



The
**Pakistan
Business
Council**

FOSTERING ECONOMIC GROWTH
(A Company set up under Section 42 of the Companies Ordinance 1984)

2017

Republic of Kazakhstan

THE CENTRAL ASIA COUNTRY SERIES



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Acknowledgements:

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The Pakistan Business Council: **An Overview**

The Pakistan Business Council (PBC) is a business policy advocacy platform, established in 2005 by 14 (now 62) of Pakistan's largest private-sector businesses and conglomerates, including multinationals. PBC businesses cover nearly all sectors of the formal economy. It is a professionally-run organization headed by a full-time chief executive officer.

The PBC is a not-for-profit entity, registered under Section 42 of the Companies Ordinance 1984. Though it is not required under the law to do so, the PBC follows to the greatest extent possible, the Code of Corporate Governance as applicable to listed companies.

The PBC is a pan-industry advocacy group. It is not a trade body nor does it advocate for any specific business sector. Rather, its key advocacy thrust is on easing barriers to allow Pakistani businesses to compete in regional and global arenas. The PBC conducts research and holds conferences and seminars to facilitate the flow of relevant information to all stakeholders in order to help create an informed view on the major issues faced by Pakistan.

The PBC works closely with the relevant government departments, ministries, regulators and institutions, as well as other stakeholders including professional bodies, to develop consensus on major issues which impact the conduct of business in and from Pakistan. The PBC has submitted key position papers and recommendations to the government on legislation and other government policies affecting businesses. It also serves on various taskforces and committees of the Government of Pakistan as well as those of the State Bank, SECP and other regulators with the objective to provide policy assistance on new initiatives and reforms.

The PBC's **Founding Objectives:**

The major objectives of the PBC as stated in its founding documents are:

- To provide for the formation and exchange of views on any question connected with the conduct of business in and from Pakistan.
- To conduct, organize, set up, administer and manage campaigns, surveys, focus groups, workshops, seminars and field works for carrying out research and raising awareness in regard to matters affecting businesses in Pakistan.
- To acquire, collect, compile, analyze, publish and provide statistics, data analysis and other information relating to businesses of any kind, nature or description and on opportunities for such businesses within and outside Pakistan.
- To promote and facilitate the integration of businesses in Pakistan into the World economy and to encourage in the development and growth of Pakistani multinationals.
- To interact with governments in the economic development of Pakistan and to facilitate, foster and further the economic, social and human resource development of Pakistan.

More information on the PBC, its members, and its workings, can be found on its website: www.pbc.org.pk

The PBC's Member Companies

 Abbott A Promise for Life	 AkzoNobel	 Allied Bank	 Artistic Milliners	 Atlas
 Bank Alfalah Limited	 CHERAT CEMENT	 Coca-Cola	 COLGATE-PALMOLIVE	 Dawood Hercules
 DESCON	 efu	 The Legend Leads... English Biscuit Manufacturers	 engro corp	 engro foods
 faysabank	 FEROZSONS LABORATORIES LIMITED	 GATRON	 Getz pharma	 gsk GlaxoSmithKline
 gsk GlaxoSmithKline Consumer Healthcare	 GulAhmed TEXTILE MILLS LIMITED, KARACHI	 HBL	 HASCOL	 HUBCO
 ICI PAKISTAN	 interloop	 INTERNATIONAL INDUSTRIES LTD.	 INDUS GROUP	 TOYOTA DAIHATSU INDUS MOTOR COMPANY LIMITED
 JDW	 KE KARACHI ELECTRIC SUPPLY CO. LTD.	 LOTTE	 LUCKY CEMENT	 MEGA MEGA CONGLOMERATE

The PBC's Member Companies

 <p>Millat Tractors Ltd</p>	 <p>National FOODS SINCE 1970</p>	 <p>Nestlé</p>	 <p>NISHAT MILLS LTD</p>	 <p>Martin Dow <i>Pharmaceutical for a Changing World</i></p>
 <p>PACKAGES Limited</p>	 <p>pakarab FERTILIZERS LIMITED</p>	 <p>optel hello to the future</p>	 <p>PAKISTAN TOBACCO COMPANY</p>	 <p>PHILLIP MORRIS INTERNATIONAL</p>
 <p>Reckitt Benckiser</p>	 <p>SAIF GROUP</p>	 <p>Sapphire</p>	 <p>SIGPA</p>	 <p>SIEMENS</p>
 <p>Soneri Bank</p>	 <p>SOORTY World of Zoam</p>	 <p>HUTCHISON PORTS PAKISTAN South Asia Pakistan Terminals</p>	 <p>Standard Chartered</p>	 <p>SPEL Synthetic Products Enterprises Limited</p>
 <p>TAPAL</p>	 <p>TCS WE MOVE YOU</p>	 <p>PROTECTS Tetra Pak WHAT'S GOOD</p>	 <p>TPL Holdings Tomorrow Delivered Today</p>	 <p>Tufail Chemical Industries Limited</p>
 <p>UBL</p>	 <p>Unilever</p>			

Executive Summary

The Pakistan Business Council since 2015 has been doing studies of regional markets with which Pakistan traditionally has not had strong trade relations. The objective of these studies is to highlight the business opportunities in major countries of these regions. In 2015, the PBC did an Africa Country Series in which 6 countries of Africa were highlighted. In 2016, focus was on the South American Countries and 5 countries of South America were featured. In 2017 the 5 countries of Central Asia are being introduced to Pakistani businesses with the first in the Series “Republic of Uzbekistan” having already been published. This Country Profile covering the “Republic of Kazakhstan” is the second in the series.

The Republic of Kazakhstan is a transcontinental country in Central Asia and Europe with a total area of 2,724,900 km² and 14 administrative regions. The population of Kazakhstan in 2017 was estimated at 18,096,291 out of which around 70% are Muslims.

Kazakhstan declared independence from the Soviet Union in December 1991, and Nursultan Nazarbayev was elected the first Kazakh President.

A comparison of economic profiles of Pakistan and Kazakhstan is depicted in the following table.

