

Kazakhstan's new industrial policy

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ASET ISSEKESHEV graduated from the legal department of KazGNU (Kazakhstan State National University) in 1994. In 1998 – the Higher School of Public Administration (HSPA) under the President of RK. His previous positions have included: Chief Specialist in the Agency for Strategic Planning and Reforms of Kazakhstan, President of “National Legal Services” CJSC under the Ministry of Justice, Deputy Chairman of “Sustainable Development Fund “Kazyna” JSC, Director of Marketing for Financial Projects of “Credit Swiss (Kazakhstan)” LLC, Assistant to the President of the Republic of Kazakhstan, Deputy Prime Minister and Minister of Industry and New Technologies. Since August 6, 2014, Mr Issekeshiev has held the position of Minister of Investment and Development.

Kazakhstan is one of the world's fastest growing economies. Experts have described our country as an island of stability and a very promising place to invest. Existing investors agree. According to Ernst & Young's survey, 81 per cent believe that their decision to invest in Kazakhstan was right and 76 per cent considered their investment successful.

In our early years as an independent country, this investment was mainly restricted to the resource sector. Many large international companies operating in our oil and gas and mining industries were our key foreign direct investment partners.

But the focus has changed in recent years with a new emphasis given to developing our manufacturing sector. This has been encouraged by measures to encourage investors including exemption from customs duties and grants for equipment, buildings and construction.

Last year saw the completion of our first five-year plan for industrial and innovation development – a period during which investors have told us the climate has improved. New laws were passed and the National Agency for Export and Investment “KAZNEXINVEST” was created. The work of attracting investment was better coordinated through our embassies, government agencies, and regional authorities.

The creation of the Ombudsman to investigate complaints and the introduction of the “one shop” principle to assist investors has helped remove administrative barriers. A national online resource www.invest.gov.kz, available in 12 languages and established in 2010, received 264,000 visits in 2014.

Last year we built on this strong foundation with the adoption of a new package of incentives for investors, as well as fundamental reforms to improve the business environment. Entry visas were abolished for visitors from 10 key investment countries: USA, UK, Germany, France, Netherlands, Italy, Japan, South Korea, UAE and Malaysia.

Among the new measures approved by President Nursultan Nazarbayev were the relaxation of restrictions on the use of foreign labour on major investment projects, the extension of exemptions from land tax and CIT for 10 years and property tax for eight years, and the reimbursement of 30 per cent of the costs of construction and assembly works and the

purchase of equipment. These new measures are on top of existing incentives which include zero customs duty on the import of equipment and its components, spare parts, raw materials and other materials for up to 5 years as well as added incentives for those businesses operating in Kazakhstan's 10 free enterprise zones.

There have been two other major developments which have been welcomed by investors. An investment law has guaranteed the stability of contracts with public authorities while Kazakhstan has also announced it intends the state will gradually withdraw from non-core functions which can better be carried out by the private sector. This provides investors with new opportunities and increased confidence.

All this is bringing about qualitative changes in overseas investment with more foreign companies building manufacturing partnerships. Among those now working in Kazakhstan are the French EADS Group who are involved in the manufacture of helicopters, Danone in the food industry, Areva NC in the nuclear sector and HP in information and computer technology. We have also seen Korean company POSCO producing titanium slabs, Hyundai, Toyota, IVECO and Peugeot manufacturing vehicles, LG Chemical constructing a major gas-chemical complex and Sanofi and Polpharma working in the pharmaceutical industry.

In total, contracts were concluded with 100 large foreign companies for new projects. This helps explain why, over the last five years, Kazakhstan has attracted more than US\$16 billion in foreign direct investments in the manufacturing industry. This is 2.5 times more than in the preceding five year period.

Two other major factors are helping encourage this expansion of investment. First Kazakhstan is a regional leader on international business rankings. In the World Bank's “Ease of Doing Business 2015” table, Kazakhstan is 77th out of 189 countries ranked. In the World Economic Forum's overall rating of global competitiveness, we are placed 50th out of 144 countries. But in key indicators particularly important to investors, we score even higher. On labor market efficiency, Kazakhstan is ranked 15th while on protecting investors, we are 22nd, ahead not just of our neighbours but also Turkey and the Czech Republic.

Secondly, Kazakhstan is part of a larger and increasingly important macro-region, which includes

China, Central Asia and the Caucasus. Over three billion people – all potential consumers of products and services developed in Kazakhstan – are within a five hour flight.

We are working hard to put in place the modern transport links which will allow trade to flourish. Completing the transcontinental road corridor linking Western Europe to Western China will cut the delivery time of goods by up to 10 days. On the Caspian Sea, the “Aktau” port is being developed while a transportation and logistics hub is being built at Korgas on the border with China linked by 1,500 kilometers of new rail line laid in the last two years. We have also just completed the construction of the railway to Uzbekistan’s border, which will open up access to Iran and provide a new route to the markets of the Persian Gulf.

In the coming years, infrastructure development is to be one of the priorities of the government. Late last year, President Nazarbayev announced the launch of a new five-year economic policy “Nurly Zhol” which is focused on the development of transport and logistics, energy and industrial infrastructure, as well as of small and medium-sized businesses.


This runs alongside the second industrialization programme which has identified six industries – metallurgical complex, oil refinery complex, food industry, chemical industry, industrial production, construction materials for particular focus. The key task will be the attraction of direct investments and new technologies into these priority sectors. We are determined that Kazakhstan is seen as a regional hub for investments, a centre for the transfer of technology and expertise in advanced industries with a major

appeal to foreign investors and partners.

There is no doubt, of course, that global economic conditions are challenging at the moment. But in the medium term, we believe the measures we have put in place and the opportunities available in the wider region will continue to be very attractive to investors. We are confident that foreign partners, existing and new, will see Kazakhstan as the best base to enter these growing markets.

This is certainly the case with British companies and investors who already have strong ties with Kazakhstan. The United Kingdom consistently ranks in the top three of our investors with nearly US\$11 billion in investments between 2005 and 2014. It is not one-way investment either. Over the same period, Kazakh investments in the UK amounted to US\$3.8 billion.

Today more than 600 British companies successfully operate in our country including some of the UK’s most famous names. They include British Gas, Shell, AMEC, BAE Systems and Rolls Royce. They are involved not only in the energy and mining sectors but also transport and banking as well as helping set up new businesses and ventures.

The agreement between President Nazabayev and Prime Minister David Cameron at the first meeting of the Intergovernmental Commission on Trade, Economic, Scientific, Technological and Cultural Cooperation in Astana in November provides the framework to intensify cooperation in new areas such as agribusiness, green technologies and training. The Intergovernmental Commission will provide another important mechanism to deepen cooperation between our two countries for the benefit of all our citizens. 

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