

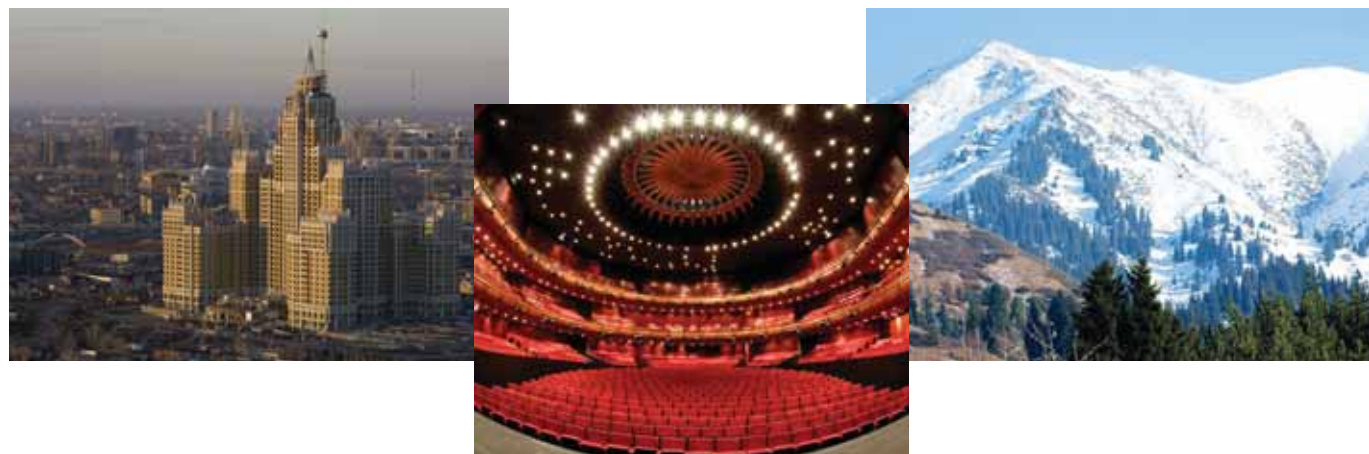
SURPRISING KAZAKHSTAN

September | October | 2008 www.peninsula-press.com



Think you know Kazakhstan?
YOU MIGHT BE SURPRISED

THE SURPRISE ON THE STEPPE



The streets of Almaty, the commercial center, and other cities throughout the country are clogged with Mercedes, BMWs, and Porsche SUVs. At night, the cafes and restaurants are as full as those in any European capital, as well-heeled clientele sip white wine and cappuccinos. Throughout the land, and especially in the capital, Astana, steel and glass skyscrapers have shot up where once just arid grassland stood.

This is Kazakhstan, Central Asia's rising political and economic power. In just a few years, it will be a country for other nations in the world to pay heed to and reckon with. Kazakhstan will be a regional, commercial, and financial center along the lines of Singapore and Dubai, and a force that plays a decisive political and economic role in the post-Soviet sphere—and beyond.

Under the iron tutelage of President Nursultan Nazarbayev, the expansive ex-Soviet republic of 17 million—the size of Western Europe, stretching from the Caspian Sea to the Tien Shan Mountains

on the Chinese border—intends to become one of the world's 50 most competitive nations.

Oil and gas will be the primary drivers of this development. The country's hydrocarbon reserves are immense—estimated to have around 30 billion barrels of crude-oil reserves, which place it 11th in the world, representing some of the largest deposits outside the Organization for Petroleum Exporting Countries (OPEC). By 2015, the Astana government plans to triple production to close to 3 million barrels per day.

Already, Kazakhstan is considered by the World Bank to be one of the 20 best places for capital investment. Gross domestic product (GDP) has skyrocketed in recent years, foreign direct investment has topped US\$45 billion, and the country looks on track to join the World Trade Organization soon. Its banking sector is considered to be the most progressive in the former Soviet Union, able to adapt and learn from its mistakes and, for the moment, flexi-

ble enough to weather the world banking crisis. But it is not all about oil. Kazakhstan is an extraction powerhouse, also thanks to massive deposits of other major minerals, such as copper, gold, cobalt, and uranium. Kazakhmys, the country's copper flagship, conducted a US\$1 billion initial public offering on the London Stock Exchange in 2005.

Ultimately, hydrocarbons are just a means to an end. Kazakhstan wants to develop a thriving, multifaceted economy and avoid the “resource curse” that haunts so many other commodity-based economies. The list of petro-states throughout the world that have reverted to authoritarianism, or whose economies have withered on the vine from corruption, inflation, and suffocating bureaucracies is depressingly long.

For this reason, President Nazarbayev has established an oil stabilization fund—now standing at US\$24 billion, where revenues can collect offshore, not disrupt the economy, and later can finance development—and a comprehensive “Kazakhstan - 2030” development plan to grow and diversify the econ-

Kazakhstan's economy is poised for breathtaking growth in the next decade, thanks to gargantuan hydrocarbon reserves and a prudent economic policy. Peninsula Press takes a detailed look at this emerging Central Asian tiger.



omy beyond the oil-and-gas sector. “Act as if there will be no oil tomorrow,” the Kazakh leader says.

The future looks very bright indeed. But some questions need to be answered first, not the least being what type of political structure the country will take, which will in turn influence its economic progress. Kazakh officials say that they are dedicated to the path of democracy, but political trends of the last 10 years have seen a steady march toward greater authoritarianism and control. Recently passed laws allow government officials the right to alter or cancel a natural resource contract unilaterally if they believe the conditions are not being met. President Nazarbayev has named himself leader for life and is backed by a one-party parliament.

The Kazakh statesman, on the other hand, is recognized as a stabilizing and quieting force in the country and region and has devoted his time in office to building bridges among nations and peoples. This is no small matter in politically turbulent Central Asia and racially diverse Kazakhstan, where more

than 120 different ethnicities reside. Kazakhstan has also played a delicate balancing act between its two massive neighbors, Russia and China, as well as the European Union and the United States.

With the oil wealth has come a newfound political weight, however, and the Astana government has taken tentative steps toward flexing its muscles in a variety of areas. In recognition of its growing foreign-policy clout, Kazakhstan was recently named to take over the annually rotating chairmanship of the Organization for Security and Cooperation in Europe in 2010. The appointment was strongly opposed by the Uni-

ted States in view of the country's political record and may weaken the OSCE's democratic credentials. But it may also spur democratic reform among the country's elite.

In the end, the country's future rests with its rapidly growing middle class. A popular theory of political progress holds that democracy can only develop—and thrive—once the population is materially enfranchised. Then people have a stake in the country's future, take an interest in which political decisions are made, and demand their electoral and civil rights. This well may be the case with Kazakhstan, where the population has seized the free-market opportunities now available. And for the moment, the silent majority seems satisfied with the direction the country is heading. ■

PRIME MINISTER KARIM MASSIMOV

STEWARD OF ECONOMIC GROWTH

As head of the Kazakh government since January 2007, Prime Minister Karim Massimov has overseen the country's economic development and charted its course through the choppy waters of the present international economic situation.

1. On the 10th anniversary of the 2030 Development Strategy, President Nazarbayev said Kazakhstan had gone from a period of chaos and confusion to a period of stabilization. What are your thoughts on the country's development during the last decade?

In the last seven or eight years, Kazakhstan has grown at about 9 percent or 10 percent annually, and it is now important for us to diversify in order to make our economy sustainable in the future and create the conditions to allow the non-oil economy to grow faster. The government is paying more attention to infrastructure development—investing more in roads, railways, power stations, and so on—to create an environment for the business community to invest more freely.

There are a number of obvious opportunities. One is geography; we should use our position to transport goods and services through our territory. There is fast growth in China, and the European markets need their goods—and the fastest way is through the territory of Kazakhstan—by rail and by road and by plane. Logistics services and infrastructure, particularly on our borders with China, the Caspian Sea, and Russia are an obvious opportunity.