Population	Pakistan 207,774,520 (Census)			Kazakhstan 18,096,291 (Estimate)		
	2014	2015	2016	2014	2015	2016
GDP (current US\$ Billion)	244.36	271.05	283.66	221.42	184.39	133.66
GDP growth rate (%)	4.67	4.71	5.74	4.20	1.20	1.00
Population (Million)	185.55	189.38	193.20	17.29	17.54	17.80
FDI, net inflows (BoP, current US\$ Billion)	1.87	0.98	N/A	7.09	6.58	N/A
GNI per capita (current US\$ Million)	0.14	0.15	0.16	2.06	2.19	2.33
Official Exchange Rate (LCU per US\$)	101.10	102.77	104.77	179.19	221.73	342.16

The rising growth rate of the country stems from the increasing production of petroleum and their rising prices over time. More than 75% of exports from Kazakhstan comprise of natural fuels. Most of Kazakhstan’s trade is with China, Russia and Uzbekistan. With the 11th largest reserves of petroleum and natural gas, the development of fossil fuels has led to a 13% contribution to the GDP, with agriculture contributing 5% and tourism 0.3%. Prominent tourist attractions in Kazakhstan include Saryarka Steppe, Western Tien-Shan and various other UNESCO Heritage sites.

Trade plays a significant role in the economy of the country, with total exports in 2016 amounting to US \$36.78 billion and the total imports being US \$25.17 billion, this resulted in a positive trade balance of US \$11.60 billion. As mentioned above, fuel and mining products are the major exports, followed by manufactured goods and agricultural products. The major imports of Kazakhstan include mechanical appliances, electrical machinery, iron and steel products and pharmaceutical products amongst others.

The positive trade balance of Kazakhstan with the Central Asian countries has decreased significantly. Trade with Russia, however, has been moderately successful as it is based on more than 300 treaties. The major exports include Aluminum oxide at \$311.06 million, Natural Uranium at \$245.02 million, Iron ores at \$209.40 million and products of iron and steel at

\$137.58 million, in 2016. The main imports of Kazakhstan from the Central Asian countries in 2016 included petroleum at \$384.75 million, medium oils at \$255.46 million, metal-ores at \$197.53 million, natural gas at \$171.57 million and motor vehicles at \$168.61 million.

Turkey is a major trading & investment partner for Kazakhstan with major commodities being traded between the two including refined copper, petroleum oil and zinc as top exports and, aluminum, electric conductors and t-shirts. Kazakhstan and China have signed several agreements, especially in the areas of oil, minerals and natural gas in Kazakhstan. The 'Belt and Road' initiative which was unveiled in 2013 by the Chinese President Xi Jinping has also helped strengthen trade between the two countries. Petroleum and bituminous oils were the major exports to China with decrease in value over time while mobile phones were the largest import from China with an increase in value over time.

Kazakhstan was recognized by India in 1992 after its independence from the Soviet Union. To promote trade, the two nations chartered the Indo-Kazakh Joint Business Council while India offered assistance in the Kazakhstan Petrochemical Complex, in Atyrau. Natural uranium and its derivatives constitute the biggest share of Kazakhstan's exports to India with a value of \$195.28 million in 2016. While, the major imports from India include medicaments and fermented tea with a total value of \$43.32 million.

Kazakhstan has vast oil and gas reserves which allow for large export quantities to its neighboring countries and beyond. In 2016, Kazakhstan's exports were \$36.78 billion out of which 52.69% was crude petroleum amounting to \$19.38 billion. Major pipelines include Caspian Pipeline Consortium (CPC), Kazakhstan-China Pipeline, Uzen-Atyrau-Samara Pipeline, Baku-Tbilisi-Ceyhan, Central Asian Oil Pipeline among other pipelines specifically for natural gas.

Pakistan and Kazakhstan have enjoyed cordial relations since Kazakhstan's independence. Kazakhstan initially enjoyed a positive trade balance with Pakistan which turned negative in 2011 when imports from Pakistan increased to \$29.58 million, while exports decreased to only \$3.95 million. The highest trade deficit was reported in 2015 when it reached \$31.44 million. The most exported items were lentils and iron & steel products while major imports from Pakistan are fresh and dried mandarins. The trade potential indicators show that a much larger value of trade is possible between the two countries. Items with major export potential for Pakistan include: Medical appliances (\$73.95 million), Medicaments for therapy (\$70.63 million), Medicaments with hormones (\$28.91 million) and, bandages (\$4.25 million). Similarly, items with the highest import potential for Pakistan include: Dried lentils (\$33.59 million), parts for boring or sinking machinery (\$20.23 million) and, boards & cabinets for electric control (\$12.13 million)

According to The Ease of Doing Business index published by the World Bank, Kazakhstan ranks 35 amongst 190 economies.

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Nur-Astana Mosque, Kazakhstan

SECTION I

Geographic & Social Landscape of Kazakhstan

1.1 Geography

1.1.1 Location

Official name: Republic of Kazakhstan (Kazakhstan)

Geographical Location: Transcontinental country in Central Asia and Europe, bordering Russia to the north, China's Xinjiang Uygur Autonomous Region to the east, Turkmenistan, Uzbekistan and Kyrgyzstan to the south and the Caspian Sea to the west.

Geographic Coordinates: 48.0196° N Latitude, 66.9237° E Longitude.

Country Map:



Figure 1: Location of Kazakhstan

1.1.2 Area

Total Area: 2,724,900 km² (1,052,100 sq. mi), which is around 3.4 times the area of Pakistan.

- Land: 2,699,700 km²
- Water: 25,200 km²

1.1.3 Land Boundaries

Land Boundary: 13,364 km. Kazakhstan is the 9th largest country by land mass in the world.

Land Borders: China 1,765 km, Kyrgyzstan 1,212 km, Russia 7,644 km, Uzbekistan 2,330 km, & Turkmenistan 413 km.

Coastline: Kazakhstan is bordered by the Aral Sea (1,070 km) and the Caspian Sea (1,894 km).

1.1.4 Regions of Kazakhstan

Capital City: Astana

Administrative Divisions: Kazakhstan is divided into fourteen regions. The regions are further subdivided into districts; Akmola Region, Aktope Region, Almaty, Astana, Atyrau Region, East Kazakhstan Region, Zhambyl Region, Karaganda Region, Kostanay Region, Mangystau Region, North Kazakhstan Region, Pavlodar Region, South Kazakhstan Region, West Kazakhstan Region.



Figure 2: Regions of Kazakhstan

1.1.5 Climate

The climate of Kazakhstan is continental, with summer temperatures averaging more than 30 °C (86 °F) and winter temperatures dropping to as low as -20 °C (-4.0 °F). Spring floods, brought on by heavy rainfall and melting snow, are common in the northern and central regions of Kazakhstan.

1.2 Demography

Population: 18,096,291 (Estimate 2017)

Language: The native language is Kazakh. However, Russian is also spoken for administrative and institutional purposes.

Religion: Kazakhstan is a secular state, with 70% Muslim, 26% Christian, 0.1% Buddhists, 0.9% others (mostly Jews), & 3% not specified.

1.3 Administration

Government System: Presidential Republic system

Legal System: The legal system in Kazakhstan follows the traditional Roman-German (continental) legal system.

