

— THE REPUBLIC OF KAZAKHSTAN —

The Heart of Central Asia

TEXT International Affairs, Chamber of Commerce

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Republic of Kazakhstan 🇰🇿

Facts & figures

Political capital: Astana

Top Business cities: Astana, Almaty

Business languages: Russian, English

Business currency: Tenge

Working days: Monday to Friday (and Saturday for some)

Time-zone: UTC + 5 or UTC + 6 (West / East)

Climate: Continental

Surface: 2,724,900 sq km (1054 times Luxembourg)

Population: 19,543,464 (2023 est.)

GDP per capita (PPP): 28,684.9 (2021) 57 in the world ranking (Luxembourg is 3rd)

Growth rate: 3,2% (2022)

Inflation rate: 15,0% (2022)

Unemployment rate: 5,0% (2022)

Ease of doing business: 25 among 190 countries ranked by World Bank (Luxembourg is 66th)

Exports: 66,124,956.01 (2021) – 33,5% of GDP

Imports: 47,301,125.71 (2021) – 24,0% of GDP

Logistics Performance Index: 79 out of 160 countries ranked by World Bank (Luxembourg is 24th)

Corruption indicator: 36 on a scale of 0 (highly corrupt) to 100 (very clean)

Main economic sectors:

Agriculture: 5% (2021)

Industry: 35.3% (2021)

Services: 53.9% (2021)

Country risk classification (OECD): 5 on a scale of 0 to 7. The lower the number, the better the country's creditworthiness.

Sources: CIA World Factbook, World Bank, OECD, Coface, Transparency International, Sztatistika.com

Kazakhstan, the ninth-largest country in the world in terms of territory, is noted for its tremendous hospitality, a traditional drink called “Kumys”, and the endless Kazakh steppe. But not only. Due to its strategic position as a multinational economic overland and maritime corridor between China and Europe, coupled with achieved results in various economic reforms, this country showcases promising momentum for doing business, while foreign financiers can invest themselves into a large scope of sectors.

The Republic of Kazakhstan is the largest landlocked country in the world, which is located at the crossroads of key international trade corridors (with neighboring China, Russia, Kyrgyzstan, Uzbekistan and Turkmenistan). Its beautiful and spatial landscape fascinates a viewer's eye: from steppes that occupy 26% of the country's territory, to deserts and semi-deserts that make up 58%, in addition to forests that account for 5.5%. Rich in natural resources, Kazakhstan possesses significant reserves in zinc, tungsten, barite, silver, lead, chromite, copper and fluorite, to name a few. Also, Kazakhstan is ranked twelfth globally and second in Eurasia in proven oil reserves, and it has significant gas potential, factors that remain the crucial prospects for economic development of the country.

Economic overview

Kazakhstan is the leading economy in Central Asia. Since 1991, the country has experienced impressive economic growth due to the market-oriented reforms and strong Foreign Direct Investments with the focus on the energy sector. Currently, the Republic of Kazakhstan has an upper middle-income economy, with rising living standards and gradual reduction of poverty. In 2012, the Strategy Kazakhstan 2050 was launched with three key aims regarding future positioning in the world: defining new markets where Kazakhstan can form productive partnerships and creating new sources of economic growth; creating a favorable investment climate; and

effectively develop and modernise the public and private sectors. The country has been a member of the Eurasian Economic Union since 2015 and, simultaneously, it focuses on cooperation opportunities with the EU.

From a practical point of view, the economic ties of Kazakhstan with the EU have been multi-faceted. The EU accounts for 30% of Kazakhstan's external trade and plays the role of the main foreign investor. Considering the strong links between the Republic of Kazakhstan and the European Union, Kazakhstan prepared the state programme “Path to Europe” in 2008, which was the one of the steps in making the strategic partnership with the EU more operational. As a consequence, both parties signed the Enhanced Partnership and Cooperation Agreement (EPCA) in 2020, making Kazakhstan the first country in the Central Asia to have concluded this type of agreement with the EU. Trade links dominated the bilateral EU-Kazakh agenda for some time, before expanding to other areas, including education, culture and people-to-people connection.

