



Economic Newsletter on Kazakhstan

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The Economic Section of the Embassy of the Kingdom of the Netherlands in Kazakhstan intends to distribute this newsletter as widely as possible among Dutch institutions, companies and persons from the Netherlands. The newsletter summarises economic news from various Kazakhstani and foreign publications and aims to provide accurate information. However, the Embassy cannot be held responsible for any mistakes or omissions in the bulletin.

ANNOUNCEMENT

The Netherlands Embassy in Kazakhstan will participate in the 13-th Central Asian International Exhibition AgroWorld Kazakhstan 2018, which will be held 31 October - 2 November, Almaty, Atakent Exhibition center.

The Embassy will be present with an information stand, which aims to promote Dutch suppliers to the agricultural sector.

If you plan to visit the exhibition, do not forget to visit the stand of the Netherlands Embassy (stand No.10-606). For more details check the exhibition floor plan at <https://www.agroworld.kz/ru/vystavka/plan-vystavki>

GENERAL

Caspian agreement: a victory of reason over doom and gloom

Followers of international politics will know the complex challenges of negotiating to resolve issues affecting several countries, where each side is understandably looking to protect its national interest. Yet on Aug. 12, the world witnessed a major diplomatic breakthrough, when the leaders of Kazakhstan, Azerbaijan, Iran, Russia, and Turkmenistan signed the Convention on the Legal Status of the Caspian Sea in the Kazakh city of Aktau.

The significance of this agreement should not be underestimated. It follows more than two decades of discussions, with negotiations on the international legal status of the Caspian Sea taking place regularly since 1996. More than 50 working group meetings took place to prepare for the convention. After numerous discussions and four previous summits at the heads of state level, the convention has been finally agreed upon.

This is most welcome news. It should be remembered that prior to this landmark agreement, the treaties on the Caspian's legal status dated back to 1921 and 1940. The lack of a new agreement on how to divide up the world's largest enclosed body of water caused occasional disputes in the region and prevented an enhancement of trade and economic cooperation between the five states bordering the sea.

This highlights just how important it was to reach a new agreement. The five sides have now agreed to establish a special legal status for the Caspian, which means the surface water will be in common usage, while the seabed will be divided up. As Kazakh President Nursultan Nazarbayev stated after the summit, "We have established 15-mile-wide territorial waters whose borders become state borders. Adjacent to the territorial waters are 10 miles of fishing water where each state has exclusive fishing rights."

Of course, the negotiations do not stop here. The seabed boundaries are yet to be negotiated. Furthermore, President of Iran Hassan Rouhani stressed that further talks are needed to clarify obligations to the responsibilities of the littoral states for guaranteeing the environmental safety of the Caspian Sea.

The success of the summit should not be underestimated. The agreement reached will also contribute substantially to the development of regional cooperation in the areas of ecology, energy, transport and trade, as well as strengthen the security of the Caspian region. President Nazarbayev summarised the situation, by proclaiming: "Today, after 25 years, we can say we have made the Caspian Sea a place of cooperation in regards to its waters, soil, and aerospace."

This is undoubtedly positive news for the people and economy of Kazakhstan. As the country's Foreign Minister Kairat Abdrakhmanov noted, "The adoption of the convention grants transnational companies the right to conduct activities in the Caspian Sea which will boost transit projects and attract logistics companies and new investments in the region."

It is well known that Kazakhstan is already playing a key role in promoting trade and transit, especially as part of the New Silk Road project. The agreement on the Caspian Sea will provide further opportunities for Kazakhstan to contribute to the development of trade in the region and beyond, which will bring with it economic benefits.

The agreement was also most needed from an ecological perspective, where we have a duty to work together to protect the natural environment. Hundreds of animal and plant species live in the Caspian Sea, including many that are unique to the region. Unfortunately, pollution has had a negative effect on the ecology of the Caspian, especially on the famous sturgeon. The deal between the littoral states now means that the Caspian will be better protected from ecological disasters and potential incidents such as oil spills.

Kazakhstan should be proud to have hosted and participated in this historic event. The five-sided agreement has demonstrated that diplomacy remains the main vehicle to resolving disputes, irrespective of their complexities. Hopefully this meeting will act as motivation and give impetus to other world leaders to use diplomacy as the most effective means of resolving other outstanding global issues, posted by Astana Times.

Kazakh President strongly advocates regional efforts to secure Aral Sea

Following his arrival in the western Turkmen port of Turkmenbashi (formerly Krasnovodsk), the Kazakh Head of State Nursultan Nazarbayev has participated in a summit of the Heads of the Founder States of the International Fund for Saving the Aral Sea (IFAS), the press service of the Kazakh presidential office reported.

The President of Kazakhstan underlined the symbolism of holding the summit in the year of the 25th Anniversary of the establishment of the International Fund for Saving the Aral Sea and pointed out that since its first days this crucial regional platform has exerted efforts to resolve the challenging socioeconomic, water-related and environmental problems in the Aral Sea basin and the Aral Sea region.

"IFAS is actively involved in international cooperation, owing to which the international community and international financial institutions render considerable aid to the Aral region. Our joint efforts contributed to the fact that the UN General Assembly observer status was granted to the Fund," Nursultan Nazarbayev said.

The Head of State pointed out that the transboundary water resources of Central Asia are the common property and welfare of all the peoples of the region, and stressed that all the states are actively searching for solutions and generating sustainable ideas and specific projects.

"At the initiative of the Turkmen side, the issue of adopting the UN Special Program for the countries of the Aral Sea basin under the auspices of the United Nations is under consideration. At the suggestion of the Tajik side, the UN General Assembly declared the International Decade for Action: Water for Sustainable Development from 2018 onwards. The Uzbek side held June this year the Central Asian International Environmental Forum at a high level in Tashkent. The Strategic Action Program for the Chu and Talas river basins was adopted at the initiative of the Kyrgyz side with the support from the UN entities," the President of Kazakhstan said.