1.4 Economics

1.4.1 Currency

Currency: Kazakhstan Tenge ₸

1 USD = 338.67 KZT (September 2017)

1 EUR = 405.02 KZT (September 2017)

1 RUB = 5.89 KZT (September 2017)

1.5 Connectivity

1.5.1 Transport

Kazakhstan is a land-locked country with the major modes of transportation including fast trains, highways and 20 airports (international & domestic). Air travel in Kazakhstan is popular due to the size of the country (2,724,900 km²). Air Astana is one of the most used airlines in Kazakhstan, and is based in the capital city.

Transport by train is also popular in Kazakhstan. The railways transport 68% of freight consignments and passenger load to most parts of the country. The national railway is the Kazakhstan Temir Zholy (KTZ).

The road network in Kazakhstan covers over 96,000 km and 5 international road systems, totaling around 23,000 km. The construction of the 'Western Europe – Western China' highway was completed in 2013 to facilitate trade. The length of this highway is 8,445 km and stretches through Aktobe, Zhambyl, South Kazakhstan and Almaty, before it enters China.

The seaport of Kazakhstan is Aktau city on the Caspian Sea, which was built in 1963. The sea gate provides for shipment of goods like metal products and high-volume cargoes to Turkmenistan, Russia and Azerbaijan.

1.6 History of Kazakhstan

The history of Kazakhstan dates back many centuries prior to it being colonized by Turkic tribes. The earlier chroniclers called these tribes, 'Saka.' In the 13th century, the Mongolian tribes associated with Genghis Khan, occupied Kazakhstan and due to their aggressive operations, the whole of Central Asia was eventually conquered by them. The regions annexed by the Mongols were known as the 'Golden Horde' which was a multinational state. It included various tribes and racial groups which differed in their socio-economic development, culture, customs and ethics.

From the 1680s to the 1770s the local Khanates fought a series of wars for various reasons. The Khanates fought a federation of four western Mongol tribes called Oyrats, among which Dzungars were specifically very aggressive. Led by Dga'-ldan (Galdan), the Dzungars launched a horrendous attack against the Great Horde during the period 1681–84. The consistent wars were stopped by the efforts of Teuke Khan (1680–1718) who unified the three hordes. Later on, during 1711-12, the Dzungar regions were infiltrated by Kazakhs, a counteroffensive. These internecine conflicts resulted in the disintegration of the 'Golden Horde' into the left wing and the right wing. In 1731 the Little Horde (left wing) sought Russian protection, followed by the Middle Horde (right wing) in 1740.

In the early 1730s the Khans of the three Zhuzes allied with Russia to gain protection against the Mongols from the east in return for their allegiance. The Kazakh tribes remained under the control of Tsarist Russia after the Khans were overthrown in 1822. In the following years a number of Russian and Ukrainian peasants migrated to Kazakh lands and in mid 1910s the first industrial enterprises were set up. In face of the Bolshevik revolution a civil war started in Russia in 1917. Afterwards, Kazakhstan came under Soviet rule.

Kazakhstan attained the status of an autonomous republic of the USSR in 1920. Kazakhstan was known as the Kyrgyz Autonomous Province until 1925, this was to differentiate its people from the Cossacks. In the early Soviet era, the country's agriculture went through intense mechanization and collectivization. Stalin's collectivization policy & the policy of forcibly settling the nomadic Kazakhs caused over a million deaths in the 1920s & 30s.

Kazakhstan earned the status of a full union republic of the USSR in 1936. In the following decades, millions of Koreans, Crimean Tatars, Germans and other nationalities were forcibly moved to Kazakhstan for various reasons. In eastern Kazakhstan, the first Soviet nuclear test explosion took place in 1949 at the Semipalatinsk nuclear test site. In the 1950s a campaign to develop virgin pasture lands to increase agricultural output in the Soviet Union was launched by the Soviet leader Nikita Khrushchev under which almost 2 million people, mainly Russians, moved to Kazakhstan between 1954 & 1962. In this period, the proportion of ethnic Kazakhs in the Republic dropped to 30%. The first Soviet manned spacecraft was launched from the Baikonur space launch site in central Kazakhstan in 1961. Migration from other Republics of the Soviet Union continued into the 1960s. However, this time the immigrants consisted mainly of technicians who worked in the coal and gas sectors, and took over the oil industry. They were an addition to the old farming and mining Russian communities.

In 1968 Soviet engineers maneuvered water from two feeder streams, Amu Darya and Syr Darya which made the Aral Sea shrink, resulting in water shortages for the Kazakhs. Three years later, weaponized smallpox was tested by the Soviets which proved to be lethal for the citizens.

Kunayev became First Secretary, after Brezhnev, and he exploited the ancient Kazakh

institutions like tribal hierarchy for his own gains. This was worrisome for the people of Kazakhstan in an already unjust Soviet system. At the same time, Kunayev built a strong network consisting of his kinsmen, but he was later removed from office. About 3,000 people took part in protests in Alma-Ata after Soviet leader Mikhail Gorbachev appointed Gennadiy Kolbin, an ethnic Russian as head of the Communist Party of Kazakhstan (CPK) in 1986, replacing Dinmukhamed Kunayev. On March 25, 1990, Kazakhstan held its first elections with Nursultan Nazarbayev, the chairman of the Supreme Soviet elected as its first president. Later that year on October 25, Kazakhstan was declared sovereign. The Kazakh SSR was renamed as the Republic of Kazakhstan on December 10, 1991. It became independent on December 16, becoming the last republic to secede from the USSR. The Soviet Union officially ceased to exist as a sovereign state on December 26, 1991 and Kazakhstan became an internationally recognized independent state.

Nursultan Nazarbayev signed a decree closing the Semipalatinsk nuclear test ground which was a popular decision as generations of Kazakhs had suffered on account of the fallout from the nuclear tests conducted at the site. He was elected for three more terms as President (1999, 2005 and 2011). To shorten the length of the presidential term, a reform package was introduced in 2007; however, it was simultaneously preceded by a constitutional amendment that rendered Nursultan Nazarbayev exempt from it. In 2010 a referendum was planned for 2011 by the Kazakh parliament to extend Nursultan Nazarbayev's term till 2020 by cancelling the next two rounds of elections. Nursultan Nazarbayev, however, called for early elections after the proposal for the referendum was rejected by Kazakhstan's constitutional court. In April 2011, Nazarbayev was elected for another term with more than 95% of the votes.