Second, there is an increasing demand for quality foodstuffs on the international market, and 47 percent of our population lives in rural areas. Kazakhstan can play a bigger role in the supply of agricultural products to the international market. We should make Kazakhstan a hub in the region.

2. Why should Kazakhstan succeed in diversifying its economy and escape the “petro-state” trap when so many of its peers have failed?

Importantly, we've made the decision to separate the money from oil revenues from the state budget, and we keep this under the management of Western institutions. This money does not belong to us—it belongs to our future generations. I strongly believe that Kazakhstan can become a model economy. We should develop our oil industry and use the revenue to diversify the economy.

3. Kazakhstan has just been granted chairmanship of the OSCE in 2010.

Achieving the chairmanship of the OSCE is a very important victory for Kazakhstan and for the OSCE itself—as Kazakhstan is the first

country from the former Soviet Union to become a potential chairman. Kazakhstan must address how we move forward, what steps can be taken to make our society more democratic and to bring our political system closer to OSCE standards. I strongly believe that it is a big challenge for Kazakhstan to become an equal partner as a democratic society—not only economically, but politically as well.

4. Kazakhstan is progressing steadily toward World Trade Organization (WTO) accession. How quickly and to what extent will WTO membership alter the business landscape of the country?

Our economy is liberal, and because of this, the WTO accession will not create any difficulties for businesses here. We are already using the rules of WTO and OSCE countries. There is some concern about WTO accession because of the fear of a lot of goods from other countries competing with those produced in Kazakhstan, but domestic companies are prepared.

5. Kazakhstan has worked hard to craft a multidimensional foreign policy between Russia, China, the EU, and the United States.



Can you elaborate on how Kazakhstan plans to balance its future relationship with each of these four major powers?

This is a very important issue. Russia is a long-term partner; traditionally, we are close—for ages we were part of Russia, and we believe that a strong relationship with Russia is very important. Also, China is our neighboring country and is growing fast. It's important to create a good relationship with them, and it is pragmatic to get the benefits of the growth of this country. Western investment in Kazakhstan is also crucially important for us, and we are very proud that many large U.S. companies are here. It is also important to maintain good relationships with our neighboring countries and across the Caspian Sea to the Islamic world. This is a unique opportunity for our country to develop sustainability and protect the interests of Kazakhstan.

6. According to the U.S. Department of State, 27 percent of the total foreign direct investment inflows to Kazakhstan during 2006 had their origin in the United States. How would you describe the economic relationship between Kazakhstan and the U.S.?

The economic relationship with the United States started with the oil-and-gas sector and then developed in the transportation sector, where some U.S. companies, for example Federal Express, are using Kazakhstan as a hub. Companies from the United States in the communication sector have also expressed interest in Kazakhstan, and I will be going to the U.S. next year to hold a conference about the non-oil-and-gas industries. We hope that small and medium-sized enterprises from the United States will come to Kazakhstan to use the fast-growing market over here. The agriculture and food-processing sectors have fantastic opportunities—both for Kazakhstan and for companies from the United States.

7. Given the president's recent visit to Iran, what role do you feel Kazakhstan can play in promoting a better understanding between Iran and the international community?

You know that in 1991, Kazakhstan was the fourth-largest nuclear country in the world. The president himself made a decision to put a stop to it. We were the only Islamic country in the world that held nuclear weapons, so we are probably the only country who can tell the story to the Iranian government of how we peacefully got rid of them. We are the obvious country, and our president is the obvious person to deliver this message. ■

A QUESTION OF BALANCE

While enviably enjoying good relations both with its powerful Russian and Chinese neighbors as well being a trustworthy partner and ally to the United States, Kazakhstan understands that its position remains a delicate one. Its foreign-policy strategy blends pragmatism and ideology through skillful and sensitive management.

The Kazakhs have a tradition stretching into their nomadic past of welcoming all visitors. Guests on the steppe—often because they were such a rare occurrence—were treated to generous, effusive, and sometimes overwhelming hospitality.

In later years, this has translated into a foreign policy that receives and accommodates all comers. Russia, China, the European Union, the United States, Iran, Japan, Pakistan, India, and even Israel and South Korea have been greeted and now have extensive interests in the Central Asian state.

“Kazakhstan has a long tradition of hospitality to outsiders, creating a country where everybody lives in peace and harmony building the country together,” says U.S. Ambassador John Ordway. “You can see the results of this, a remarkably low level of ethnic tension. People of all races and ethnicities work together. Every foreigner gets the feeling of that pretty quickly,” he continues. “Public opinion and a remarkable number of statistics show how tolerant the people are and how open they are to all the different ethnic groups that live here.”

The policy is not just about being a good host—it is also an exceedingly smart strategy. The country needs as many friends as it can get. Kazakhstan shares lengthy borders with two of the world’s superpowers, Russia and China, and lives in an unstable neighborhood rife with ethnic tension, terrorism, and religious extremism. President Nursultan Nazarbayev has been a master at balancing interests.

Thanks to its oil-and-gas riches, Kazakhstan has become a point of focus for the world’s economic giants, each viewing the others jealously as they scramble to find new energy sources. The potential for friction among the world’s countries has been enormous. All want a piece of the Kazakh hydrocarbon pie.

The Kazakh leader has turned what could be a potentially contentious situation into a boon for his

country. All outside powers now have a stake here and are assiduously wooing the country for its strategic importance. China sent its Olympic torch first to Kazakhstan when it began its tour around the world. President Nazarbayev visited Washington, D.C., last year and met with President George W. Bush. Russia’s newly elected leader, Dmitry Medvedev, made his first stop outside the country to Kazakhstan, on his way to China. To be sure, all the former Soviet republics in Central Asia pursue an open and multi-vectored foreign policy, in recognition of their own fragile positions and their need to make as many allies as possible. They all tread a fine line between Russia, China, the United States, and the EU. But nowhere is this fine high-wire act performed more successfully than in Kazakhstan. “For a country like Kazakhstan, it needs a sober analysis of what the international interests are and how it can best pursue the international interests and seek partners on the international stage,” says U.S. Ambassador Ordway. “The U.S. is one these partners, and we can help Kazakhstan in a mutually beneficial fashion achieve goals and interests in both our countries. But it is not a market-exclusive relationship.”

“It is important and makes Kazakhstan a valuable partner for us if it has good relations with Russia and China,” he adds. “We see benefits in

Kazakhstan having good relations with its two big neighbors and continuing to pursue equally good relationship with the U.S. and EU.” And now Kazakhstan is ready for its moment in the spotlight. During the last decade, the Astana government has quietly been assuming more and more influence in the region and beyond. Kazakh banks are an economic force throughout the former Soviet sphere, buying up property and investing in businesses in Central Asia, the Caucasus, and Russia. Kazakhstan is a leading member of the Commonwealth of Independent States, the successor organization to the Soviet Union, as well as the Shanghai Security and Cooperation Organization,

which unites Central Asia’s states with Russia and China. In recognition of the country’s newfound political clout, the Organization for Security and Cooperation in Europe, a 56-country grouping that promotes democracy and human rights, awarded the Astana government its rotating chairmanship in 2010.

Kazakh officials hailed the OSCE’s decision as acknowledgment of the country’s democratic progress. “This is a very important victory for Kazakhstan and for the OSCE itself,” said Prime Minister Karim Massimov. “Kazakhstan is the first country from the former Soviet Union to become a potential chairman of OSCE.”

Diplomats working with the Central Asian state, however, said that the honor was instead more for Kazakhstan’s growing economic and political might, and in hopes that the country will improve eventually its human rights record, which lags behind other ex-Soviet states like Ukraine and Georgia.