Nursultan Nazarbayev said that Kazakhstan is also making proactive efforts in this regard, and invited the delegations of the countries to participate in the eighth session of the Meeting of the Parties to the UN Convention on the Protection and Use of Transboundary Watercourses and International Lakes to be held in Astana on October 10-12 this year.

The Head of State dwelled on the positive results that are now possible due to the joint efforts being undertaken.

"As a result of the large-scale project 'Regulation of the Syr Darya riverbed and preservation of the Northern Aral Sea', the environmental situation in the lower course of the Syr Darya River has significantly improved. The Northern Aral Sea has been restored: since 2010 the water level has been stably kept at 42 meters, the salinity of water is decreasing, the food potential of the sea, flora and fauna are being restored. The microclimate and social conditions in Kazakhstan's part of the Aral Sea have improved. A number of fish processing

enterprises, the products of which are exported abroad, have started operating," said the President of Kazakhstan.

Nursultan Nazarbayev said that during the narrow-format meeting, the sides carefully considered topical issues and the IFAS's tasks aimed at improving the efficiency of the organization and coordinating joint efforts. He also dwelt on the measures proposed by the Kazakh side.

"It is necessary to improve the IFAS's organizational structure and legal framework based on the existing institutions of the Fund. It is time to automate the system of management, distribution, accounting and monitoring of water resources in the Aral Sea basin, including quality. Under current conditions, it is important to return to the issue of establishing the International Water and Energy Consortium of Central Asia. It is necessary to consider the issue of the permanent basing of the IFAS Executive Committee in one of our countries," the President of Kazakhstan said.

The Head of State mentioned that today's meeting is a landmark event of an international scale and will boost the process of regional cooperation in the use of water resources.

"We have set out new priorities and tasks here. The solution of these issues is of fundamental importance for ensuring the sustainable development and prosperity of Central Asia. Therefore, all this requires us to make further coordinated joint actions. For my part, I want to assure that Kazakhstan has been and remains a consistent and reliable partner in the issues of regional cooperation," Nursultan Nazarbayev said.

The President of Kazakhstan pointed out that the Aral Sea crisis has become one of the biggest environmental disasters in human history and mentioned that over the past half-century, the area of the sea and the volume of water have decreased by 9 and 30 times, respectively.

"From the dried-up bottom of the Aral Sea, winds raise up to 80 million tons of poisonous salts per annum. Dust storms carry them many thousands of kilometers from Western Europe to the peaks of the Himalayas, having a negative impact on the health of people and ecosystems of all our countries," the Head of State said.

Nursultan Nazarbayev underscored that the sides deemed it necessary to appeal to the world community, the UN, and all funds and banks that deal with this problem, to support the efforts of IFAS founder states aimed at improving the environmental situation in the Aral Sea region.

"We, in turn, agreed to improve the Fund's activities. In a narrow-format meeting, we frankly and honestly discussed all issues, including the reconsideration of obsolete decisions, and also analyzed the activities of all its governing and executive bodies," the President of Kazakhstan said.

The Head of State underlined the importance of the prudent use of irrigation water, as well as modern technologies including drip irrigation that reduces water consumption by 50%-60% and increases productivity by 4-5 times.

"There were very useful proposals based on modern scientific approaches. For instance, to fix salt at the bottom with green plants that are resistant to it. This will help improve the environmental situation and, at the same time, will serve as a source of food for farm animals," said Nursultan Nazarbayev.

The President of Kazakhstan pointed out that all proposals are enshrined in the Summit Communiqué. He said that the Turkmen side will summarize them, and the Executive Committee will draft a clear plan for further actions.

The Head of State also mentioned that the sides discussed the issues of the rapprochement in their stances on the region's water management, water energy, and environmental aspects, and stressed that Kazakhstan highly appreciates the results of the negotiations as stated by Kazinform.

Astana to host WTO Ministerial Conference in 2020

World Trade Organization (WTO) members confirmed the capital as the venue for the 12th Ministerial Conference (MC12) in 2020. The general council meeting reached a consensus July 26, Astana Times reported on 03.08.2018

Kazakhstan will be the first Central Asian country to organise a ministerial conference. The event is anticipated in June, with the exact dates to be announced later, reported wto.org.

The mere fact that Kazakhstan offered its candidature to host the next conference "demonstrates its strong belief in the multilateral trading system," said WTO Director General Roberto Azevêdo.

Kazakhstan's Ambassador to WTO Zhanar Aitzhanova thanked the members for their trust on behalf of her country.

"It is a great honour for a young independent state and recently-acceded member to be hosting such an important meeting. We stand ready to contribute to addressing all outstanding issues to secure substantive outcomes at MC12," she said.

Kazakhstan, the organisation's 162nd member, joined in 2015. Afghanistan and Liberia, the newest members, acceded the following year.

"Coming from one of the newest WTO members, this is powerful," said Azevêdo.

The ministerial conference is WTO's highest decision-making body that can make rulings on all matters under any of the multilateral trade agreements. The meeting, held every two years as instructed by the Marrakesh Agreement that established the organisation, brings together all WTO members representing countries and custom unions. Buenos Aires hosted MC11 in December 2017.

The full list of items for general council discussion can be found at wto.org.

WTO was created as a result of negotiations, and works through opening dialogue amid the chaotic interdependence of the international community. The significant work was done in 1986-1994 under negotiations known as the Uruguay Round and earlier negotiations under the General Agreement on Tariffs and Trade (GATT). WTO is currently hosting new negotiations under the Doha Round launched in 2001.

