

# **Kazakhstan: New investment climate and economic policy in action**

A message from the Ambassador of Kazakhstan Galymzhan Koishybayev.

Since gaining its independence 23 years ago, Kazakhstan has gone through the stages of formation of the market-oriented national economy. Today, despite weak economic growth globally, Kazakhstan has demonstrated good growth of the gross domestic product (6 per cent) and has one of the best indexes in terms of GDP per capita among the Commonwealth Independent States – about 13,000 US dollars in 2013. According to preliminary estimations, economic growth in 2014 will remain at last year's level. This indicates a healthy economic situation and the development of the country.

Kazakhstan is conducting deliberate policy in order to attract foreign investments: a favourable investment climate has been created, a simplified tax regime is in operation and national legislation is improving year-by-year. Complex measures that have been taken that have allowed Kazakhstan to become one of the 50 most competitive countries of the world in 2013 and take 10th place among 185 countries globally via the "investor protection" indicator of Global Competitiveness Index. Furthermore, Kazakhstan took 50th place in the updated ranking of the "Doing Business 2014" of the World Bank and has the most favourable position in comparison with other Customs Union countries' conditions for business.

Kazakhstan attracts appreciable foreign direct investments in its economy: from 2005 to the first quarter of 2014 the country received 189.7 billion US dollars, more than 120 billion of which was attracted during the last five years. Thus, even during the Global Financial Crisis the country's investment climate and macroeconomic situation remained stable and were credible for investors.

We do not intend to stop here. There is constant, ongoing work with improving the package of investment preferences. A landmark event occurred in June this year, with the adoption of the new Act aimed at improving the investment climate in the country. This new package involves the implementation of incentives for investors. These include exemption from corporate income tax and land tax for 10 years, and from property tax for eight years. Furthermore, there is State compensation of up to 30 per cent of capital costs after starting operations, attracting a labour force for the entire period of implementation of the investment project and one year after commissioning without any quotas and permits. The stability of the law in regards to increasing the rates of all taxes and charges is guaranteed – other than value added tax and excise duties. Finally, the "one window" principle and the "investment ombudsman" institute have been implemented when dealing with government agencies, and in order to protect the rights and interests of investors at the legislative level.

## **Further innovation**

Another innovation has been the unilateral cancellation of Kazakhstan visa requirements for citizens of ten states (the UK, Germany, Italy, Malaysia, Netherlands, UAE, USA, Korea, France and Japan) actively investing in the economy. There are already about 10,000 companies with foreign capital operating in Kazakhstan, including companies from the Fortune-500 list, as well as the necessary infrastructure – 10 special economic zones in various regions of the country provide benefits such as exemption from CIT, land tax, property tax, VAT for goods and free rental of land for 10 years.

Kazakhstan's competitive advantages with trade and investment include a favourable geographical location, which connects the main transcontinental routes of Asia-Pacific with Europe and the Middle East, as well as proximity to the world's fastest growing markets – China, Russia and India. The integration processes within the Customs Union also plays an important role. The Eurasian Economic Union, an upgraded CU, will enter into force on 1 January 2015 and opens a nationwide commodity

market with a total GDP of around 2 trillion US dollars and population of about 170 million people, creating new opportunities for investors and entrepreneurs in our country.

Kazakhstan is implementing a number of strategic policy documents in the economic sphere, such as the State program of industrial-innovative development for 2015-2019 (SPIID) and the concept of transition to a "green economy". For the implementation of the SPIID around 600 billion tenge from the country's budget will be allocated within five years and 1 trillion tenge from the National Fund. During the first five-year plan of industrialisation, despite the difficulties associated with the global economic crisis, Kazakhstan has managed to create new jobs and attract investors in the manufacturing sector of the economy. During this time, there have been more than 650 projects introduced, and the creation of about 70,000 jobs.

### **EXPO-2017**

It is expected that by 2050 up to 50 per cent of electricity will be provided by alternative and renewable energy sources, with an additional GDP growth of at least 3 per cent. In the context of these ambitious goals, the International Specialized Exhibition EXPO-2017 in Astana becomes a crucial event.

By noting the relevance of the exhibition's theme for the global community, and in particular for Finland, which has rich experience in the field of "clean" technologies, I would like to emphasise that the possibilities of the EXPO-2017 complex could be used to create a centre of learning and implementing the best global practices in the field of the energy future and "green economy". Hosting EXPO-2017 provides additional opportunities for infrastructure development in Kazakhstan's young capital, and it will give a new impetus to the development of the tourism sector, which will showcase country's investment opportunities.

I also would like to underline the importance of the Agreement on partnership and cooperation between Kazakhstan and the European Union signed in October this year, as well as the document which completed bilateral negotiations in the framework of Kazakhstan's accession to the World Trade Organization. Diplomatic relations between Kazakhstan and the EU were established 20 years ago, and during this time our interaction has progressively developed.

The European Union is one of the main political and economic partners of Kazakhstan. Half of the country's foreign trade and foreign direct investments belong to the EU. Kazakhstan has become the leading Central Asian trade partner of the united Europe. During the period from 1991 to the first quarter of 2014, the inflow of direct investments from the EU into the economy amounted to around 92.7 billion US dollars.

Kazakhstan is the only country in Central Asia to have signed a document with the EU, the so-called agreement of the second generation. This suggests that the relationships have been raised to a qualitatively new level, emphasising the strategic nature and maturity of the partnership. It covers political dialogue, including the promotion of international security and stability, as well as education, health, culture and innovation. We are determined to strengthen cooperation in the legal field, including combating terrorism, the fight against organised and transnational crime, and corruption. Also the new agreement reflects regional cooperation and a modernised trade section that will provide the conditions for success of Kazakhstani and European entrepreneurs.

The agreement of the second generation comprises some 280 pages and creates a legal basis for enhanced cooperation between Kazakhstan and the European Union. It provides the basic conditions for enhanced political dialogue, cooperation in the field of the interior, justice and other areas, and in promoting mutual trade and investment. It will greatly expand the scope of cooperation, including the economic and financial spheres, energy and transport, environment and agriculture, employment and

social affairs, research and space activities, consumer protection and regional cooperation, as well as in education and culture.