President Nazarbayev, who was recently named the country’s leader for life, dominates the political scene, while a parliament containing only his Nur Otan Party ratifies his decisions. Moreover, diplomats say that the country has yet to begin implementing political reforms that were strongly suggested by the OSCE prior to assuming the chairmanship.

Prime Minister Massimov recognizes that the country’s democratic development is a work in progress, though he dismisses any idea that Kazakhstan did not deserve the chairmanship. He says that the position is an opportunity for the OSCE to find common ground with the former Soviet republics.

This is a test—both for Kazakhstan and for the OSCE,” says the prime minister. “Kazakhstan must address how we move forward, what steps can be taken to make our society more democratic, and how to bring our political system closer to OSCE standards.

“Through adopting the reality of what is here in Kazakhstan, I think mutually we can find a solution,” he continues. “And this is very

important—both for the Western world and the old socialist part of the world.” For the Kazakhs, a particular point of pride is their voluntary renouncing of their nuclear arsenal nearly 18 years ago. At the time, the country was not in any condition to assume the massive political and financial burden of maintaining a stockpile of warheads. Other former Soviet states, such as Ukraine and Belarus, also took similar steps.

Nevertheless, the Kazakh decision is remarkable in a region bristling with nuclear powers like India and Pakistan, and nuclear-power wannabes like Iran and North Korea. Add to

this the country’s extensive cooperation on cracking down on trafficking of nuclear materials and other weapons of mass destruction, and you have a strong,

stable, and dependable partner in the region, and a shining example to other regimes.

Kazakhstan provides a very good model of how a country can enhance its security while giving up or renouncing nuclear weapons or other weapons of mass destruction,” says Ambassador Ordway. “President Nazarbayev said frequently that this decision made the country more stable and more secure.

“And this model and example is applicable in any part of the world where we are trying to prevent proliferation of weapons of mass destruction,” he adds. ■





FUELING THE FUTURE

While long-term strategy seeks independence from hydrocarbon revenues, for today, at least, oil is still undisputedly king.

President Nazarbayev's relentless insistence on diversifying the economy away from its dependence on hydrocarbon revenues gives some indication of just how important they are to the country; in Kazakhstan, diversification is policy, but oil is king. National oil production is the bedrock of the country's economy, accounting for around 30 percent of GDP and more than half of all export revenues. According to the latest fig-



ures, Kazakhstan's extractable oil reserves are estimated to be 39.8 billion barrels, equivalent to 3.3 percent of the global total, or half as much as Russia's. Kazakhstan produced approximately 1.45 million barrels per day (bbl/d) of oil in 2007 and consumed 250,000 bbl/d, resulting in petroleum net exports of around 1.2 million bbl/d. Production increases are planned for up to 3.5 million bbl/d, of which 3 million bbl/d are intended for the export market. Production increases have grown continu-

ously during the last decade, as large-scale foreign direct investment (FDI) from practically all the oil majors has flooded into the country. FDI typically takes the form of a joint-venture agreement with KazMunaiGaz, the state-owned oil and gas company. Other channels, such as well production-sharing agreements (PSAs) and exploration concessions, have also proved popular. At projected exploitation rates, Kazakhstan's oil reserves will last for the next 50 years. Foreign investors are limited to a 50 percent participation in each offshore project with the remaining

share taken by KazMunaiGaz. Legal reforms in the energy-and-mineral sector allowing authorities to renegotiate concession contracts that sought to generate more revenue and diversify the sources of investment for the government have come under criticism from some international oil companies. These reforms and others assisted the government in its attempts to acquire part of British Gas' share of the Kashagan project and acquire a 33 percent share in Canadian-based PetroKazakhstan after it agreed to a takeover deal with China National Petroleum

Corporation. The government retorts that the original conditions were too favorable to the investors. Despite calls of foul play, these developments are not likely to affect the long-term investment climate.

If oil is king in Kazakhstan, then the jewels in its crown are the four massive oil fields—Tengiz, Karachaganak, Kurmangazy, and Kashagan—that make up 70 percent of total production. Each presents its own unique set of considerations.

Located along the northeast shores of the Caspian Sea, the Tengiz field is the largest source of oil production in the country. It has been de-

veloped since 1993 by the TengizChevrOil joint venture, lead by Chevron. Production averaged almost 280,000 bbl/d during 2007, and recoverable crude oil reserves have been estimated at 6 billion to 9 billion barrels. According to the consortium, Tengiz could potentially produce 700,000 bbl/d by 2010. Most of the oil from the field is being sent through the Caspian Pipeline Consortium pipeline to the Russian Black Sea port of Novorossiysk.

The Kashagan field is the world's fifth largest

>>

>>

in terms of reserves and the largest single field outside the Middle East. Located off the northern shore of the Caspian, the field is operated by Agip Kazakhstan North Caspian Operating Company, which estimates the field's recoverable reserves at 13 billion barrels. According to KazMunaiGaz sources, full-scale commercial production is not expected to commence until 2013. The Kashagan deposits contain a high proportion of natural gas under very high pressure, while the oil itself contains large quantities of sulphur. Extreme weather conditions in the northern Caspian also require special equipment.

In the north of the country, near the Russian border, the Karachaganak oil and gas/condensate field is the only onshore site among the big four. In 2007, the field produced more than 250,000 bbl/d of natural gas condensate. Karachaganak is being operated by Karachaganak Petroleum (KPO) consortium. KPO estimates the field holds reserves of up to 8 billion to 9 billion barrels of oil and gas condensate and 47 trillion cubic feet (Tcf) of natural gas. Plans are to triple output within six to eight years, requiring an investment of US\$10 billion. The least developed of the big four, the

Kurmangazy field, is located on the maritime border between Russia and Kazakhstan. The two nations signed a US\$23 billion production-sharing agreement for the estimated 7.3 billion barrel reserves. So far, the field has yet to yield significant returns.

Massive in their volumes, Kazakhstan's abundant riches are not without challenges. It is far from the main energy markets, and with no external ports of its own, the development of Kazakhstan's energy policy pivots crucially on the development of transportation routes that provide access to the markets. Kazakh crude is transported from the country in all directions, traversing Russian soil via the Caspian Pipeline Consortium to the Black Sea and northward by train and pipeline into the Russian heartland, to the south by way of oil swaps with Iran, and finally to a lesser but increasing degree eastward to China. Most important of these routes by far is the Caspian Pipeline Consortium, which in 2007 transported more than half of the total 1.2 million bbl/d production. The 980-mile long pipeline connects Kazakhstan's Caspian Sea-area oil resources with the port of Novorossiysk

on Russia's Black Sea coast, and from there, critically, to open-sea access. The CPC project was developed by the governments of Russia, Kazakhstan, and Oman in conjunction with a consortium of international oil companies. The consortium has plans for a US\$1.5 billion expansion project to increase the pipeline's peak capacity to 1.34 million bbl/d, a vital step if Kazakhstan is to be able to continue to expand its production as planned.

While in terms of upstream production Kazakhstan is a big hitter, the country's downstream refining capacity is notably less impressive. It has provoked little interest from foreign investors due to the low domestic prices for refined products and remains largely in the state's hands. As demand for refined fuels grows in line with economic expansion, the nation's three major oil refineries at Pavlodar in the north, Atyrau in the west, and Shymkent in the south will not provide enough capacity. Indeed, rumours suggest that the government increasingly favors bundling an obligation to build and operate oil refineries as a condition of future hydrocarbon exploration deals with foreign investors. At the same time, KazMunaiGaz has announced its intention to acquire refining ca-



INTERNATIONAL OILFIELD SERVICE COMPANY

Creating the leading diversified oilfield service provider in the CIS region



Drilling



Workovers



Waste Management



Drilling Fluids

www.protechcompany.com

office@protechcompany.com

Q & A

SAGAT TUGELBAYEV
President

Anaco

Pioneers in Oil Services

What inspired you to go into business for yourself, and how have you diversified your activities?