Key Sectors

Last year, Luxembourg and Kazakhstan celebrated 30 years of diplomatic relations, and both capitals have underlined the benefits of economic cooperation in the fields of services and finance, digitalization, technology, as well as sustainable and green development. On the bilateral level, Luxembourg and Kazakhstan have signed a convention

Atyrau Bridge and Office Buildings in Astana



for the avoidance of double taxation and the prevention of fiscal evasion.

Finance

Recently, the Kazakh banking sector has been resilient to stresses in the economic environment. However, experts note that banking regulations remains vague, and the financial sector tends to swing in commodity prices and various external factors. Overall, the Kazakh economic model is based on the idea of a proactive role of government in the attraction of foreign capital. One of the actions applied to improve the financial system, was the introduction of various institutions that aim to help companies to establish its entities in the country. For example, the Astana International Financial Center (AIFC) opened in July 2018, which is a regional center for international business and finance and connects the economies in Central Asia. The AIFC aims to become the leading financial center in the region. Another actor is Kazakh Invest, a national company that was established with the mission of the promotion of sustainable socio-economic development of the Republic of Kazakhstan.

ICT and High-Tech

In 2022, the Republic of Kazakhstan has set the ambitious goal to ensure 100 percent

coverage of the country with high-quality internet by 2025. Thus, the Government actively invests in digitalising its economy and governance structures, facilitating business opportunities in this emerging market. As of 2021, the ICT market in Kazakhstan is valued at USD 2.3 billion, which accounts for 3% of the country's GDP. Within the total Kazakhstani ICT market, telecommunication and information technology sectors share a significant share, making up 66% and 34% respectively. The ICT sector has experienced rapid growth, supported by initiatives, such as the Astana Technology Park, which operates in the Special Economic Zone and provides attractive tax benefits. On another note, the Astana Hub, the largest IT international techno-park for startups in Central Asia, further enhances the IT ecosystem in the country.

Sustainable and green development

According to the Green Economy Plan, Kazakhstan is one of the most ambitious countries in the Europe and Central Asia, which has a target of meeting 50% of its alternative and renewable sources by 2050. Also, based on the National Action Plan on Sustainable Consumption and Production, in order to achieve its ambitious target of carbon neutrality by 2060, Kazakhstan aims to

attract sustainable finance and investment. The Kazakh Ministry of National Economy has projected that this transformation will require investments of USD 647.5 billion in the next 4 decades. According to the United Nations Development Programme (UNDP), the private sector is expected to provide 96.5% of the financing in this regard.

Logistics

Kazakhstan is emerging as a major transport and logistics hub for intercontinental exchanges. The Republic of Kazakhstan accounts for 70% of transit traffic passing between China and Europe, with a location along the New Silk Road. This geographical advantage gives a chance to experience the major infrastructure development, as well as the deepening of the region's existing relations with other parts of the world.

Two cities to know about

Astana, the capital city of Kazakhstan, represents the main political and bureaucratic center of the country. It was called Akmolinsk (until 1961), Tselinograd (1961-1992), Akmola (1992-1998), and most recently, Nur-Sultan (2019-2022).

Back in 2017, Astana successfully hosted the World EXPO on the topic of „Future Energy” and “Solutions for Tackling Humankind's Greatest Challenge”, while gathering representatives from 115 states. Luxembourg had its own Pavilion, which was the result of the partnership between the Ministry of the Economy and the Chamber of Commerce with a delegation of 21 Luxembourg companies.

Almaty, Kazakhstan's capital city until 1997. It derives from the Kazakh word and means “rich in apples”. Despite efforts to move the business community to the new capital - Astana, Almaty remains the major economic, financial, commercial, and cultural center of the country. Consequently, it has the largest population center with about 1.7 million inhabitants. —

Go International

Companies interested in exploring the Kazakh market are invited to join the trade mission to Kazakhstan (Astana and Almaty) that will take place on 2-6 October 2023. For more information, please visit the website of the Chamber of Commerce: <https://www.cc.lu/agenda/gointernational/detail/trade-mission-to-kazakhstan>

Useful contacts

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