Although some degree of tension persisted post-independence, Kazakhstan has enjoyed healthy relations with Russia even after separation, owing mainly to numerous economic collaborations. These include a treaty forming a new trading bloc comprising of Russia, Kazakhstan and Belarus known as the Eurasian Economic Union which aims to promote co-operation in intelligence sharing and security. In addition to Kazakh, Russian is the other official language of Kazakhstan owing to demographic and cultural factors within the country where Russians are now the second largest ethnic group. Since it settled its border issues with China in 1999, Kazakhstan also maintains a significant relationship with China. This relationship with China has also resulted in increased trade since the beginning of the 21st century. Kazakhstan is part of the "The Belt and Road Initiative" which comprises the Silk Road Economic Belt and the 21st Century Maritime Silk Road, which aims to build a trade and infrastructure network connecting Asia with Europe and Africa along the ancient trade routes.

To establish greater global relations, a nuclear-free territory treaty was signed between Kazakhstan, Tajikistan, Uzbekistan and Kyrgyzstan in 2007 with the aim to spread peace in the region. In 2010, Nursultan Nazarbayev met with the President of the United States of America to discuss ways for improving political ties between Kazakhstan and the United States. The two met again in 2011 to discuss issues relating to better nuclear security.

1.7 Politics

The Republic of Kazakhstan has a presidential system of government in which parliament elects the President through voting, the President then selects the Prime Minister. The bicameral Legislature is composed of the Senate and the Majilis. The Senate includes 47 deputies. All 14 regions, plus the cities of Astana and Almaty, elect two representatives from each region to serve for six-year terms, with half of the Senate up for election every three years. The President appoints the remaining 15 deputies.

The Majilis, with 107 members, makes up the lower house of the legislative branch. 98 members are elected by proportional representation to serve five-year term, and the Assembly of Peoples of Kazakhstan chooses 9 members. The Assembly gathers prominent representatives from the country's 140 ethnic groups. 9 representatives in the Parliament are responsible for representing the interests of the other 373 members of the Assembly of Peoples of Kazakhstan.

The hierarchy of the judicial system comprises of the city courts, followed by the appeals court and finally the Supreme Court of Kazakhstan. The nominees for the Supreme Court judges are suggested by the Supreme Judicial Council while the President makes the final selection. These are further passed on to the Senate for their vote of confirmation.



President Palace in Astana, Kazakhstan

SECTION II

Economic Overview

2.1 Economic Profile

2.1.1 Economic Overview

Kazakhstan is the 48th most complex economy according to the Economic Complexity Index (ECI) and is the biggest of the former Soviet Republics after Russia. According to the World Bank, Kazakhstan is ranked 41st globally in terms of GDP (PPP based) at \$449,621 million and is 55th according to GNI levels at \$154,947 million as of 2016. Moreover, the World Bank has also classified Kazakhstan as an upper middle-income country.

In the years immediately after independence, Kazakhstan faced hyperinflation, a collapse of industry, disappearance of markets, inadequate distribution networks, and a lack of capital for modernization. Moreover, the new currency - the Tenge, introduced in 1993, also lost much of its value in its first couple years of existence. However, with the stabilization and liberalization policies adopted from the mid-1990s, the Government succeeded in stabilizing the economy. The stabilization effort in the 1990s has been successful mainly through a tight monetary policy.

The country's economic welfare is derived chiefly from the abundance of natural resources of hydrocarbons and various minerals. The economy is therefore highly dependent on its extractive industries and on the oil sector in particular. Most of the hydrocarbons and minerals are exported to China and Russia. To ensure free trade, Kazakhstan integrated with its neighboring countries Belarus and Russia to form an Economic Union, called the Eurasian Economic Union (EAEU) in 2014, in order to boost trade and improve economic efficiency. However, due to the worsening of the Russian economy in recent years, a fall in exports to the EAEU countries has led to a significant economic downturn in Kazakhstan. As a result, in 2015, the Kazakh currency - the Tenge depreciated and the government announced monetary reforms such as the introduction of a floating exchange rate to stabilize the economy.

Many structural reforms such as '100 Concrete Steps' are being implemented to ensure improved living standards and economic prosperity. The 100 Concrete Steps include the establishment of the Astana International Financial Centre (AIFC) and a "multi-modal Eurasian transcontinental transport corridor." It is hoped that these will facilitate faster delivery of goods between Asia and Europe via Kazakhstan.

The table below shows the trend for various economic indicators over a period of 5 years between 2012 & 2016.

Indicators	2012	2013	2014	2015	2016
GDP (current US \$ Billion)	208.00	236.63	221.42	184.39	133.66
GDP (constant 2010, US \$ Billion)	166.63	176.63	184.05	186.26	188.12
Population (Million)	16.79	17.04	17.29	17.54	17.80
Foreign Direct Investment, net inflows (US \$ Billion)	13.65	10.01	7.09	6.58	N/A
Inflation Rate (%)	5.20	5.00	5.00	5.00	5.00
Unemployment (% of Labor Force)	5.29	5.20	5.06	4.97	5.23
Current Account Balance (US \$ Billion)	1.06	1.19	5.96	-5.46	N/A

Table 1: Economic Indicators of Kazakhstan (2012-2016) (World Bank)

2.1.2 Gross Domestic Product (GDP)

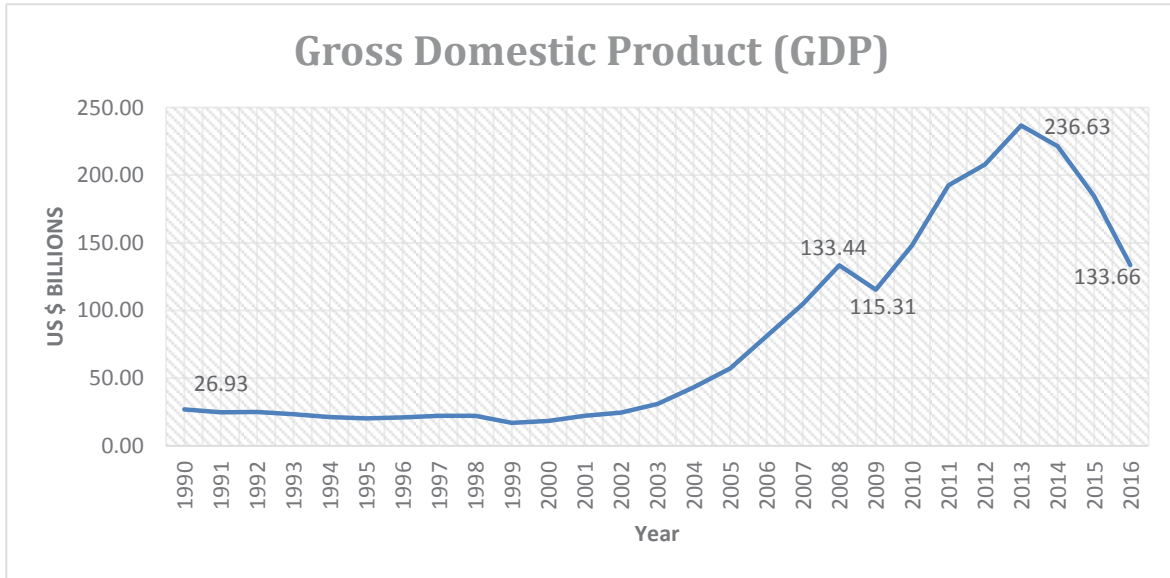


Figure 3: GDP of Kazakhstan (USD Billion) (1990-2016)