We came from the government sector with empty pockets but big ambitions. Anaco was the first private oil company in Kazakhstan, in 1994. In the beginning, we just had a license and a contract with the government, then a European bank backed us. Two or three years later, we started investing in service contracts and created our own servicing company, Zaman Energo.

What have been the most important milestones in the development of the company?

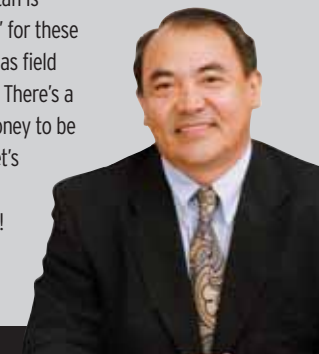
Now we are producing products for the oil-and-gas sector that we created ourselves. We have patents in Kazakhstan, in Russia, and our sales volume is increasing. Last year, we sold seven oil heaters that are being used in the Kazakhstan-China pipeline, and we are negotiating new contracts with some other very big companies.

What is your growth strategy?

In Kazakhstan, capital has become very expensive, so that's why we are looking to attract strategic partners—not just for money but with good technology, management, and global experience. We are now at a stage where I feel that we are interesting for serious partners, financial groups.

What message would you send to potential foreign investors?

Middle-size American companies are afraid because of the different legislation. But as an entrepreneur, I'm ready to work together with American companies. But Kazakhstan is "hungry" for these oil-and-gas field services. There's a lot of money to be made. Let's earn it together!



capacity outside Kazakhstan, along with a retail network of petrol stations, although attempts in 2006 to buy a stake in the Lithuanian Mazeikiu Nafta (Mazeikiai Oil) were frustrated.

Kazakhstan's total proven natural-gas reserves were revised upward to 100 trillion cubic feet (Tcf) in 2007. Natural-gas production in 2007 in Kazakhstan was estimated by the Kazakhstan Energy Ministry at 1,037 billion cubic feet (Bcf), of which more than 70 percent was produced by international consortia at the Tengiz and Karachaganak fields. Karachaganak, which is the largest commercial extraction operation in the country, is estimated to contain more than 47 Tcf of natural gas—25 percent of proven reserves—and produced 503 billion cubic feet during 2007, half of the total national production. Natural-gas in Kazakhstan is almost entirely "associated" gas. At several fields, including Karachaganak, gas is reinjected back into the ground to maintain crude wellhead pressure for liquids extraction. This gas can be recovered later when the liquids are exhausted. Export potential has barely been exploited, and Kazakhstan currently produces only about as much natural gas as it consumes domestically. The official gas production target for 2015 is 1,270 Bcf, with anticipated exports of around 880 Bcf.

As with oil, one of the biggest issues in the development of Kazakhstan's natural-gas export market is transportation, especially to Europe, a huge consumer of Central Asian gas. New gas pipeline routes under the Caspian Sea

are under development, while the Central Asia Center (CAC) gas pipeline, which serves as the main artery gas export from Central Asia into Russia, passes through Kazakhstan, providing a potential transit outlet.

Although coal is often overlooked as hydrocarbon's poor relative, Kazakhstan contains Central Asia's largest recoverable coal reserves, with more than 30 billion metric tons. Less exotic than its liquid cousin, the coal sector has still excited investors. In 2007, the ArcelorMittal Group committed US\$500 million to increase coal production in the Karaganda region by around 5 million tons. Equally, Bogatyr Access Komir, Kazakhstan's largest coal producer with accounts of around one third of all the nation's coal output, is in turn a subsidiary of Access Industries Incorporated (U.S.). Kazakhstan exports almost 16 million tons to power plants north of the border every year; and the Russians themselves are active participants in Kazakhstan's coal industry.

Undeniably, oil, and to a lesser extent gas and coal, have helped put Kazakhstan on the map and given the country the economic and political weight to make its voice heard on the global stage. Ultimately, whatever their form, hydrocarbon resources will continue to dominate Kazakhstan's economy and in turn orient and inform its foreign-policy decisions. President Nazarbayev may dream of a future independent of oil revenues, but for now he is surely thankful for his nation's buried treasures. ■

Kazakhstan Mortgage Company

REFINANCING MORTGAGES
OF UP TO 20 YEARS



Address: 34 Abylai Khan Ave., Almaty, 050004 | e-mail: kmc@mail.online.kz
www.kmc.kz | tel.: +7 (727) 272-62-62 fax: +7 (727) 278-03-97

SAT & COMPANY

Opportunity Knocks in Central Asia



KENES RAKISHEV

Even for experienced Western investors, the growth of SAT & Company since its inception in November 2000 has been truly astonishing. From an original share capital of around \$10,000 in 2000, the company aims to turn over more than US\$500 million in 2008. A difficult company to conceptualize in traditional terms, SAT & Company is, broadly speaking, an industrial holding arranged into three principal areas of activity: mechanical engineering, the petrochemical industry, and infrastructure, with special projects treated as separate entities. Each business division has evolved according to the opportunities in its particular sector, and their profiles are constantly changing along with their sectors. Many of SAT's activities in its mechanical engineering division, for example, have their roots in the heavy industrial complexes inherited from the Soviets, though many plants are adapting to emerging market forces. One such project is the KazTrubProm plant in Uralsk, already in operation, which will supply both national and foreign oil-and-gas companies with casing pipes, tubing, and valves for oil-field construction. Indeed, within the engineering sphere, the huge development of the oil-and-gas fields is providing much of the stimulus for SAT & Company's growth.

More recently, petrochemical projects have been identified as areas of enormous potential growth. As SAT & Company's chairman of the board, Mr. Kenes Rakishev puts it "one of our biggest projects is a new petrochemical plant. Starting from this year, we signed a major 18-year contract with TCO (TengizChevrOil)—the biggest producer of oil and gas in Kazakhstan—to purchase natural gas from them, which we will use to produce around 1.5 million tons of products, such as polyethylene and polypropylene." The investment required will be about US\$6 billion. SAT & Company will partner with KazMunaiGaz E&P—the huge state-owned oil-and-gas giant—and LyondellBasell Industries and receive additional support from the government in terms of infrastructure development. Mr. Rakishev, an Oxford Business School graduate, aims to raise most of the funds for the project in London's capital markets. He is representative of the new breed of dynamic young managing directors in Kazakhstan, unencumbered by the old ways. "Younger managers perhaps don't have as much experience, but we also don't have the mentality from the Soviet period. We have a new mentality and new visions, and in this case it's a good fit since our company is also very young," he states, adding, "I think that in a period like this—at a time of liquidity crisis—it's a good opportunity for us and for our country because now we understand how to move in these conditions." It's hard to imagine such financial literacy and optimism in the face of a global crisis from many of the old guard. The mining sector has also proved to be a fertile hunting ground, and the company has mining interests in Turkey, Moscow, Dubai, and Jordan, as well as closer to home. "We have some gold reserves here in Kazakhstan. There are not large reserves, but we are trying to consolidate the mining companies here, to buy some small companies—and maybe in the future create one medium-sized company with a view to issuing an IPO later down the line," adds Mr. Rakishev. SAT & Company is clearly a company to watch. ■



Q & A

DAVID STURT
CEO

Kausar Oil and Gas

Kazakh Investors Go Multinational

How has the company evolved since the beginning?

Since Kausar was formed, within only two years, we have been able to expand very aggressively, acquiring a total of 21 exploration and production licenses. In addition to these Russian assets, we also now have assets in Kazakhstan and Oman. In the middle of last year, we also branched out into the oilfield service business. An initial entry position was taken when we purchased a local drilling company. At that time, the company only had five rigs providing service almost exclusively to KazMunaiGaz. Since this first acquisition, we have formed a separate company, the ProTECH Oilfield Services, which now has a total of 19 rigs in Kazakhstan with plans for further significant expansion in the near future. We raised the purchase capital, invested in new rigs, and six months after we started, it was valued at 20 times our investment. That kind of growth would be very hard to achieve in the U.K. and clearly demonstrates the enormous opportunities within Kazakhstan.