MACRO-ECONOMICS & FINANCE

Kazakh economic growth in 7 months stood at 4 per cent - government

Kazakhstan's GDP growth in January-July this year was 4%, said Minister of National Economy of the Republic of Kazakhstan Timur Suleimenov at the meeting of the RK Government, Kazpravda.kz correspondent reports.

"GDP growth in January-July this year was 4%, the main impetus to the growth of the economy was the weakening of inflationary pressures, high investment activity and positive dynamics in the main sectors of the economy," Suleimenov said. In addition, he said, inflation remains at a three-year minimum.

"Since the beginning of the year it was 2.7 percent, with annual inflation of 5.9 percent. As of August 1, the country's international reserves amounted to 87.7 billion US dollars, including assets of the National Fund - 56.8 billion US dollars, gold and foreign exchange reserves - 30.9 billion US dollars," - added Suleimenov.

Kazakhstan's top bank prepares bid to enter Uzbekistan

Uzbekistan's financial regulator relaxed the rules for Kazakh banks to gain access to the local market, paving the way for Halyk Bank, Kazakhstan's largest lender, which had expressed interest in entering its neighbor's banking sector.

Until July 10, only A-rated foreign banks could apply for a licence in Uzbekistan. Once the Uzbek and Kazakh Central Bank chiefs signed an agreement allowing B-rated Kazakh banks to do business in Uzbekistan, observers turned their eyes toward Halyk.

B-rated Halyk has small subsidiaries in Georgia and Kyrgyzstan. Kazkommertsbank, the country's second-largest lender, which Halyk will incorporate at the end of the month, owns subsidiaries in Russia and Tajikistan. In Kazakhstan, Halyk processes salary payments for most state employees, pensions, and other government-linked transactions. Forty percent of bank cards in use in Kazakhstan carry the Halyk Bank logo, according to the latest financial report. Uzbekistan, with Central Asia's largest population and a new president ready to open up to foreign investors, could be an appealing frontier for the Kazakh giant, which now controls 35 percent of the domestic market. This was confirmed by Central Bank Chairman Daniyar Akishev, who said Kazakh banks will eagerly consider Uzbekistan for its "large market capacity and large population." In May, Halyk Bank chair Umut Shayakhmetova said that her bank cultivated "an interest in entering the market of Uzbekistan."

Foreign entities own small stakes in a handful of Uzbek banks, a testimony of the country's closure to investments from abroad in the financial environment. The government owns the largest share of the banking sector.

Last month, Uzbekistan and the World Bank's IFC launched the first two soum-denominated, \$80 million-equivalent bonds in the London Stock Exchange, in a continued effort to give publicity to the newly liberalized currency. In February, it pledged to launch its first Eurobond, worth up to \$300 million, but the government has not approved it yet.

Uzbekistan's jump into the high-risk bond market and its open door to a financially stronger neighbor could prove tricky. Should Halyk enter with a serious investment – and it has proved it can do so, through the buyout of Kazkommertsbank – it could change the equilibrium in Uzbekistan's banking sector, upsetting the local elites who control the most powerful banks. Halyk is majority-owned by Dinara and Timur Kulibayev, the daughter and son-in-law of President Nursultan Nazarbayev.

Kazakhstan's presence in its neighbor's banking sector could also be beneficial, as it might bring a fresh batch of best practices and, crucially, cash. The week before the Kazakh-Uzbek agreement, however, Nazarbayev signed a bill that would restrict and increase control on the outflow of capital from local banks. While recognizing the need to invest abroad, Kazakhstan's government is growing wary of these instruments being used to siphon off capital from the local economy.

Small and medium lenders have faced trouble in recent months in Kazakhstan, partly because of long-standing liquidity problems and partly because of the effects of the liberalization of the local currency's exchange rate. Arguably, easy access to channels to offshore capitals accumulated in these banks could have worsened the situation.

On July 16, during a meeting with Akishev, Nazarbayev said that sly, toxic practices at some banks caused a crisis in Kazakhstan's banking sector that could only be ring-fenced by new legislation.

"We don't need a large number of banks in our country," Nazarbayev said, echoing other speeches he had made in the past.

The potential reduction in the number of banks in Kazakhstan could create larger banks via mergers and acquisitions, although so far only the Halyk-Kazkom deal has gone through. Larger banks could mean more competitive lenders, ready to play their role beyond the borders of Kazakhstan. Should Uzbekistan pave the way to its market, Kazakh banks could start settling in and play the role of the financial big brother to the rather inexperienced Uzbek institutions. For this to work, however, the economies, and the currencies, of both countries should remain stable or become stronger. As commodity prices find their new

plateau, both government hope to avoid facing new crises, reported by the correspondent for the Diplomat (USA).

ENERGY & NATURAL RESOURCES

Kazakhstan boosts crude oil output by 6.1 per cent in 7 months

At Monday's Government meeting Kazakh Energy Minister Kanat Bozumbayev focused on the main aspects of the country's large oil deposits.

"For the past seven months the key figures of the country's fuel and energy industry showed positive growth dynamics. The volume of crude oil and condensate production made 52.9 million tons that is 6.1% more against the analogous period of 2017. Crude oil recovery at three large projects climbed to 31.9 million tons, including 7.37 million tons produced at Kashagan, 17.2 million tons at Tengiz and 7.3 million at Karachaganak," he said. According to him, the country's oil exports hit 42.8 million tons that is 6.1% more as compared to the same period of the previous year, according to the statement of Kazinform.

Import of Russian gasoline to Kazakhstan banned for three months

Starting from August 25, import of gasoline from Russia to Kazakhstan will be limited for three months. The corresponding order of the Ministry of Energy was published on August 17 by the Kazakhstanskaya Pravda newspaper.

According to the document, the ban applies to the 92 and 98 gasoline, transported by rail. In Kazakhstan's energy ministry, the ban is associated with a surplus of gasoline produced by Kazakhstan's refineries.