As shown in the figure above, the GDP of Kazakhstan decreased after independence in 1991 till 1999, from \$26.93 billion to \$18.29 billion respectively. Later, it gradually increased between the years 2000 and 2008. However, due to the economic crisis of 2008, Kazakhstan faced a large fall in oil and commodity revenues which led to an economic slowdown. The GDP fell 13.6% between the years 2008 and 2009. To stimulate economic growth, the government took various measures such as drawing upon savings in the National Oil Fund – a nest egg established by the government in 2001 to save oil income for future generations and to reduce dependency on the budget when shocks arise. The government was able to use fiscal measures to counter the crisis impact, increasing budgetary outlays for pensions, public sector wages, and social benefits. This resulted in a sharp rise in GDP to \$236.63 million in 2013. After reaching the highest recorded value in 2013, the GDP dropped sharply to \$133.66 million in 2016 mainly due to slow growth in oil production and a decrease in prices of oil in the export markets.

2.1.3 Annual GDP Growth Rate



Figure 4: Annual GDP Growth Rate of Kazakhstan (%) (1991-2016)

Although experiencing significant fluctuations, the GDP growth rate of Kazakhstan has been negative since independence until 1996. The lowest recorded GDP growth rate was (12.6%) in 1994 after which it gradually increased to reach a record high of 13.5% in 2001. However, the growth rate decelerated after 2001 due to various economic shocks till it hit a low of 1.2% in 2009. The implementation of anti-crisis measures resulted in an increase in the GDP growth rate post-2009, mainly driven by a growth in the mining sector. After realizing a high growth rate of 6% in 2013, the GDP growth rate fell again and it was recorded at 1.0% in 2016 which was the lowest since 2001.

2.1.4 GDP Per Capita

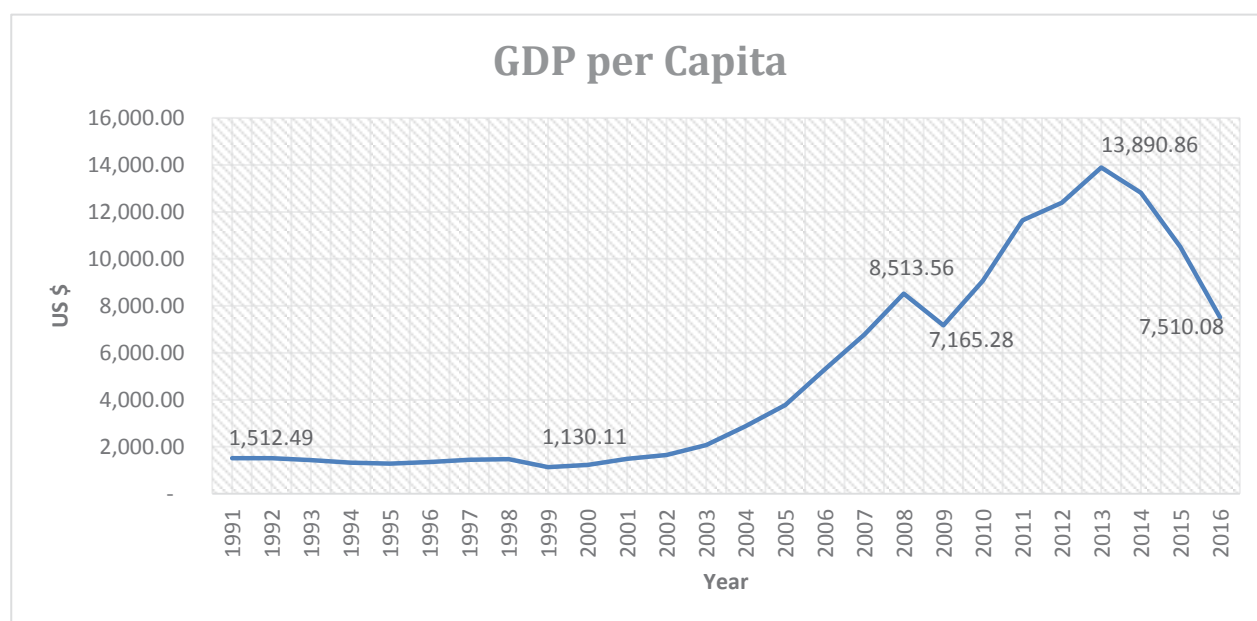


Figure 5: GDP Per Capita (USD) (1991-2016)

Initially after independence, Kazakhstan's GDP per capita was \$1,512.49, which decreased till 1999 to \$1,130.11, and gradually increased to \$8,513.56 in 2008. However, as Kazakhstan was struck by the global financial crisis (2008-2009), a sudden drop of 15.9% was observed, to \$7,165.28 in 2009. The recovery from the crisis resulted in an increased GDP per capita to \$13,890.86 in 2013. This was largely because of the measures taken to stabilize the economy by increasing export growth and restoring investor confidence. Later, Kazakhstan was hit by another economic crisis in 2014 which reduced the Per Capita GDP to \$7,510.08 in 2016.

2.1.5 Inflation



Figure 6: Inflation Rate of Kazakhstan (1996-2015)

The freeing of government price controls, followed by the introduction of the Tenge as Kazakhstan's independent currency unit, set off hyperinflation after independence in the early 1990s. In 1994, the inflation rate stood at around 1,800 percent. After which inflation was brought under control with a tight monetary policy which lowered the inflation rate to a steady rate of 7.1% in 1998. The country faced oscillating inflation rates which attained its highest point since 1998, in 2008 at 17.2%. This acceleration coincided with the global liquidity crunch, which has had considerable consequences in Kazakhstan. These problems forced the National Bank of Kazakhstan to step in and intervene by injecting additional liquidity into the market and postponing the planned hike of minimum reserve requirements for banks till January 2008. Moreover, other anti-inflationary measures such as restructuring of banks, and strong monetary policy measures were implemented. This coupled with a revival in external demand for oil, resulted in a more manageable inflation rate of 6.6% in 2015.

