batteries

that power electric vehicles, solar panels and smartphones.

"As a responsible global citizen, we have a duty to ensure that the energy of the future comes from ethical sources and we are a leading partner of the World Economic Forum's campaign to foster a clean battery supply chain," said ERG CEO Benedikt Sobotka.

"Through our Metakol Project RTR in the Democratic Republic of the Congo, from late 2018, our clients will start receiving 14 kilotons per year of child-labor-free cobalt, which is sufficient to power up to 1.5 million high-end electric vehicles per year," Sobotka added.

Because Japanese businesses have been among ERG's most reliable customers, the group values the effective input of its Japanese partners in further strengthening the global supply chains that it is involved in.

"On behalf of the group, I would like to thank our partners in Japan for their support and we look forward to continuing our work with them," he said. ■
→ www.eurasianresources.lu



ERG CEO Benedikt Sobotka

ASTANA BANKI

Bank of Astana, following a complete brand makeover and the implementation of a new digital strategy in 2014, is seeing its efforts pay off. The bank is now Kazakhstan's leader in digital banking and next-generation financial services.

Its digital strategy is based on offering top-quality mobile banking services, which many customers have praised because they save more of their time and money.

Since the change in ownership in 2013, Bank of Astana has practiced an innovative approach to business development and adopted the latest technology, which has resulted in lower transaction and service costs for its customers and expanded access through services such as mobile and internet banking.

Earlier this year, the Bank of Astana went public on the Kazakhstan Stock Exchange and, after a day of trading, gained more than 1,500 new inves-



Bank of Astana CEO Iskender Mailibayev

tors. At the end of July, it was named The Best Digital Bank in Kazakhstan by Global Finance magazine.

"We believe in full digitalization of the bank. In the future,

many banks will cut costs and reduce expenses by going digital. We live in a digital era and we can't just ignore it," CEO Iskender Mailibayev stressed.

"We have improved the mobile app and extended the list of remotely provided services. And this has resulted in more clients and more partners for the bank," Mailibayev added.

While constantly improving its digital strategy, the bank has not forgotten to maintain its trademark level of service. The Bank of Astana was the first in Kazakhstan to launch the free delivery of plastic cards to 18 cities across the country.

"Japan is a leader in fintech, and we are excited to learn from their experience for the advancement of Kazakhstan. We haven't worked with any major Asian or Japanese companies yet, but would love to establish relationships in the future," Mailibayev said. ■

→ www.bankastana.kz

CORROCOAT JAPAN



CORROCOAT JAPAN: SPECIALIST IN EFFICIENT, ENERGY-SAVING ANTI-CORROSION TECHNOLOGY

Started in 1988, Corrocoat Japan Ltd. has provided countless companies across Asia with reliable products and services to protect their valuable machinery and equipment against corrosion through its cost-efficient and environmentally friendly technology.

Developed over nearly 20 years, Corrocoat's world-leading technology combines high-performance composites and mechanical engineering expertise to combat corrosion even in the harshest of environments.

Global frontrunners in pump coating technology, Corrocoat combines its own systems and its unique expertise to reduce energy consumption and restore the efficiency of pumping equipment normally to levels exceeding the original

ones.

In fact, Corrocoat Japan's energy efficient technology caught the attention of the Japanese International Cooperation Agency, which asked the company to share its expertise through training courses in Japan with more than 100 professionals from different parts of the world.

Corrocoat Japan, a subsidiary of the U.K.-based parent company Corrocoat Ltd. and part of an extensive network of affiliates around the world, has built a strong reputation for its high-quality and innovative products, services and solutions for the oil and gas, power plant generation, structural steel protection and petrochemical industries, as well as water and wastewater facilities. ■

→ www.corrocoat.co.jp/index_eng.html



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