What do you see as the most significant challenges for your company in the future?

The biggest limitation at the moment is the lack of personnel with strong technical skills. In terms of finance, legal, and IT services, it's hard to justify hiring an expatriate as there are some very talented local personnel. The reason for the lack of skilled technical personnel is that after the Soviet era, young people did not want to go into engineering disciplines; they all seemed to want to work within the financial sector. So now, the big challenge is finding good technicians. We are already planning for the future and have established good links with universities. The

company actually has a structured graduate training program with three students currently progressing through it.



You just imagine, and it's there.

Q & A

ANVAR SAIDENOV
Governor

National Bank of Kazakhstan

From Scratch, a Post-Soviet
Financial Sector Emerges

Can you say more about the foreign direct investment in the financial sector?

The regulatory environment in the financial sector has always been friendly to foreign investors. There have been very few limits or restrictions. We have a number of leading banks in the country. The first one was ABN AMRO. Since then, we have had the arrival of Citibank, HSBC, and a number of banks from countries with which we have very close relations—two Chinese banks, four Turkish banks, and Sberbank [of Russia].

What is the situation in the country right now?

After a period of turbulence and then a period of stabilization, we started to lay the foundation for sustainable growth. But the law of economic development states that you can never benefit from past achievements. The environment changes rapidly, and you should always be ready for new challenges. I think in 2005–2006 these new challenges showed themselves quite openly.

What were they?

The rapid growth and the financial system's expansion has a side effect of the economy overheating. The economy was benefiting not only from high world oil prices but also from metals and a number of other Kazakh export items. In this situation, when the economy was still in transition, a bubble started to emerge. The most obvious bubble was in the real estate sector, but we also can name trading activity and services. That was a new challenge.



GUARANTEERING CONTINUED GROWTH



1998 saw Kazakhstan's fledgling economy contract 1.7 percent as the weight of a poor harvest, the East Asian financial turmoil, and the nation's oil reserves selling at under US\$20 a barrel took its toll. By the following year, however, a strong economic recovery had taken root that ushered in seven years of continual growth at a bracing 10 percent underpinned by sound macroeconomic policies, an expansive financial system, and foreign direct investment that poured into oil and gas and mineral sectors. A friendly investment environment in the financial sector brought big-name multinational banks to the country, the first being a pioneering ABN AMRO, followed by Citibank, HSBC, and a number of banks from neighboring countries such as China and Turkey. Rising oil, gas, and mineral prices swelled government coffers and entrenched the sense of



well-being, paid for social initiatives, and consolidated economic stability. Even the "curse" of mineral wealth couldn't derail the development script; a wise decision to set up a national fund in 2001 to collect booming oil revenues to be invested abroad helped general macroeconomic stabilization by sterilizing these huge revenues from the domestic economy.

At the time, this measure was sufficient to generate sustainable growth, but by 2005–2006, new challenges began to appear on the financial landscape. Today, Kazakhstan's financial sector is much more tightly integrated into the global financial system, rendering it vulnerable to the current market volatility. As the economy showed signs of overheating, fueled by easy access to cheap credit, real estate prices have ballooned. There is now a consensus that it is time for the government, mone-

Successful reforms 10 years ago paved the way for a decade of rapid and unprecedented growth in Kazakhstan. Further reforms should ensure many more good years.

tary authorities, and financial regulators to introduce a second wave of restructuring to ensure the continued health of the financial sector for the future. One of the key objectives on the path to sustainable growth continues to be the creation of a diversified economic structure, which would serve to dampen the effects of oil-price fluctuations on the broader economy. Greater competition also needs to be encouraged through the reduction of administrative barriers, thus enabling the development of small and medium enterprises.

In the short term, however, the Government has implemented a policy of soft lending to alleviate the effects of the current credit volatility, on the principal that an economy in recession would destroy so much of the positive momentum built up over the previous years of

progress. Initially, US\$4 billion has been set aside from the current budget revenues to provide loans to the construction sector, small-and medium-size enterprises, and the agricultural sector, i.e., where the real economy and jobs are threatened. The government has categorically stated that national fund assets—which are to be employed only in investment projects and strictly in accordance to a Parliament-backed program—will not be used. Further measures to cushion the economic downturn include the postponement of the introduction of higher reserve requirements for banks, the redemption of short-term bank bonds before maturity, and allowing banks to borrow against the reserve accounts of the National Bank. With these measures in place, the economy should manage a respectable 6 percent growth in 2008, heralding another decade of opportunity. ■

PROFILE

AZAMAT IBADULLAYEV
Chief Executive Officer

**KAZAKHSTAN
MORTGAGE COMPANY**

Making the Kazakh Dream
Home a Reality

One of the priorities of the government's 2030 Strategy has been to promote access to better quality housing for Kazakhstan's people. The solution to this challenge, in large part, has been met by the Kazakhstan Mortgage Company (KMC). KMC provides refinancing to banks and non-bank organizations by purchasing mortgage borrowers' loans. It then provides a sale-of-asset liquidity facility by signing an agreement with the partner bank to securitize their mortgage loans.

Yet there have been some difficulties. Critics point to distortions in the housing market and the emergence of speculative investors. Furthermore, with its primary objective having been achieved, there is now some debate about the future of KMC, with calls for it to be dissolved, amalgamated into the Kazyna fund, or even privatized. However, the success of the scheme is palpable: During the last six years, mortgage interest rates have dropped from 20 percent in 2001 to below 14 percent in 2007, loan terms have increased from three years to 20, and access to affordable housing loans has risen notably. By 2007, the total volume of outstanding mortgage loans was worth KZT 60 billion, and bonds were issued for the total amount of KZT 53 billion where income on the bond is exempted from taxation—making them particularly attractive to institutional investors. In the first quarter of 2008, KMC issued common shares that are listed on the Regional Financial Center in Almaty. Furthermore, a second stage of activity has begun with the formation of the State Program for Developing Housing, trusted with finding solutions to development issues in the housing sector. Whatever the final fate of KMC, it has certainly

played an important role in providing ordinary people with affordable homes all across the country.



CEOS' VERDICT

Peninsula Press posed the CEOs of three of the country's leading banks the following question:

“How is your bank positioned to weather the current credit crisis in Kazakhstan?”



ANDREY TIMCHENKO, Kazkommertsbank

Kazkommertsbank is in a pretty strong position. We have increased profits by 20 percent in the year to April, driven by widening the net interest margin. Our cost of funding has not yet increased substantially, and due to the shortage of financing, we managed to increase lending interest rates so that the net interest margin has widened more than 1.2 percent. We have more than enough liquidity (about US\$5 billion of liquid assets) on the balance sheet to cover our exposure. This year, we'll need to pay roughly US\$1.5 billion and another US\$1.3 billion next year. We expect to see some rise in non-performing loans, but our bad loans to total investment portfolio will still be relatively low, rising perhaps from something like 2 percent to 3 percent or from 3 percent to 3.5 percent max.




GRIGORI MARCHENKO, Halyk Bank

Several banks in Kazakhstan have been borrowing too heavily from the international capital markets, some with as much as 62 percent to 72 percent of their overall liabilities in foreign debt. In our case, it's below 30 percent. Many were also lending heavily to the construction sector in Almaty and Astana. We stopped lending to this sector in April 2006 because we saw the crisis coming. We didn't get involved with unsecured consumer lending, which, although it's very profitable, is at the same time a very risky business. So, our exposure to unsecured consumer loans is zero. Last year, the growth of the country's banking sector was around 30 percent; our growth was 61 percent. So, we are quite confident with the way things are developing. We have 20 big customers in Kazakhstan, and the economy is still growing strongly.