The ban on the import of Russian gasoline at an official level in Kazakhstan began to be discussed in May. However, this question was constantly postponed. On August 7, the Deputy Energy Minister Bolat Akchulakov said that the ban will come into force in August, as reported by Regnum (Russia).

CPC's oil exports up in January-July

The Caspian Pipeline Consortium (CPC) exported 35.48 million tons of oil in January-July 2018, which is 11.77 percent more than in the same period of 2017, according to the CPC data, Kazinform reported.

In July 2018, the volume of oil exports of CPC amounted to 5,158 million tons against 4,465 million tons in the corresponding month of the previous year.

In 2018, the consortium plans to pump 67 million tons through its pipeline system. It is estimated that about 60 million of them will be produced in Kazakhstan, and about 7 million is expected to be received from Russian producers. An almost two-fold increase in oil consumption from Kashagan to 13 million tons is planned.

Caspian Pipeline Consortium was established to build a pipeline and export Kazakh oil through Russian territory.

CPC exported 55,107 million tons of oil in 2017, showing a 24.4 percent increase compared to 2016.

CPC owns 1,511 km long pipeline system that connects the oil fields in Western Kazakhstan with the Marine Terminal near Russian Novorossiysk. In 2017 the Caspian Pipeline Consortium will complete the Expansion Project and which will increase its capacity to 67 million tons of oil per annum. Kazakh producer will account for 56 million tons of that volume and Russian producers - for 11 million tons.

CPC Shareholders: Russia (represented by Transneft – 24 percent and CPC Company – 7 percent) – 31 percent; Kazakhstan (represented by KazMunaiGaz – 19 percent and Kazakhstan Pipeline Ventures LLC – 1.75 percent) – 20.75 percent; Chevron Caspian Pipeline Consortium Company – 15 percent, LUKARCO B.V. – 12.5 percent, Mobil Caspian Pipeline Company – 7.5

percent, Rosneft-Shell Caspian Ventures Limited – 7.5 percent, BG Overseas Holding Limited – 2 percent, Eni International N.A. N.V. – 2 percent и Oryx Caspian Pipeline LLC – 1.75 percent. The volume of CPC shipment of oil for export in 2017 was 55,107 million tons, which is 24.4 percent more than in 2016.

Tengizchevroil slightly increased production of crude oil in H1

Tengizchevroil in the first half of 2018 produced 14.7 million tonnes of crude oil, which is 0.75% more than in the same period last year, the company's press service reported.

"In the first half of 2018 crude oil production amounted to 14.7 million tonnes (117.3 million barrels)," the report for the half-year released on Monday said.

In the first half of 2018 TCO sold about 704 thousand tonnes of liquefied gas, 3.9 billion cubic metres of dry gas, and 1.2 million tonnes of sulphur.

During this period, TCO purchased goods and services from Kazakhstan suppliers for more than \$1.5 billion, including more than \$936 million in the framework of the project of future expansion.

As reported, in January-June, 2017, Tengizchevroil produced 14.59 million tonnes, or 116 million barrels, of crude oil, and sold 710,000 tonnes of liquefied gas, 3.73 billion cubic metres of natural gas, and 1.27 million tonnes of sulphur.

Tengizchevroil was established in 1993 for the extraction of hydrocarbons at one of the largest oil fields in the world - Tengiz. The total explored reserves of the Tengiz are 3.2 billion tonnes or 25.5 billion barrels, and 200 million tonnes or 1.6 billion barrels at the Korolevsky Field. The recoverable oil reserves of the Tengiz and Korolevsky deposits range from 890 million to 1.37 billion tonnes or 7.1-10.9 billion barrels reported by KazTAG (Kazakhstan).

Shell becoming active partner in Eurasia project

The Ministry of Energy of Kazakhstan and industry organisations are negotiating with the extracting companies on the implementation of the Eurasia project to drill a 15-km deep well in the Caspian depression, the ministry's website reports.

"Baltabek Kuandykov, president of the Kazakhstan Society of Petroleum Geologists, told reporters that the companies Rosneft and NEOS Geosolutions of the USA withdrew from the list of participants. Their place was taken by the Shell company," the message said on Tuesday.

"Now, in connection with the adoption of the new Subsoil Code, we are discussing with the lawyers some clarification of the impact of the new law on this project. Negotiations are ongoing. Our domestic companies themselves carry out all the preparatory work for these negotiations. We hope that by the end of this year we will be able to make a final decision," the press service of the Energy Ministry quotes B. Kuandykov.

As reported, the development and introduction of the Eurasia project will take 6 years at an estimated cost of \$500 million. The project is planned for three phases from 2018 to 2023.

In June 2017, in Astana, a memorandum of understanding was signed between the Ministry of Energy of Kazakhstan and the Committee for Geology and Subsoil Use of the Ministry of Investment and Development of Kazakhstan, on the one hand, and a group of potential participants of the Eurasia international project as part of KMG-Eurasia, Agip Caspian Sea BV, RN-Exploration, CNPC International Ltd., SOCAR, NEOS Geosolutions.

The sides of the memorandum will sign a contract for geological exploration of the Caspian depression in accordance with Kazakhstan legislation within the framework of the Eurasia project.

"It is expected that the implementation of the project will, firstly, provide the oil and gas industry with a stable resource base, a kind of strategic reserve of hydrocarbon raw materials; secondly, it will avoid falling production that could occur in 15-20 years, and thirdly, will become the foundation of the country's energy security, a protective mechanism in the event of possible economic shocks," the press service of the Ministry of Energy of Kazakhstan reported.

The Caspian depression, a mature oil and gas province, is characterised by a complex geological structure and the presence of unique oil and gas deposits in the deep-lying

sediments of the Paleozoic subsalt complex (Tengiz, Kashagan, Astrakhan), and potentially contains large undiscovered oil and gas reserves in deep-lying horizons. Probable reserves in the Caspian Basin are estimated at 60 billion tonnes of oil, reported by KazTAG (Kazakhstan).

