

Strategic partners for growth

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When British Prime Minister David Cameron announced in 2010 that the new government's foreign policy would focus on strengthening trade ties with the world's leading economies, among the countries he specifically mentioned was Kazakhstan – one of the UK's leading trading partners, as well as an important regional ally.

Mr Cameron is only the first serving British prime minister to visit Kazakhstan, but his trip builds on two decades of high-level diplomatic relations that include a State Visit by President Nursultan Nazarbayev in 2006.

So why is Kazakhstan important to the UK? It has established itself as a credible bridge between East and West. During its 21 years of independence, Kazakhstan, larger than Western Europe and with a population of 16 million, has become the powerhouse of Central Asia, or as the region now prefers to call itself, Eurasia. The country's economic growth has been fuelled by its huge reserves of oil and gas, but equally important, President Nazarbayev has pursued a pragmatic foreign policy that has skilfully balanced the country's diverse interests, maintaining a sensible equilibrium between its immediate neighbours Russia and China, while fostering excellent relations with the United States and the European Union.

One of the main pillars of Kazakhstan's foreign policy is regional integration, implemented through initiatives such as the Commonwealth of Independent States, the Eurasian Economic Community, the Collective Security Treaty Organization, the Russia-Belarus-Kazakhstan Customs Union, and most recently a Eurasian Union. Kazakhstan has also reached out to NATO and the EU.

In the immediate post-Soviet world into which his country was born, President Nazarbayev recognized the need for new mechanisms to address regional issues and maintain regional stability, and so barely six months after Kazakhstan joined the United Nations, he launched the Conference on Interaction and Confidence Building Measures in Asia, or CICA.

The organisation now includes Afghanistan, Azerbaijan, China, Egypt, India, Iraq, Iran, Israel, Jordan, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Palestine, Qatar, Russia, South Korea, Tajikistan, Thailand, Turkey, the UAE, Uzbekistan, and Vietnam.

The decision to award Kazakhstan chairmanship

of the OSCE in 2010 marked further international recognition of the country's importance in Eurasia. Kazakhstan was the first CIS and primarily Asian country to receive the chairmanship, and the decision strengthened its leading role in Europe and Central Asia and its role as a bridge between the former Soviet republics and other OSCE members. One of the major achievements of Kazakhstan's OSCE chairmanship was to revitalise the organisation and extend the definition of European security to include Central Asia.

Having resolved long-standing demarcation issues over its borders with Russia and China, Kazakhstan is extending its diplomatic influence beyond Eurasia, setting up the Shanghai Cooperation Organization (SCO), which includes Russia and China, as well as Uzbekistan, Kyrgyzstan, and Tajikistan. Its six full members account for 60 per cent of the landmass of Eurasia a quarter of the global population.

The SCO has initiated dozens of large-scale projects related to transportation, energy and telecommunications and holds regular meetings of security, military, defence, foreign affairs, economic, cultural, banking and other officials from its member states.

The SCO has also established relations with the United Nations, where it is an observer in the General Assembly, the European Union, ASEAN (Association of Southeast Asian Nations), the Commonwealth of Independent States and the Organisation of Islamic Cooperation. In 2011, Kazakhstan held the rotating presidency of the 57-member Organisation of the Islamic Conference.

An emerging energy giant

The second reason why Kazakhstan is important to the United Kingdom is that despite its small population and remote location from the world's major economic and political centres of influence, it has been able to exercise considerable influence in global affairs and now attracts enormous foreign investment, principally into its oil and gas sectors.

Kazakhstan is expected to contribute one of the largest increases in non-OPEC supply to the global oil market in the next 10-15 years as its oil production doubles. In addition, the government is striving to diversify the national economy to avoid over-dependence on natural resources exports. It is

working to attract advanced technologies and modern management practices into priority economic sectors, which range from financial services to agriculture.

Kazakhstan has estimated oil reserves of around 30 billion barrels, proven natural gas reserves of 105.9 trillion cubic feet and other valuable resources such as uranium, coal, and metals. Oil exports are projected to rise to 150 million tons by 2015, putting Kazakhstan in the same category of producers as Kuwait, Iran, and Iraq.

The country's management of its hydrocarbons reserves has been as astute as its diplomatic policies. President Nazarbayev has always understood that respecting the interests of all the major players in the region enhances the stability of the energy sector in Kazakhstan, facilitating a balance of power in the region.

At independence Kazakhstan's infrastructure still tied it to Russia for access to external markets. To realize the full potential of its oil fields and to meet the needs of the Chinese and Western markets, Kazakhstan has invited the international oil companies to explore and develop new fields, as well as building new pipeline infrastructure.

While retaining its strategic partnership with Russia, Kazakhstan has built ties with Ukraine, Georgia, and Kyrgyzstan in the area of energy supply, transit and investment. In late 2006, KazTransOil, a subsidiary of the national oil and gas operator KazMunayGaz, signed a joint venture deal with the Batumi oil terminal in Georgia to export Kazakh oil via the Black Sea.