2.1.6 Population

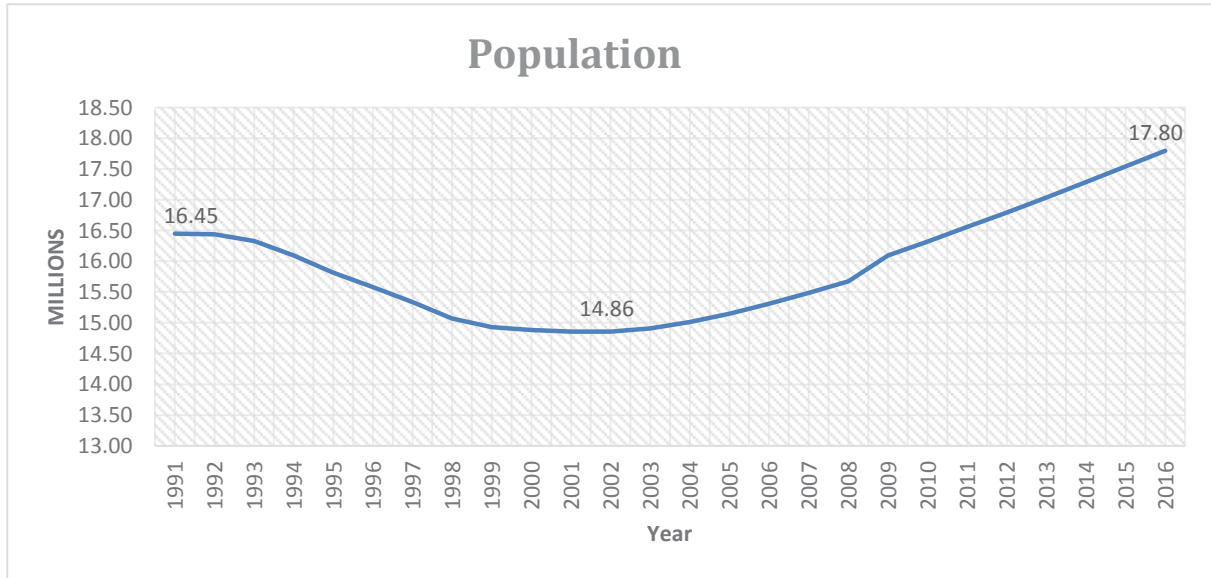


Figure 7: Population of Kazakhstan (Million) (1991-2016)

The population of Kazakhstan decreased immediately after independence in 1991 when Kazakhstan experienced massive out-migration of non-Kazakh ethnic groups. The population decreased from 16.45 million to 14.86 million. However, the economic boom in the mid 2000's coincided with an immigration boom with 23 & 33 thousand legally registered arrivals in 2005 and 2006 respectively. During the second decade of independence, the economic and political situation in the country gradually stabilized. Kazakhstan, richly endowed with oil, natural gas, and other mineral resources, experienced vigorous economic growth and a rise in income, which increased its population by 19.7% between 2002 & 2016.

2.1.7 Unemployment



Figure 8: Unemployment Rate of Kazakhstan (1991-2015)

The unemployment rate in Kazakhstan has been fluctuating. After independence, the unemployment rate rose sharply from 0.05% in 1991 to 12.96% in 1996. The years after 1996 faced fluctuating unemployment rates due to a rise in prices which caused considerable deterioration in living standards. Despite large wage increases to compensate workers for price liberalization, wages failed to keep pace with inflation. A sharp decline in unemployment between 2003 & 2015 resulted because Kazakhstan created about 1.5 million jobs primarily in services (especially trade and education) and in the construction industry compensating for job losses in agriculture. As a result of the rapid growth in jobs, unemployment was more than halved; from 10.43% in 2001 to 4.97% in 2015.

2.1.8 Foreign Direct Investment

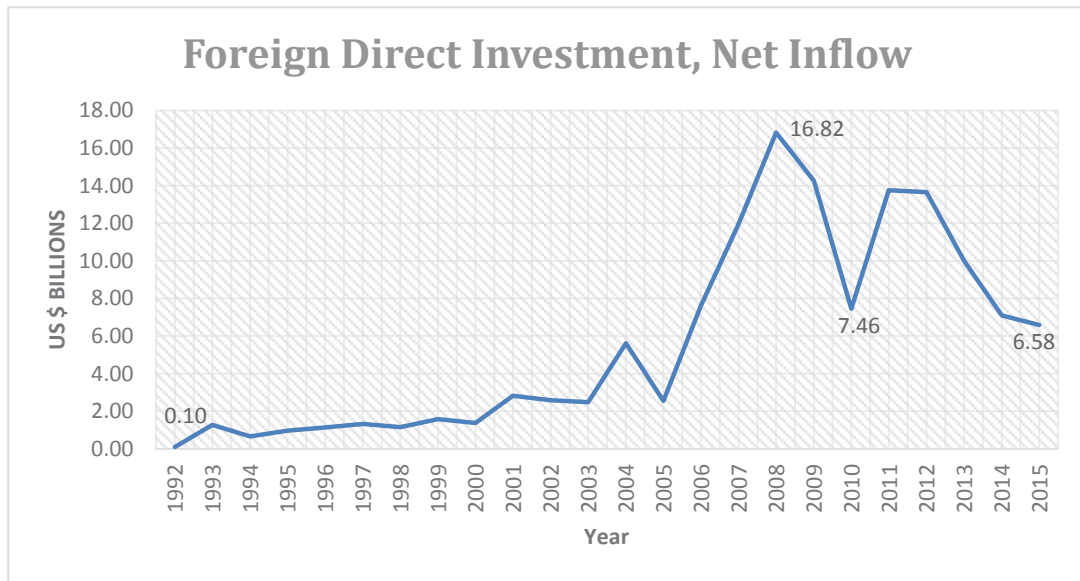


Figure 9: Foreign Direct Investment of Kazakhstan (USD Billion) (1992-2015)

FDI inflows into Kazakhstan increased gradually till it reached its peak in 2008, at \$16.82 billion. However, due to varying oil production and international oil prices Kazakhstan experienced a fluctuation in FDI inflows after 2008 and which reached a low of \$6.58 billion in 2015. The President has signed several constitutional tax grants which include exemption from corporate tax and property tax for 10 years and 8 years respectively. This will, it is hoped, result in boosting FDI levels and hence improve the Balance of Payments.