TRANSPORT & COMMUNICATIONS

New Kazakh Caspian port to rival ice-free Aktau

A new transport hub on the Kazakh shore of the Caspian Sea where the Ural river flows into it is supposed to become a primary hub in the transportation link between the Far East and Europe. Competition will be tough, though, since Aktau is free of ice all year long and the one of Kuryk is frozen to the bottom for almost half of the year

On August 18, President Nursultan Nazarbayev officially inaugurated the ferry complex of the Kuryk Port – a multimodal hub on the shore of Caspian Sea on Aug. 11. The port will link several Eurasian highway and railway transit corridors to the sea and is part of the country's Nurdy Zhol (Bright Path) infrastructure development programme.

Transport and logistics companies from Azerbaijan, Georgia, Turkey, Turkmenistan, Iran, China, Russia, Uzbekistan, Tajikistan, Kyrgyzstan attended the opening ceremony, along with Kazakh officials and industry representatives.

According to a press-release by Kazakhstan Temir Zholy national railways company, which manages the facility, the total capacity of this railway-ferry-automobile hub exceeds seven million tonnes per year.

The customs service and facilities at the port will handle vehicles in less than 30-40 minutes and include updated terminals and warehouses.

Thanking those who contributed to the project, President Nazarbayev noted that over the past several years, Kazakhstan has built more than 2,500 kilometres of railways and reconstructed 12,000 kilometres of highways. He said additional infrastructures being built and the rolling stock in the country is being updated.

"We launched the Western Europe-Western China highway and the Khorgos Gateway dry port, modernised the Port of Aktau," he said.

Port Kuryk enhances automobile transit as the trans-Caspian route via the Kuryk port facilitates cargo delivery from China, Uzbekistan, Kyrgyzstan, Tajikistan, and the Ural-Siberian Region of Russia to Turkey and Europe, and vice versa.

Over the last decade, Kazakhstan invested nearly \$30 billion into its transport and logistics systems.

"Kuryk is important in a way that its capacity for transit will help boost country's transit revenue up to \$5 billion per year by 2020," Nazarbayev assured.

He drew attention to the importance of developing the country's transit and transportation potential and indicated that the connection to the intercontinental Eurasian transport system is a strategic task.

Improving Kazakhstan's transit and logistics potential has been determined to be a national strategy and the government has been tasked with connecting to intercontinental transit routes in Eurasia.

It also hopes that the multiplier effect of transport infrastructure will enhance economic competitiveness and will increase trade flows on the revived Silk Road, expanding regional cooperation and economic advancement.

Kazakhstan's Mangystau region is home to both of the country's Caspian Sea ports and is moving towards becoming a major logistics centre where aviation, railways, road and water transport networks are concentrated.

The region also wants to advance its service sector, attract investments, including the use of technologies to develop processing industries, as well as look at developing the tourism.

Pointing to these tasks, Nazarbayev ordered national and local governments to draw a Comprehensive Plan for the development of additional production facilities and a service sector on the premises of Aktau and Kuryk hubs, to diversify the local economy.

The measures may include adapting existing industries to a new economic reality, opening jobs, training personnel and developing small and medium-sized businesses in the region.

During the opening ceremony, the Kazakh leader officially launched road and railway services along the Kuryk – Tazhen Customs Point and Kuryk – Khorgos Gateway dry port.

“This container train will arrive at Port Kuryk within three days,” reads Facebook post of Zhenis Kassymbek, Minister of Investments and Development of Kazakhstan. He reminded that the railway terminal at Kuryk was launched in December 2016. According to Kassymbek, within seven months of 2018, the terminal handled over one million tonnes of cargo.

He also confirmed that the logistics chain offered at Kuryk has already attracted customers from China, the Caucasus and Southern Europe.

“Consistent work on the project will ensure that we will be transporting two million containers to the markets of Eurasia by 2020,” the minister wrote referring to the transportation from China and back, reported by Astana Times.

Broadband internet must be available in cities and villages: PM

During today's meeting, the Government of the Republic of Kazakhstan discussed the implementation of the projects for providing rural settlements with Broadband Internet access and developing 5G and data centers.

Prime Minister of the country Bakytzhan Sagintayev, in turn, recalled the need for broadband Internet.

"Providing broadband Internet access is not just our requirement. It is the contemporary imperative on the agenda of many states. We should not lag behind. We have adopted the required documents, made all the decisions," the Prime Minister stressed.

The control over the implementation is assigned to Deputy Prime Minister Askar Zhumagaliyev. He, in turn, reported that the work on providing rural Broadband Internet access is being actively carried out, all issues on this program are being

"By the end of 2018, we need to start providing Broadband Internet access. We plan to conduct the introduction of 5G in the pilot mode in 2019. The final decision will be made after the completion of the pilot regime. We studied the best practices, including countries such as the UK and Estonia. We will develop data centers to store data and process it. The Broadband Internet programme's implementation will be under strict control," Zhumagaliyev said

According to the Ministry of Information and Communications, the goal of the Digital Kazakhstan Governmental Program is to accelerate the pace of economic development and to improve the living standards through the use of digital technologies and to ensure the creation of a digital economy in the long term. One of the objectives of the programme is the development of telecommunications infrastructure. In this regard, a number of projects are being implemented: broadband access to villages, 5G, and data centers. Minister of Information and Communications Dauren Abayev stressed that it is only after the International Telecommunication Union adopts the 5G standard when the telecommunications equipment manufacturers will begin mass production of appropriate devices operating within the standard adopted.