Some British and European experts say Kazakhstan could replace Russia as the major energy supplier if Moscow continues its policy of monopolizing

supplies and pipeline networks. Analysts believe that Kazakhstan can become an alternative supply for Russia to Europe. In fact it is already an alternative for crude oil, which now finds its way to the ports of the Mediterranean and to Rotterdam.

Kazakh oil already flows to China through a new pipeline, as well as to Georgia and Russia. As a possible member of the World Trade Organization (WTO), Kazakhstan's strategic position between Europe and Asia will allow it to diversify away from oil and gas and assume an even more important role as an economic power.

Britain, a natural partner

Britain is a natural partner for Kazakhstan as it pursues its economic and political ambitions and raises its profile on the international stage. Britain is already one of the country's most active commercial partners and is one of the largest investors in Kazakhstan. The UK and Kazakhstan enjoy a strong trade and investment relationship based on free market access, significant two-way trade and investment flows and regular dialogue at senior levels.

BG, Shell and Rio Tinto have strong investment interest in Kazakhstan, as do some of the UK's large contracting companies such as GlaxoSmithKline and Invensys. A large number of smaller oil-field service and supply companies have established themselves in the market, usually in tandem with Kazakh partner companies.

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President Nazarbayev and Her Majesty The Queen

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2011 were £530 million, while UK imports from Kazakhstan were £459 million. Both imports and exports were up 124 per cent year-on-year from 2010. Much of the export total was from machinery and specialised equipment for the oil and gas, mining, power generation, and manufacturing sectors. British companies are also active in Kazakhstan's financial sector, as well as business services, construction, transport and communications.

Over the last 21 years the quality of the legal and regulatory framework in Kazakhstan has improved enormously, allowing British companies to deal with a set of laws that are clear, unambiguous, and implementable in the context of long-term, large-scale investment projects in Kazakhstan. Regulations are being worked heavily upon, their implementation is progressing, and also the capacity and capability of the government and authorities in Kazakhstan has much improved.

More than 450 joint Kazakh-British companies are registered in Kazakhstan. At the same time, London remains a centre for the public offering of securities and investment for Kazakh issuers. More than a dozen Kazakh companies are listed on the London Stock Exchange.

Mining partnerships

Kazakhstan's mining industry is a highly important driver for economic development and growth accounting for some 17 per cent of GDP. This can only rise in the future, given Kazakhstan's great mineral wealth, export orientation and growing global demand.

The sector also contributes to Kazakhstan's economic and social objectives through its contribution to regional development, diversification and jobs creation. Mining currently employs about 120,000 people in Kazakhstan, giving particular impetus to regional employment. At the same time, Kazakhstan is emerging as an international policy maker in minerals production, requiring it to take a more international approach to standards and strategies.

Several British companies are already involved with the exciting developments in the mining sector. These companies offer strong UK and international expertise, built up over many years, and have an excellent track record of project management and delivery, while UK service and supply chain companies ensure that large and complex projects remain on track.

The United Kingdom is well placed to help with the introduction of new technologies in the exploration, production and processing of mineral resources in the utilization of automatic process control systems and in the training and development of personnel according to industry best practice. As well as specialising in many technical areas of mining, the UK is also in the forefront of new developments in mining safety, low carbon technologies and energy efficiency.

Education and the arts

At the same time, there is close co-operation in the education, financial services and infrastructure sectors. Through its embassy in London, Kazakhstan has successfully established strong ties with the United Kingdom, cooperating in trade, international affairs, defence and the arts. The UK is also one of the most attractive countries for Kazakh students. There are currently more than 3,000 students studying in the country (and around 700 of them are state-funded Bolashak Programme fellows). Prominent institutions such as University College London and Haileybury School are present and flourishing in Kazakhstan. There is close cooperation with Cambridge University with the development of academic ties between Kazakh and British researchers and on many other issues.

Defence

Britain and Kazakhstan also cooperate in defence. The British Defence Section operates a full programme of bilateral military activities with the Armed Forces of Kazakhstan designed to support defence reform and enhance security in Central Asia and Afghanistan. One of the most important elements of the programme ties in strongly with the Republic of Kazakhstan's solid resolve to send its Armed Forces on International Peacekeeping Operations.

The UK has participated in the annual Steppe Eagle exercise since 2003 and Kazakhstan is a member of the NATO Partnership for Peace. The exercise enables Kazakhstan's Airmobile Forces Brigade (KAZBRIG) to prepare for deployment on International Peacekeeping Operations and this year should see NATO certification achieved.

In April, foreign ministers participated in the Istanbul Process in support of Afghanistan. The meeting, building on a process launched in November 2011, provided important opportunities to increase the level of regional cooperation and coordination ahead of the transfer of security control in Afghanistan from international to Afghan security forces in 2014.

The Istanbul Process, which brings together 15 regional countries supported by 16 members of the international community and numerous international organizations, has developed a wide-range of activities and measures across fields including political and security, economic, education, cultural and legal. Included are confidence-building measures in areas such as counter-terrorism and counter-narcotics, emergency situations, trade opportunities and regional infrastructure.

Prime Minister Cameron's trip to Kazakhstan marks an important milestone in the relationship between the United Kingdom and Kazakhstan and further underpins the UK's support for a strong, democratic Kazakhstan by boosting trade and investment ties. **E**