

The Kazakhstan opportunity

Kazakhstan, like much of the world, suffered its fair share from the global financial crisis, but the economy has come out the other side in a relatively healthy condition, enjoying robust real economic growth, with some estimates seeing GDP climbing by 5.8% and 6.3% in 2012 and 2013. There have been casualties, but Kazakhstan has managed to position itself as the Central Asian country of opportunity and the one to invest in.



Mr. Mark Smith
Managing Partner, Deloitte Caspian Region

The mainstay of the national economy is still the oil & gas industry, unsurprising as Kazakhstan ranks 6th in the world in terms of recoverable reserves, many of which are still to be properly explored.

Second only to oil & gas in Kazakhstan is the mining industry, representing about 27% of the country's GDP and, according to international investors, still showing "colossal" potential. Prices for its main minerals such as uranium, zinc and copper are up generally, while the country's relatively untapped reserves of gold, whose price has skyrocketed of late, are ranked the 8th largest in the world. Opportunities for mining investment have rarely looked better.

The government is leveraging its resource riches with its National Fund, which has assets of over US\$ 50 billion to help boost stable economic growth far into the future. In 2010, the president stated in his annual address that his main goal is to guarantee the country's economic growth in the coming decade and to open the road to new opportunities. Part of this includes further promoting the diversification of the economy (the focus of the country's Strategic Development Plan for 2010-2020) and generally making it easier to do business in Kazakhstan. For example, in recent years, the government has used joint ventures as an effective tool to bring in the foreign expertise and capital it needs to co-fund industries such as construction, logistics, petrochemicals, manufacturing and IT, which have hitherto suffered due to the concentration on oil & gas and mining.

Kazakhstan also has significant potential to attract investment in the renewable energy sector, and the Islamic Development Bank is preparing to establish a USD 50 million fund to be directed at potential solar and wind projects on the country's open steppe. The bank's private sector arm, the Islamic Corporation for the Development of the Private Sector (ICD), is also considering investing in agribusiness in the country, with particular attention being paid to grain, meat and dairy projects; Kazakhstan is already one of the world's top 10 exporters of grain.

Another initiative that has found its way to the forefront of government thinking in the last decade or so has been that of Kazakhstan as the transport and logistics link between the Asian-Pacific and European markets. The greatest evidence of this so far has been the creation of the Khorgos East Gate Special Economic Zone (SEZ) on the Kazakhstan-China border to generate opportunities such as a storage and transport facility, food production,

EXPERT OPINION

textile manufacturing, chemical and metal treatment base, which, if successful, should get the ball rolling for similar projects.

Along with the Khorgos project (representing the logistics industry), the government has set up numerous other SEZs to help diversify the economy away from mineral resources. Nine zones have been set up with varying levels of success, offering incentives to foreign and domestic investors to set up businesses there.

Political stability plays an important part in any country's ability to attract foreign investment, and despite rumblings of a lack of any clear succession plan for when President Nazarbayev does retire,

the government's stability, relative openness and readiness to listen to investors has so far been one of Kazakhstan's trump cards.

This is evidenced in Ease of Doing Business data released by the World Bank for 2012, in which Kazakhstan has risen to 49th out of a total 183 countries – a significant achievement, especially when its closest neighbours Russia and China rank 112th and 91st respectively.

Clearly, Kazakhstan remains an attractive place to invest in, and if the government can capitalise on everything the country has to offer and continue on its path of diversifying its investment, then the future does indeed look bright.