"In turn, the Ministry plans to conduct pilot testing of the 5G mobile communication technology in the second quarter of 2019. For the pilot testing of the 5G mobile communication technology, the ministry has done work on the frequency band selection in Astana and Almaty cities and in Akmola and Almaty regions and the respective approval by the Ministry of Defense of the Republic of Kazakhstan," Abayev added.

The implementation of the project "Provision of broadband access to rural communities of the Republic of Kazakhstan in fiber-optic communication technology" will allow to connect government bodies and budgetary institutions to telecommunication services in 1,249 rural settlements of the country using fiber-optic communication technology with a total

communication capacity of at least 50 Mbit/s, which contributes to the elimination of the digital inequality between urban and rural areas.

To place information systems of state bodies in commercial data centers, it is proposed to divide the list of information systems into two groups according to classes in accordance with the Rules for the classification of information objects.

The project "Creation of Big Data technological analysis" is an infrastructure platform for the development of the e-government and provision of facilities for future digitalization projects of the Action Plan of the Digital Kazakhstan Governmental Program.

Kazakhtelecom plans to provide 6,212 rural settlements having the population of 7,622,927 people with Broadband Internet access until the end of 2021.

In his report, CEO of Kazakhtelecom JSC Kuanyshbek Yessekeyev said that the company participates in a competitive project to develop and provide broadband high-speed Internet. In the connection range, there are 828 rural settlements that cover 4.8 million people.

"The total number of fiber-optic lines that will be built in the next three years is 14,217 km. It is planned to connect 2,496 government bodies to them. The average amount of investment is about KZT 50 billion," Yessekeyev informed.

In addition, according to him, within the framework of 5G development, Kazakhtelecom is currently working with manufacturers on providing hardware and software to begin testing 5G, and developing a test plan for 5G. As a result, it was confirmed that one of the vendors will provide the equipment and software to start testing, reported by Kazinform on August 14, 2018.

Kazakhtelecom's purchase of 100% stake in Kcell justified

Kazakhtelecom received permission to purchase shares of the largest mobile operator, Kcell. Halyk finance analysts reviewed the proposed deal. According to experts, the cost of financing and the actual implementation of the expected synergy after the acquisition will play a key role in determining the final value of the companies.

In their estimates, analysts suggested that Kazakhtelecom will acquire Kcell and consolidate 100% of JV Tele2-Altel by the end of 2018 - early 2019.

Halyk finance includes in the calculation the acquisition of 100% of Kcell by Kazakhtelecom. Despite the likely retention of shares as part of minority shareholders, experts consider this approach to be justified considering the impossibility of determining the share of selling shareholders. Analysts suppose that Kazakhtelecom will pay KZT 285.15 billion (KZT 1,425.75 per share) for Kcell 100%. The fair value of Kcell as a result of the expected operating synergy will be KZT 1,350 per share. Given the generated cash flows, debts and cash on the balance sheets of companies, experts expect that Kazakhtelecom will pay KZT 102.28 billion in cash and additionally raise KZT 182.87 billion as a loan.

Tele2 AB intends to realise an option to sell its 49% stake to Kazakhtelecom in March 2019. Meanwhile, provisions for non-competition in the agreement on the joint venture will lead to a premature exercise of the option to buy out Tele2 AB's stake in the purchase of Kcell. At the same time, the full consolidation of the joint venture Kazakhtelecom may require the approval of the regulator, which approved the deal to acquire Kcell, indicating that there is no controlling part of the voting share in the joint venture with Kazakhmetal. When consolidating 100% of JV Tele2-Altel, Kazakhtelecom will have to pay KZT 143.54 bn.

In the case of attracting 326.41 billion required for the closure of these transactions, the total debt of the merged Company will be KZT 430.85 billion. In calculations, analysts proceeded from the assumption that all debt will be attracted by Kazakhtelecom at a rate of 12%. Expected transactions can have both an accretive and negative effect on the capitalisation of companies, which will mainly depend on the cost of funding and the success in implementing the operating synergy.

Halyk finance recommends to hold Kazakhtelecom shares with a target price of KZT 32,000 per share.

"We adhere to negative expectations on the value of Kcell when considering its activities separately, at revised target price of KZT 1,170 per share against the current price of KZT 1,635 per share. Meanwhile, the successful implementation of the operating synergy with Kazakhtelecom can significantly improve the financial results of the company. With a conservative assessment of the synergistic effect and taking into account the existing uncertainty, we recommend holding Kcell shares at a target price of KZT 1,350 per share," analysts of the investment bank write, as reported by Kursiv (Kazakhstan).

AGRICULTURE

Nursultan Nazarbayev urges to pay attention to development of agro-technology

President Nursultan Nazarbayev has tasked to pay attention to development of agrarian science at a joint session of the Chambers of the Parliament.

"The Government and the Agriculture Ministry need to pay serious attention to development of agrarian science. The corresponding block of legislative amendments has been prepared and is in the Parliament," Nursultan Nazarbayev said. He noted the need to address a number of topical problems of the industry.

"We need to further improve the legislation in the agro-industrial complex. It is the largest sector of our economy, there is a great future, and we need to work hard here. This concerns the insurance issues and improvement of the control system in veterinary area," the Head of State stressed, according to the report of Kazakhstanskaya Pravda

Kazakhstan updates forecast on 2018 cereals harvest

Home to vast agricultural territory, Kazakhstan is expected to yield up to 22 million tonnes of grain this year. This is slightly above annual averages, amidst global setbacks in harvest results due to extreme heat waves and drought on the northern hemisphere. By keeping up capacity, and with the help of abundant carryover stocks in store, Kazakhstan hopes thereby to maintain or even reinforce its position on the global export market.

According to the information from the Kazakh Ministry of Agriculture, the southern regions of the country have been harvesting grain since mid-July this year, the main grain-growing regions intend to start harvesting in mid-September and, weather permitting, to complete it until mid-October.