SIMEN MUNTER, HSBC

HSBC is such a tremendously large and successful institution that the situation specifically in Kazakhstan affects us less than many of our competitors. We aim to be seen as the best bank for businesses, and especially for international business. We are very good at helping people on their way into Kazakhstan or helping Kazakhs looking to do business abroad. It is clear that the challenge is on the credit side here at the moment. They are having a difficult time because of their need to find funding to meet these challenges, and that will for remain for some time. No one disagrees that there was a property bubble. At HSBC, we don't have much capital deployed in the country this year, but hopefully next year we will. I think it's very difficult not to see a future in which Kazakhstan is rich and successful, and we will be here with them.



Sat&Co
MANAGING COMPANY

The best solution for your business in Kazakhstan

www.sat.kz

KAZAKHSTAN 2030

WEANING A COUNTRY OFF OIL

President Nazarbayev's affirmation that Kazakhstan needs to act today in the certain knowledge that there will be no oil revenues tomorrow could not be clearer. Perversely, sky-high oil prices—themselves a function of high demand for a scarce commodity—often provide both the capital for such visionary schemes and act as a disincentive for their own execution.

Kazakhstan makes no secret of the fact that it aims to become not just a regional, but a global, economic force. The president has continually reiterated his aim of transforming Kazakhstan into one of the world's 50 most competitive countries. In the medium term, there is no escaping the fact that extractive industries are and will continue to be the motor that drives this ambition. Nevertheless, ideas of economic sustainability have taken root in the nation's psyche. For these dreams to become a reality, the government knows that a full-scale economic diversification program must be adopted and implemented to create favorable economic and institutional conditions. Infrastructure modernization and industrial revitalization are at the heart of this policy, as are increased cooperation between the public and private sectors. The country's legal infrastructure has been reinforced and modifications made to the tax code, transferring a greater part of the tax burden to the oil and gas companies. This, it is hoped, will provide extra resources to de-

velop the small-and medium-size businesses that have thus far benefited disproportionately little from the booming economic climate.

On the face of it, there is room for measured skepticism. With the possible exceptions of Norway and more recently the UAE, grand plans to diversify "hydrocarbon" economies have all too often seen empty cities built in inhospitable deserts. However, the European Bank for Development, which focuses on private-sector financing in the country, sees real commitment. "Progress has already been made," they claim. "President Nazarbayev himself has been willing

to take on board a lot of experiences from other places, be it the Norwegian example for the oil fund, or the Singaporean example for the Temasek or Samruk holdings in Kazakhstan." Unfortunately, Kazakhstan has not been immune to the ill winds of the global credit crisis; tighter lending policies have risked dampening growth in the non-oil economy, thereby jeopardizing the diversification plan targets, despite quick government intervention. It is at such times of difficulty that key policy initiatives such as Kazakhstan's strategy for accession to the World Trade Organization, serve to focus efforts and mobilize all quarters of the economic panorama. It is vital that the country does not lose sight of the target.

Yet, despite the inherent difficulties of the diversification program, many companies have successfully made the transition to a competitive market economy and stand as testament that it can be done. Byelkamit, once a Soviet

defense production facility now produces vessel equipment for the oil-and-gas, nuclear, metallurgy, and building industries. It was the first company in Kazakhstan to get an International Standards Organization qualification in 1997, and the first company in Central Asia to receive Associate of the American Society of Mechanical Engineers qualification. Today, it is a supplier to TengizChevrOil, the multinational oil-sector consortium headed by Chevron and the largest foreign-investment project in the country. With only 8 percent of oil equipment currently needed by oil companies being produced in Kazakhstan, there is ample room for further growth.

The Kazakhstan Kagazy paper plant is another example. Prior to construction of the plant in 2001, 100 percent of national paper consumption was imported from Russia and China. Despite a lack of raw timber input materials, the company estimated that it had huge stocks of used paper that were at that time being exported to Uzbekistan and Kyrgyzstan. The project has been a success: the plant's location in the south of Kazakhstan allows the company to cover the whole national territory as well as serve as a base for exports. Today, Kazakhstan Kagazy has 25 percent of the Central Asian market in Kazakhstan, Kyrgyzstan, Uzbekistan, and Tajikistan. Both these examples showcase the government's policy of replacing imported goods with domestically manufactured ones and overcoming the legacy of Soviet-era production models.

Officials hope that "Kazakhstan – 2030," the country's long-term development program, will turn the Central Asian state into a multifaceted economy that avoids the problems faced by other natural-resource-rich nations.

Arguably, the most important element of the diversification strategy, however, is infrastructure. Neither Byelkamit nor Kazakhstan Kagazy would have stood a chance without the means to receive raw materials or get their products to the market. So far, 80 key transport infrastructure projects have been earmarked for more than US\$30 billion of financing. From 2009, work will begin to construct toll highways in Kazakhstan, a first in the CIS and a good example of increasing private-sector investment in public schemes. Indeed, 70 percent of all infrastructure investments come from the private sector. International companies are also showing signs of interest in the non-oil and gas sector. American giant General Electric has jointly set up a locomotives factory in Astana with local firm Kazakhstan Temir Zholy to construct trains and wagons. It is hoped that the presence of a prestigious household name such as GE will encourage greater participation from abroad.

Attention is also being given to potential economic hot spots. The Special Economic Zone in Shymkent aims to create a textile cluster in the south of the country close to the Uzbekistan border. Greater integration of regional industrial centers to the Caspian Sea is also of paramount importance for political as well as economic reasons. For landlocked Kazakhstan, the Caspian is a vital artery to Europe. Indeed, it is the only way west without crossing Russian territory. With huge oil reserves located beneath its waters, there are still some unresolved sovereignty issues in the Caspian involving Azerbaijan and Russia. A project to double the capacity of Kazakhstan's most important port in the area, Aktau, are under way and should be completed by 2012. Aktau is the country's most important terminal, processing about 10 million tons of oil and about 2 million tons of dry cargo a year.

Power generation and transmission projects are also being favored. Kazakhstan

Development Bank is currently involved in the construction of the Moinak hydropower station in the south of the country and the modernization and extension of the Ekibastuz power station in the north. The construction of a new power station project in Balkhash in the east is much needed to alleviate chronic power shortages in the region. Balkhash is one of Samruk Holding's "breakthrough" projects, requiring US \$4.7 billion in investment. Other investments under review include metallurgic works for aluminium and steel production, petrochemical plants, and investments in the agriculture sector. If even half of these projects come to fruition, they will constitute a significant step toward President Nazarbayev's Kazakhstan – 2030 objectives. The risk is that if oil and gas prices stay at current levels for a sustained period or rise—as they are expected to do—the government may fall into complacency or become distracted. That to date it has shown no signs of doing so is worthy of admiration. ■



Kazakhstan's first private oil company
established in 1994

Deposit mining was started in 1997.
Daily output is 270 – 280 tons
More than 80% of oil is exported to Europe

6, Kurmangazy str • Atyrau 060 009 • Republic of Kazakhstan
Phone: +7 (7122) 762 051, 762 058 • Fax: +7 (7122) 762 057 • e-mail: anaco@anaco.kz - www.anaco.kz





Development Bank of Kazakhstan



Republic of Kazakhstan, 01 00 00
Astana city, 6, 35th street, "Kazyna Tower"
Tel. : +7(7172) 79 26 00 – Fax. : +7(7172) 79 26 38
E-mail: info@kdb.kz – website www.kdb.kz

Engineering the new economy

KAZYNA

Planning for When the Wells Run Dry

Kazakhstan's Sustainable Development Fund is a key stabilizer in the country's economy and a main driver behind the government's diversification strategy

A major implication of economic globalization is that if developing countries rely heavily on natural resources, they are destined to become trapped in low-value-added activities. Such is the premise for the foundation of Kazakhstan's Sustainable Development Fund, Kazyna. It's objectives are clear: to raise productivity by diversifying the economic base away from oil; to enhance education and industry-specific skills; to promote innovation, research, and creativity; and to support entrepreneurship. To achieve this, Kazyna brings together the



ARMAN DUNAEV

country's many established development institutes to better coordinate their efforts of supporting and facilitating sustainable growth. Previously, each of these agencies filled a gap that the private sector was unable or unwilling to occupy in an economy transitioning from communism.