Foreign investors have focused on Kazakhstan's energy infrastructure, including oil transportation routes such as Baku-Ceyhan-Tbilisi (BTC) pipeline, Central-Asian oil pipeline and Kazakhstan-China pipeline. Investments from Switzerland also increased the inflow of funds into the economy of Kazakhstan by \$724 million, investors from the United States contributed to direct investments of \$652 million in 2016.

2.2 Kazakhstan's Primary Sector

Industrial output in Kazakhstan has improved gradually over the years and makes a contribution of 31.8% to total GDP. It mainly relies on the drawing and processing of natural resources like oil, natural gas and minerals. The share of the service sector is around 57.9% and mostly includes transport. The agricultural sector contributes just 4.6% of the total GDP. The country has a number of policies to promote industry such as the Program of Industrial and Innovation Development to expand the economy.

2.2.1 Natural Resources

Kazakhstan has the 11th largest reserves of petroleum and natural gas. The development of fossil fuel, natural gas and the extraction of minerals has led to the inflow of foreign direct investment of over \$50 billion since 1993 & contributes 13% to the GDP.

Around 160 layers of oil and gas deposits are present with 2.7 billion tons of petroleum. Overall, Kazakhstan's oil reserves are around 6.1 billion tons and it has 3 oil refineries across the country; Atyrau, Pavlodar and Shymkent. Pavlodar and Shymkent refineries treat West Siberian crude oil, which is imported through the Omsk (Russia) - Pavlodar (Kazakhstan) - Shymkent - Turkmenabat (Turkmenistan) pipeline

2.2.2 Agriculture

Kazakhstan's agriculture sector contributes around 5% to the country's GDP. The arable land is approximately 205,000 km² and another 611,000 km² is used for livestock breeding. The end products of animal breeding in the country are leather, wool, meat and dairy products and the crops produced are wheat, rice, cotton and barley. Policies are being pursued to develop the Green Economy in Kazakhstan by 2050 and this is estimated to lead to an increase in the GDP of around 3%. It is also expected to contribute to a reduction in the unemployment rate.

2.3 Kazakhstan's Tertiary Sector

2.3.1 Tourism

In 2014, tourism accounted for only 0.3% of Kazakhstan's GDP. However, the government of Kazakhstan has made plans to raise it to 3% by 2020. According to the World Economic Forum's Travel and Tourism Competitiveness Report 2017, Kazakhstan endorsed the Convention which recognizes the way in which people interact with nature, and the integral need to preserve the balance between the two. The endorsement took place on 29 April 1994, making its historical locations qualified for inclusion in the list of the World Heritage Sites.

Below are some of Kazakhstan's important cultural and natural tourist attractions:

Saryarka — Steppe and Lakes of Northern Kazakhstan is a low mountain oasis (known in Kazakh as saryarka, or "yellow range") which has been given the title of world heritage site by UNESCO. Naurzum State Nature Reserve and Korgalzhyn State Nature Reserve are the two protected zones comprising the Saryarka - Steppe and Lakes of Northern Kazakhstan. The total land covered by them is 450,344ha which is home to various migratory animals. These include the rare Siberian white crane, the Dalmatian pelican, Pallas's fish eagle and many other species which are globally threatened at the moment. The wetlands serve as an important layover region as well as being on the crossroads of the Central Asian route for birds migrating from

Africa, Europe and South Asia as they travel to Western and Eastern Siberia for the breeding season. The Central Asian steppe, with a surface area of 200,000ha serves as an important refuge to more than half of the steppe flora of that region. These include various bird species threatened by extinction as well as the critically endangered Saiga antelope, whose numbers have declined significantly in the recent past owing to increased poaching. Furthermore, the land is also home to a couple of salt and fresh water lakes situated on a watershed between the rivers going south to the Aral-Irtysh basin and north to the Arctic Ocean.

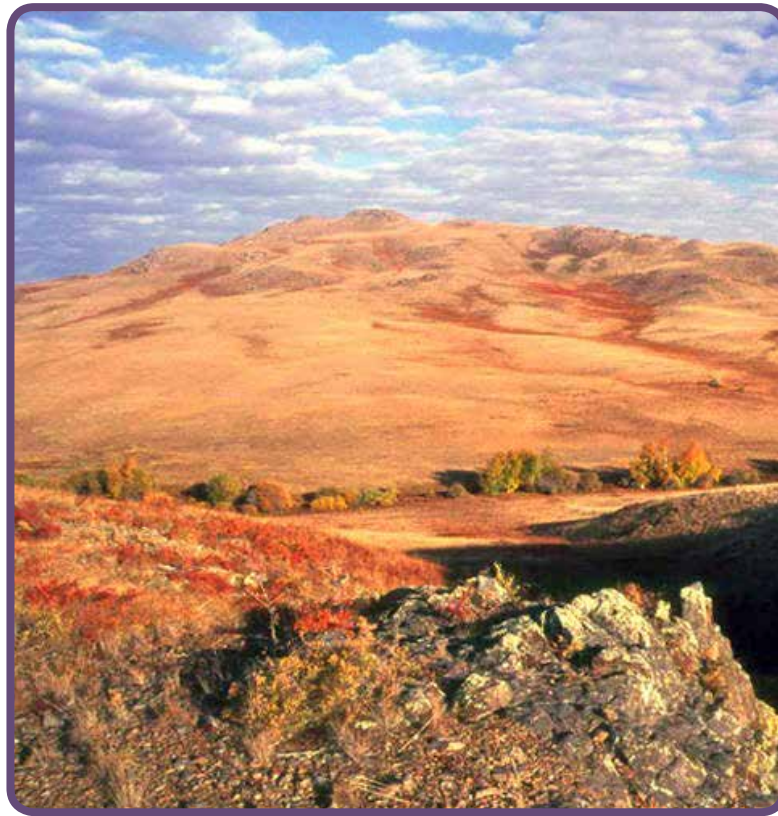


Figure 10: Saryarka Steppe and Lakes of Northern Kazakhstan

Mausoleum of Khoja Ahmed Yasawi: Constructed during the reign of Timur (Tamerlane) from 1389 to 1405, the Mausoleum of Khoja Ahmed Yasawi is situated in Southern Kazakhstan in the town of Turkestan, which was formerly referred to as Yasi. While the edifice was still under construction, Persian expert builders carried out various experiments to refine structural and architectural methods which were later employed to build the capital of the Timurid Empire, named Samarkand. Situated within a former citadel and the former town of Yasi, the area is 0.55ha in size and is limited to the mausoleum. Characterized by numerous features, the mausoleum made from fired bricks comprises of thirty-five rooms. It serves the purpose of both mosque and mausoleum, the structure is of the khanaqa type.