According to the regional agricultural departments, the country plans to harvest grain over an area of 15 million hectares.

One of the conditions for harvesting within a reasonable time is a sufficient amount of diesel fuel. In this regard, the Government annually provides crop growers with guaranteed fuel.

Based on the forecast made by regional agriculture departments, this year's total grain harvest is expected to be 21 to 22 million tonnes.

Moreover, every year the Government creates a grain reserve. JSC Food Contract Corporation National Company has formed a reserve stock of grain totaling 500,000 tons.

It should be mentioned that most of the harvest is exported. For instance, in the past 2017-2018 marketing year, Kazakhstan exported 9.87 million tons of grain and flour (in grain equivalent).

The Agriculture Ministry mentioned that the annual cereal grains production in Kazakhstan is about 18-20 million tons. Taking into account the domestic consumption and carry-over stocks, the export potential of Kazakhstan is 8 to 9 million tons of grain and flour (in grain equivalent).

In addition to cereals production, Kazakhstan is also one of the world's top oil plants producers. According to the ministry, this year the area for growing oil plants reached 2.8 million hectares (more than in 2017 by 375,000 hectares). Besides, the country has 446,700-hectare lands of grain legumes, Kazinform reports.

Kazakhstan's grain stocks 9% higher last year's

According to the Statistics Committee of Kazakhstan, growers of all types held 5.19 MMT of cereals and pulses as of July 1, 2018, i.e. 8.6% more than on the same date a year ago (4.78 MMT).

Wheat inventories as of July 1, 2018 were up 9.7% year-on-year at 4.58 MMT, including 4.15 MMT of milling wheat, 0.34 MMT of feed wheat and 0.1 MMT of wheat for seed.

As of the reporting date, barley stocks totaled 306.4 KMT that is down 5% on the year, while those of corn were 28.9 KMT, rice 41 KMT, rye 9.7 KMT, oats 64.6 KMT, buckwheat 46.1 KMT, millet 2.1 KMT, as reported by UkrAgroConsult.

Kazakhstan producers provide the needs of farmers in nitrogen fertilizers by two thirds

By the results of the first half of the year, the Kazakhstan chemical industry provided the country with 205.2 thousand tonnes of nitrogen and 78.8 thousand tonnes of phosphate fertilizers.

91.2% of nitrogen fertilisers were produced in Mangistau region or 187.2 thousand tonnes, plus 1% on-year. The largest giant of the chemical industry of Kazakhstan, KazAzot, works here. 90.8% of phosphate fertilizers were provided by Zhambyl region, at 71.6 thousand tonnes, 2.5% more than in the previous year. Kazphosphate works in the region.

For many years the production of nitrogen fertilizers has grown from year to year. So, the growth in 2017 was 7.1%, in 2015-2016 - reached 10-12% year-on-year.

The production of phosphate fertilizers slightly lagged behind in 2016 at minus 0.5% by 2015, but already in 2017 showed an annual growth of 78.6% at once.

It is noteworthy that if nitrogen fertilizers in Kazakhstan still have to be imported as the local production for the first quarter provided 63% of demand, then the segment of phosphate fertilizers is completely blocked by Kazakhstan companies.

Nitrogen fertilizers are also actively exported at 37.1 thousand tonnes per quarter, 18.4% more than a year ago. Phosphate fertilizers are still a weak export position, only 2.8 thousand tonnes, but this is 7 times more than it was a year ago, according to EnergyProm (Kazakhstan).

Kazakhstan boosts phosphor sales in Europe

This year Kazakhstan has increased exports of phosphorus to the countries of the European Union and far abroad, Almas Batanov, the Chairman of the Industrial Development and Industrial Safety Committee of the Kazakh Ministry of Investment and Development told a briefing on Thursday, Kazinform correspondent reports.

According to Almas Batanov, over the past 7 months of this year, the chemical production has risen by 11% due to a higher output at Kazphosphate LLC, Aktobe Plant of Chromium Compounds JSC, KazAzot JSC, and Caustic JSC.

"I would like to mention that Kazphosphate LLC (Zhambyl region) and KazAzot JSC (Mangistau region), producers of mineral fertilizers, account for 36% of the chemical industry," Mr. Batanov said.

He underlined that in the period under review, the Kazakhstani companies produced 52,000 tons of yellow phosphorus, which is 57% higher than in the comparable period a year earlier due to the increase in supplies to the European Union and far-abroad countries.

In addition, according to the Ministry, ammonium phosphate fertilizers sales in Kazakhstan and exports to Russia, Ukraine, Kyrgyzstan, Tajikistan have surged.

Veterinary vaccine plant to be built in Zhambyl region

BioVetKZ will be constructing a veterinary vaccine plant in the Zhambyl region, the regional press service reported July 30. The two billion tenge (US\$5 million), Kordai district-based biofactory has a design capacity of 25 million doses per year, with future capacity expected to increase almost three-fold.

The enterprise will produce and sell vaccines according to good laboratory practice (GLP) and good manufacturing practice (GMP) regulations for preventing, diagnosing and treating animal diseases. The company plans to expand vaccine production to 11 species.

“The region annually allocates funds for purchasing vaccines for farm animals. Imported vaccines, mostly from Russia, are used to maintain the normal immune function of animals,” said the press service.

Vaccines protect against common diseases including brucellosis, anthrax as well as foot and mouth disease. BioVetKZ is planning to expand its sales markets by exporting to Central Asian countries, China and Turkey.

Eight projects worth more than 16 billion tenge (US\$45 million) will be implemented this year as part of Zhambyl’s industrial and innovative development state programme. They will create 947 jobs.

Forty-two investment projects providing more than 6,000 jobs are being executed as part of the second five-year period of regional industrialisation. In the first two years, 23 projects and 1,500 employment opportunities have been implemented. The remaining 19 projects will be launched through 2025.