Under Kazyna, they work in harmony to launch "breakthrough projects" that will have sustainable long-term impacts on the economy. Such projects broadly fall into two categories: infrastructure and the creation of export-oriented goods and services. Naturally, Mr. Dunaev, the chairman, is upbeat

about the current investment environment. "There are many opportunities today in Kazakhstan. Territorially, Kazakhstan is a huge country, and it is situated between two giant global markets, China and Europe, and Russia as well, of course." Integrated transport infrastructure projects aim to create the conditions to facilitate East-West trade passing from China through Kazakhstan to deliver goods to Europe; in essence a revival of the historic Silk Road. The results so far add credibility to his optimism; Kazyna's investment portfolio grew from US\$1.2 billion at the beginning of 2005 to US\$3.5 billion by the start of 2007. By 2008, total investment is expected to surpass US\$6 billion, rising to US\$10 billion by 2009. ■

Q & A

ZHANAT ZHAKANOV
President

Development Bank of Kazakhstan

Using Oil Revenue to Diversify away from the “Hydrocarbon Curse”

What is the DBK's mandate?

The bank was founded to diversify the economy. This year, we plan to invest about US\$3 billion in sectors that are not related to oil, gas, and mining. We have already allocated US\$1 billion to 150 investment projects, mostly in infrastructure and industrial sectors: processing, the petrochemical industry, machinery, metallurgy, agribusiness, etc. We also have some large-scale power stations and power-transmission projects, which are a priority for us right now.

What are your investment criteria?

Our ideal investment structure for domestic projects is to have a local investor, a strategic foreign investor, and a large foreign company with brand, experience, and technology. A good shareholder structure would be 20 percent to 30 percent of equity to which we would then provide 70 percent to 80 percent of debt. We also invest in projects abroad if they help the development of Kazakhstan's economy. Each dollar that we put into the project attracts about US\$3.50 from other sources, including investors and lenders. In these terms, DBK is a very powerful tool to attract investors.

How is the DBK perceived internationally as an investment partner?

We are a quasi-sovereign institution. We are fully owned by Kazyna, which is in turn fully owned by the state. This is very important for investors because we have all the necessary support in terms of capitalization and budget finance, yet the bank is independent in operating and business decisions.



INTERVIEW

VEYSEL ARAL
Chief Executive Officer

K'cell

Dialing into the Global Village

With more than 7 million subscribers, GSM Kazakhstan—or K'cell as it is commercially known—has been the leading player in Kazakhstan's mobile communications sector since its creation in 1998.

"Telecommunication is like breathing; you'll only know about it when it's cut off." Such statements give a good insight into the thought patterns of Veyssel Aral, who in November of last year was appointed CEO of GSM Kazakhstan, the country's largest mobile telecommunications provider, with more than 7 million subscribers in a country of 15 million citizens. Established in 1998, GSM Kazakhstan—or K'cell, as it is commercially known—has been the leading player in Kazakhstan's mobile communications sector since its inception. With this precedent behind him, the new CEO is very clear about how he sees the company's future: "Telecommunication will continue to play a key role in the diversification of the economy in Kazakhstan, with its huge potential of creating added value for the country."

On closer examination, the colorful, Turkish-born Mr. Aral is somewhat of a natural choice to head such a pivotal position in Kazakhstan's multicultural environment. Encouraged by his father from an early age to "learn English and become an engineer," he is infused with a passion for Turkish Ottoman history. Initially trained as a telecommunications engineer with the Turkish National Railway, he then cut his teeth with Ericsson in prickly markets such as Iran, Turkey, Pakistan, and Azerbaijan before taking up the post in Kazakhstan. That experience has left him in no doubt about the importance of the sector. "Today, anyone who is not connected to some means of telecommunication is isolated from the rest of the world," he reflects. Luckily, K'cell can call on a strong shareholder and management structure behind it. It is part of the TeliaSonera family of companies, Scandinavia's largest telecommunications operator, which through its

affiliates and investments is successfully operating in rapidly developing countries across the region. Mr. Aral was also quick to recognize Kazakhstan's own special set of conditions. "Geographically, Kazakhstan is a huge country, and technically this makes our work more challenging."

The importance of K'cell to the country's prosperity cannot be underestimated. In this regard, K'cell's objectives and President Nazarbayev's vision for the country are well in step. "One of the president's most important statements is that he wants to diversify the economy, and telecommunications play an important role in that. At K'cell, we believe that communication is one of the main needs of a social individual and for the prosperity of our people." K'cell is committed to providing high-quality cellular communication available to all of Kazakhstan's citizens. It also aims to provide 100 percent coverage on highways and trunk railways of national and international importance. In order to achieve this, K'cell invested more than US\$200 million in the telecommunications sector in 2007, putting up 961 new communication sites, and has set an aggressive target of 1,300 more by the end of 2008. "By 2007, we had covered all cities with more than 5,000 in population, and now we will concentrate on giving coverage to settlements of 2,000 or more citizens," explains Mr. Aral, declaring with pride that K'cell's number of subscribers has reached 7 million and will surpass 8 million before the end of 2008.

Mr. Aral's experience in the region also gives him an insight to the opportunities. "Kazakhstan is among those countries where there are more mobile subscribers than fixed-line subscribers. The population is young, open to technology, and very quickly integrating into the globalized world." In 2007, the mobile penetration level was 80 percent. By the end of 2008, Mr. Aral expects it to exceed 100 percent. These figures, he insists, show that Kazakhstan is now a mature market, yet he underlines constant innovation as the cornerstone of the company's ability to add value. Currently, the company is preparing for the implementation of a third-generation cellular network-3G. "With this new technology, we will be able to offer 3G services based on high-speed data transfer methods like video call, mobile TV, video channel, and the mobile Internet. We believe that this technology will be very useful, especially for the businesspeople and entrepreneurs of our country."





Constructing the edge...

KHAN SHATYR ENTERTAINMENT CENTER
Astana-KZK



DUBAI WORLD
Dubai-UAE



PALACE OF PEACE
Astana-KZK



RIXOS HOTEL PREMIUM BELEK
Antalya-TR



RIXOS HOTEL LIBERTAS
Dubrovnik-CR



Istanbul Main Office:
Basin Ekspres Yolu, Cermal Ulusoy Cad.No:1 Kat:2 34530 Yenibosna/ISTANBUL
Tel: +90 0212 411 34 00 Fax: +90 0212 411 34 10

www.sembolinsaat.com.tr





www.kazkommertsbank.com Head office
135zh Gagarin Ave, 050060, Almaty,
Kazakhstan. Tel: +7 7272 585 125, 585 444,
Fax 585 242

L. KAZKOMMERTSBANK

ATAMEKEN

A Unifying Force

Azuat Peruashev, head of the Atameken National Union of Entrepreneurs, says that his organization is more than a business group.



