

Significant growth prospects

By **H.E. KAIRAT KELIMBETOV**

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Fifteen years ago Kazakhstan adopted its long-term development strategy. The “Kazakhstan-2030” strategy became the starting point for a systematic modernisation of the country. This meant far-reaching changes in the life of our country and of every citizen.

Over the past 15 years, our economy has grown at a 7 per cent annual rate. Since independence, Kazakhstan's GDP has increased 16-fold. Today, GDP per capita is approaching US\$12,000. In 1993 it was just US\$700 per capita.

The international community has given us high marks for our efforts and achievements. Kazakhstan's ranking in various international indices is testimony to this. The World Bank's “Doing Business” index ranks Kazakhstan at 49. In the World Economic Forum index Kazakhstan has moved up from 72 to 51.

For the twenty years of its independence, Kazakhstan has proved the stability of its investment climate and the reliability of its partnership commitments. This is confirmed by the fact that over the period from 1993 to 2013, Kazakhstan attracted US\$171.2 billion in foreign direct investment (FDI).

This is evidence of a favourable business climate, supported by favourable investment legislation, with the additional incentives of economic and political stability. The institutional interaction with foreign partners plays a special role in improving the investment appeal with the Foreign Investors Council, chaired by President Nazarbayev and operating since 1998 with annual meetings, being instrumental.

According to the World Bank's estimate, Kazakhstan is currently among the top 20 countries considered the most attractive for foreign investment. This does not mean that there is not room for further improvement. For instance, a survey of the investment policy of Kazakhstan was conducted as a part of the our accession to the Investment Committee of the Organization for Economic Cooperation and Development and guidance was developed on this basis to improve the investment climate in Kazakhstan.

The government is improving national legislation in the area of investment activities, such as the development of responsible business practice, the expansion of investor participation in infrastructural projects through state and private partnership, and the liberalization of investment activities in Kazakhstan. 44 international

Double Taxation Treaties have been signed together with 48 international treaties on the Encouragement and Mutual Protection of Investments.

Over recent years, Kazakhstan has significantly reduced tax rates. In addition, corporate income tax was reduced from 30 per cent to 20 per cent, VAT – from 13 per cent to 12 per cent, which is one of the lowest rates in the world for this tax, social tax – 11 per cent. Income tax for individuals in Kazakhstan is also one of the lowest – just 10 per cent.

People often ask us whether the establishment of the Customs Union (CU) affects the investment climate in the country and whether it will affect Kazakhstan's accession to the WTO. Our position is the following:

The border between Kazakhstan and Russia is 7,000 kilometres, which is the longest land frontier in the world. This fact alone is enough to motivate us to build good relations between our countries that are based on a reliable, strategic partnership. Moreover, our cooperation is a crucial component in overcoming the current economic challenges. We have analysed the trade relations of post-Soviet countries and they show that many investors see the establishment of the Common Economic Space as an opportunity for market growth and creating incentives to improve companies' competitive advantage and the professional qualification of personnel.

As for WTO accession, our membership in the Customs Unions does not create obstacles because one of the main principles of the WTO is the transparency principle. This means that when the country demonstrates a completely open and legal framework, it is considered transparent. Kazakhstan strives for such transparency. We can see advantages from WTO accession such as increasing investment inflows, increasing transparency in investment procedures, facilitating access to Kazakhstan's market for foreign financial institutions, and in developing the stock market.

Increases in purchasing power will have a positive impact on production growth and will contribute to improved social and economic standards in general. The benefits for Kazakh service providers will be easier access to global markets and capital, and internationally recognized rights for the protection of Kazakhstan's economic interests in these markets. Commercial risk mitigation will also be improved through the establishment of a more stable trade regime. **E**