The press service reported agricultural investments doubled in 12 months. This year, 15.7 billion tenge (US\$44 million) was allocated to develop the region’s agro-industrial sector. Investments in fixed capital were approximately 3.7 billion tenge (US\$10 million).

In 2017, the region’s gross agricultural output exceeded 30.6 billion tenge (US\$87 million) due to 4.8-percent growth in meat production, 3.9 percent in milk and 1.4 percent in eggs. All livestock categories have increased, exporting more than 783 tonnes of beef and mutton.

Crops increased by 20,000 hectares to 650,000 hectares.

Zhambyl region is focusing on water conservation and expanding drip irrigation areas, and an agricultural land use map will be adopted to introduce innovative technologies. The website monitors vacant areas, and the pilot project will be introduced in other regions in the future, The Astana Times reports.

In May 2018, Kazakhstan broke a record in sunflower oil exports

According to the Customs Control Committee at the Ministry of Finance of the Republic of Kazakhstan, in May 2018 the exports of Kazakh sunflower oil from the country reached 7.1 thsd tonnes, which broke a record for the reporting month in the whole contemporary history. At the same time, in the same month last year the shipments on foreign markets totaled 2.9 thsd tonnes only.

In May 2018, Kazakhstan shipped the major share of shipments carrying 4.4 thsd tonnes to China, or 62% of the general volumes. Uzbekistan took the second position among the countries-importers of the product with 1.4 thsd tonnes (20%).

For the first 9 months of 2017/18 MY (September-May), Kazakhstan exported 53.3 thsd tonnes of sunflower oil, up 44% compared with the shipment volumes for the whole season-2016/17, reported by APK Inform (Ukraine).

Kazakhstan begins to export safflower oil to Japan

Kazakhstan's Kaz-Ir AGRO LLP made the first shipment of safflower oil to Japan in the volume of 37.3 tons, Kaz-Ir AGRO said.

Kaz-Ir AGRO is the first company in the history of Kazakhstan supplying food products to Japan, specializing in growing safflower, as well as producing unrefined safflower oil of cold pressing. In June Kazakhstan's exporter concluded the contract for safflower oil export to Japan.

The cooperation with Japan for Kaz-Ir AGRO is an opportunity to enter a big consumer market. Presently, the company is holding negotiations on the conclusion of an annual contract for the supply of safflower oil to the Netherlands.

The company exported 400 tons of products in January-June 2018. Safflower oil is exported to China, Czech Republic, Japan, Russia and Uzbekistan, as reported by Kazinform.

Agricultural hub for grain processing to be established in Kostanay

The construction of an agricultural hub for the deep processing of cereals and oilseeds will be launched in Kostanay region in 2019. Within the framework of the memorandum with Shanxi,

all products will be exported to China within 10 years, Director of Bio Grain LLP Dina Utebayeva told the regional administration.

The agricultural hub is a joint project of the Kazakh company of BioGrain and China Marine Bunker. The total cost of the project is \$300 million. BioGrain and Shanxi have already signed a memorandum (off-take contract) for the exports to China.

"We will purchase materials from local farms: 600,000 tons of 3rd-grade grain, 120,000 tons of oilseeds, 750,000 tons of 4th and 5th-grade grain," said Dina Utebayeva. "The project construction covers the construction of an elevator storing up to 600,000 tons of grain and a flour-milling facility having a capacity of 600,000 tons. (...) All finished products will be exported to China."

According to Ms. Utebayeva, the new enterprise plans to employ 500 people, including 20 Chinese process engineers, 380 local people, and send 100 people to study in China. The plant is expected to be built within 2.5 years.

The head of the enterprise said they intend to start construction in April-March 2019. It also depends on the time needed for the issuance of permits by the local executive agencies. The company has already resolved the financial issue, as stated by Kazinform.

EXHIBITIONS IN KAZAKHSTAN (September-October 2018)



KIOGE

International Oil & Gas Exhibition and Conference

26– 28 September 2018, Almaty

Organizer: Iteca

www.kioge.kz



KazAgro

Kazakhstan International Exhibition of Agriculture and Food Industry

25 – 27 October 2018, Astana

Organizer: Expo Group

www.expogroup.kz



KazFarm

Kazakhstan International Exhibition for Cattle Breeding and Poultry Yards

25 – 27 October 2018, Astana

Organizer: Expo Group

www.expogroup.kz



PowerExpo Almaty

Kazakhstan International Electrical Engineering, Alternative Energy Sources, Lighting Engineering Exhibition

23 – 25 October 2018, Almaty

Organizer: Iteca

www.powerexpo.kz



AgroWorld Kazakhstan

Central Asian International Agricultural Exhibition

31 October – 2 November 2018, Almaty

Organizer: Iteca

www.agroworld.kz



World Food Kazakhstan

Central Asian International Food Exhibition

31 October – 2 November 2018, Almaty

Organizer: Iteca

www.worldfood.kz



ColdChain Kazakhstan

Central Asian International Cold Storage, Transportation and Cold Chain Logistics Services Exhibition

31 October – 2 November 2018, Almaty

Organizer: Iteca

www.coldchain.kz



Horex Kazakhstan

Central Asian International Exhibition for HoReCa Industry
31 October – 2 November 2018, Almaty

Organizer: Iteca

www.horexexpo.kz



KazUpack

International Exhibition on Packaging, Tare and Label
31 October – 2 November 2018, Almaty

Organizer: Iteca

www.kazupack.kz

Exhibitions dates are subject to change. For a complete overview and more information on exhibitions in Kazakhstan, please visit:

www.iteca.kz

www.expocentralasia.com

www.tntexpo.kz

www.atakentexpo.kz

<http://10times.com/>

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