AZUAT PERUASHEV

Mr. Azuat Peruashev, the chairman of the powerful Atameken National Union of Entrepreneurs, explains the role of the organization. "Because businesses are sometimes tempted to behave badly with competitors in order to maximize short-term profit," he says, "the first aim of the union is the revelation, formation, and expression of the consolidated interests of Kazakhstan's business community." Effectively, Atameken views business as a social movement of consolidated interests in which all businessmen have common fundamental tasks. "One of our objectives is to form and bring to light those tasks, where there is a misunderstanding and reluctance in participating in this process," he elaborates. Other objectives include the protection of the interests of private business from external threats; to help Kazakh businesses become members of the world's entrepreneurial communi-

ty through active participation in international forums and associations; and, lastly, to establish principles of corporate social responsibility. More than just a traditional defender of social economic values, Atameken is concerned with challenging the way its citizens fundamentally think.

"I met politicians from different countries, and they couldn't recognize Kazakhstan today. Not in terms of buildings, but in terms of how people think. A rapid improvement of the culture has taken place; styles of dressing and behavior have changed." Mr. Peruashev believes that it is ultimately more important to transform the way of thinking in the country than any one specific project. "If we form the right way of thinking, building roads is not a big deal. We have almost reformed our consciousness. This country has a market economy, which becomes stronger after the crisis." On a recent trip to the United States, Mr. Peruashev was fascinated by the "direct link between managers' and ordinary workers' salaries with company's overall profitability." He will be a vocal campaigner for progress for many years to come. ■

SEMBOL

Building New Oases out on the Steppe

Aytekin Gultekin, chairman of the Turkish firm Sembol Construction, is a man who not only overcomes difficulties, he welcomes them.



AYTEKIN GULTEKIN

"My partner and I don't like routine things," he says. "We like challenges. Feeling that you are doing something, adding and creating value, is more important than money." In Astana, Gultekin has found his ideal canvas. The capital on the steppe allows the Turkish-born Gultekin to test his abilities in an ever-changing environment and to help forge Kazakhstan's identity and its image in the world abroad. In addition to building and operating the Rixos Hotel, one of the capital's flagship establishments, Sembol was the lead firm in the construction of the Pyramid of Peace—Astana's 30,000-square-meter meeting center and monument to international understanding, designed by inter-

nationally renowned British architect Norman Foster. Gultekin says that despite such logistical challenges as needing 20 days to bring in materials overland from Istanbul, the project was completed in record time.

Now Sembol has embarked on another historic undertaking: the gargantuan "Khan Shatyr," or "Khan's Palace"—a Norman Foster-designed glass and steel "city under a tent," with apartments, office space, shops, restaurants, sports facilities, and even a sand beach. "I think Astana is one of the fastest-growing cities in the world. We are happy to participate in this growth," Gultekin says. "When we open the project, it will be another promotion for Kazakhstan. It will show that there is this kind of knowledge in Kazakhstan, and people are trying to build something different from anything done before." ■



USA Office
1050 Connecticut Avenue, NW
10th floor, Suite 1000
Washington, DC 20036 - USA
Tel +1 202 772 1090
Fax +1 202 772 3101

Spain Office
Paseo de la Castellana, 95
15 Planta
28046 Madrid - Spain
Tel +34 91 418 50 32
Fax +34 91 418 50 55

www.peninsula-press.com
info@peninsula-press.com

Editor-in-Chief
Stella Klauhs

Regional Director
Rafael Muñoz

Project Coordinator
Marie Jung

Research Director
Justin Connor

Writer
Matthew Denyer

Creative Director
Nuno Teixeira


Photography
Peninsula Press




Quality Clothing

4 Sauranbayev str. • 050011
Almaty • Republic of Kazakhstan


Tel.: +7 (727) 235 8515
Fax: +7 (727) 235 2420
Mob.: +7 70171138 09
www.textiline.kz • zhulya@textiline.kz




Since 1997 the company "Catkaz Limited" has provided workover, completion and drilling services to the oil fields of Western Kazakhstan.



The company has extensive experience in the industry — a reason why its services are preferred by well-known oil companies.



Address: Republic of Kazakhstan, Mangystau region, T30000
Aktau city, 22 mnd, 22 000 "Catkaz", 404 suite
tel: +7 (7292) 53 40-25, 53 46-93 | Fax: +7 (7292) 53 10-85
www.catkaz.kz



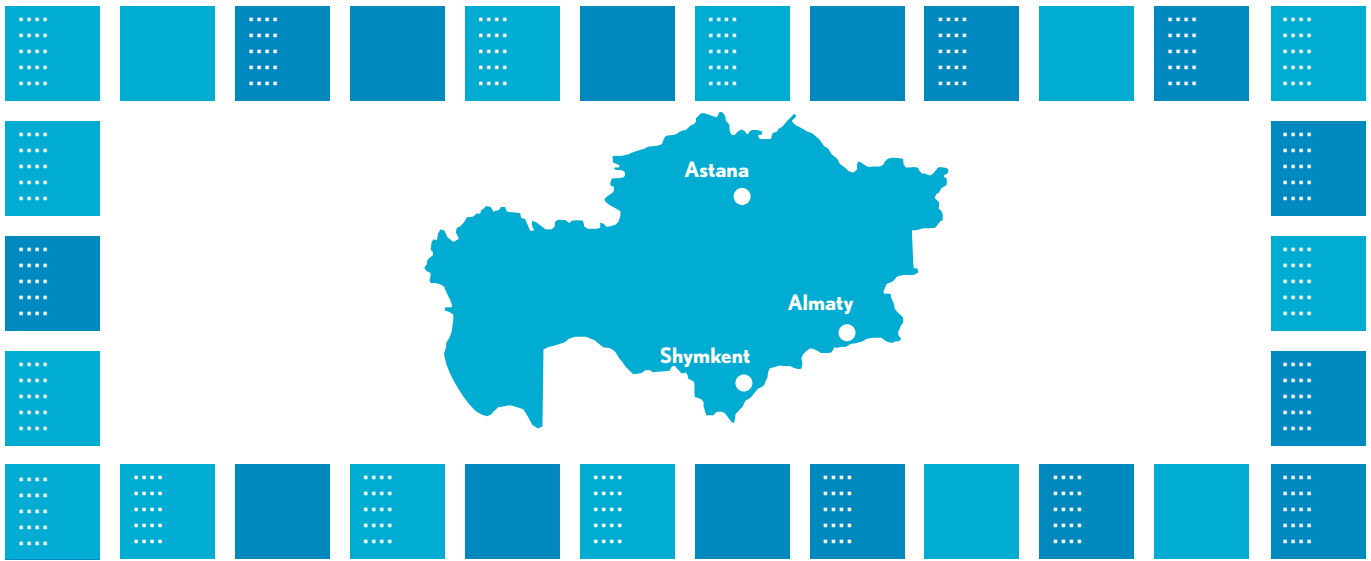
Successfull Stationery

"ABDI Company" JSC
465/191, Seyfullin Avenue
Almaty, 050050, Republic of Kazakhstan

Tel.: +7 (327) 2985794 • Fax: +7 (327) 2333523
office@abdi.kz • sekretar@abdi.kz
www.abdi.kz

SEZ "Ontustik"

A textile paradise at the heart of Central Asia



SEZ 'Onustik' is the Special Economic Zone of the region of Shymkent in south Kazakhstan. Given the presence of raw materials, the tradition, the expertise of our workforce and the strategic location of Shymkent at the crossroads of Central Asia, we are creating a textile paradise.

16 08 02, Republic of Kazakhstan • South Kazakhstan region, Shymkent • Lenger highway, 7km
Tel.: +7 (7252) 922 002 / 003 / 004 • E-mail: info@textilezone.kz • Web-site: www.Textilezone.kz

Turning heavy into light since 2002



Trans Ast Ltd L.L.C. was founded in 2002 to cater for the growing demand for inland heavy transportation in Kazakhstan. Since then, business in our company has expanded to construction - of buildings, highways and railways. We are also exploring new opportunities in our neighboring countries such as China, Uzbekistan and Kyrgystan.

**trans
ast**