Figure 11: Mausoleum of Khoja Ahmed Yasawi, Kazakhstan

Petroglyphs within the Archaeological Landscape of Tamgaly: Dating back to the second half of the second millennium BC to the beginning of the 20th century, some 5,000 petroglyphs are present in the lush Tamgaly Gorge, amidst the vast, arid Chu-Ili Mountains. The petroglyphs are divided among 48 complexes with accompanying burial grounds and settlements. These are a sign towards the social organization, husbandry and the norms and rituals of the ancient people who thrived there. Exhibiting occupation through various eras, the signs of human settlements are found in many layers with numerous ancient tombs, stone enclosures, boxes and cists (middle and late Bronze Age), and mounds (kurgans) of stone and earth (early Iron Age to the present). The highest number of petroglyphs and alter-shaped structures are found in the central canyon which points to the fact that these areas were utilized as sacred grounds to give sacrifices. The area is quite contrasting to the arid mountainous ranges that form a border between Kazakhstan and Kyrgyzstan to the south and the flat dry plains of central Kazakhstan to the north, owing to the plethora of springs, rich vegetation and shelter. Attracting pastoral groups since the Bronze Age, the Gorge and the accompanying scenery comprised of black stones forming rhythmic steps have come to be recognized with strong symbolic significance. Including the 982m peak of Mt. Tamgaly, the area is spread over a circular land of about 900ha.



Figure 12: Petroglyphs within Archaeological Landscapes of Kazakhstan

Western Tien-Shan: This is situated in one of the largest mountain ranges Tien-Shan, which stretches across various nations. Ranging in altitude from 700 to 4,503m, the mountain ranges are home to multitude of landscapes and extremely diverse flora and fauna. Moreover, the mountains are also the place of origin for many cultivated fruit crops along with numerous kinds of forests and plant communities unique to that area.



Figure 13: Western Tien-Shan, Kazakhstan

Bayterek Tower: is an observation tower in Astana, the capital city of Kazakhstan. The unusual construction of the tower is more than just an artistic monument. The golden sphere that rests on top of the tower symbolizes an egg curled up amongst tree limbs –based on a folk-tale about happiness and beginnings, focusing on a bird which laid its egg in the sacred tree of life.



Figure 14: Bayterek Tower, Kazakhstan

Khan Shatyr: is a giant glass pyramid in Astana, built on the theme the of post-modernism style in 2006. It is a 150m high (500ft) tent and has a 200m elliptical base covering 140,000 square meters. This huge transparent tent is used for various entertainment activities such as dance and music performances.



Figure 15: Khan Shatyr Entertainment Centre, Kazakhstan

Markakol Lake: is a lake in East Kazakhstan. It is another beautiful spot in the Kazakhstan Altai and is 38km long, 19km wide and up to 30m deep, it stands at an altitude of more than 1,400m and is close to the Chinese border. The lake has transparent water, surrounded by pine forests and has a picturesque shoreline.



Figure 16: Markakol Lake, Kazakhstan

First President's Park: The Park is located in the southern part of Almaty – the capital of Kazakhstan and has a breathtaking mountain backdrop. The park is about 1.5 km from one end to the other with alleys, boulevards, arboretums sites, and trees. It represents patriotism and loyalty and is a gift from President Nursultan Nazarbayev.



Figure 17: First President's National Park, Kazakhstan



Mosque Meskhor Jusip in Pavlodar, Kazakhstan

SECTION III

Trade

3.1 Trade Overview

Kazakhstan ranks 51st in the world in terms of exports. The total exports in 2016 amounted to US \$36.78 billion and the total imports were US \$25.17 billion, this resulted in a positive trade balance of US \$11.60 billion.

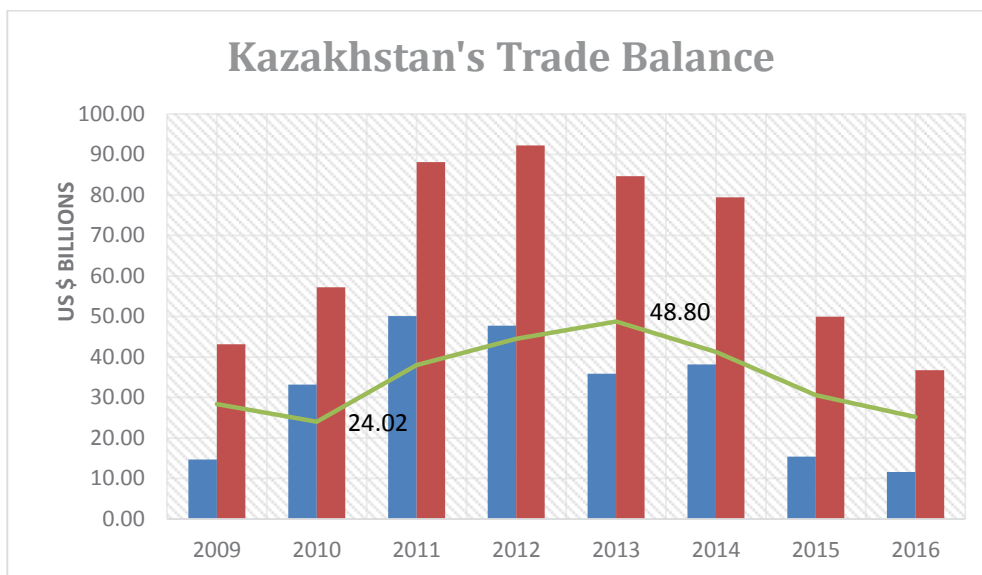


Figure 18: Trade Balance of Kazakhstan (USD Billion) (2009-2016)

The figure above illustrates the trade balance of Kazakhstan over a period of 8 years; 2009-2016. The highest trade surplus recorded was \$50.10 billion in 2011, when the value of imports were \$38.01 billion and the value of exports were \$88.11 billion. Later, the exports of Kazakhstan decreased, causing a reduction in the trade surplus by 28.36%, from \$50.10 billion in 2011 to \$35.89 billion in 2013. In the years after 2013 Kazakhstan faced a significant fall in its trade surplus; falling from \$38.16 billion in 2014 to \$11.60 billion in 2016, primarily due to a reduction in international oil prices which also led to a depreciation in the value of the Kazakhstani Tenge.

The following charts show the distribution of exports and imports by sectors. Fuel and Mining products constitute 75% of exports and include petroleum oil, natural gas and metals like chromium, copper etc. Manufactures are 11% of the total exports and include machinery, automobiles and electronics. Agricultural products comprise only 5% of total exports and include grain, wool and meat. The top imported goods are manufactures which make up 86% of total imports and include iron & steel, electrical machinery and motor vehicles.

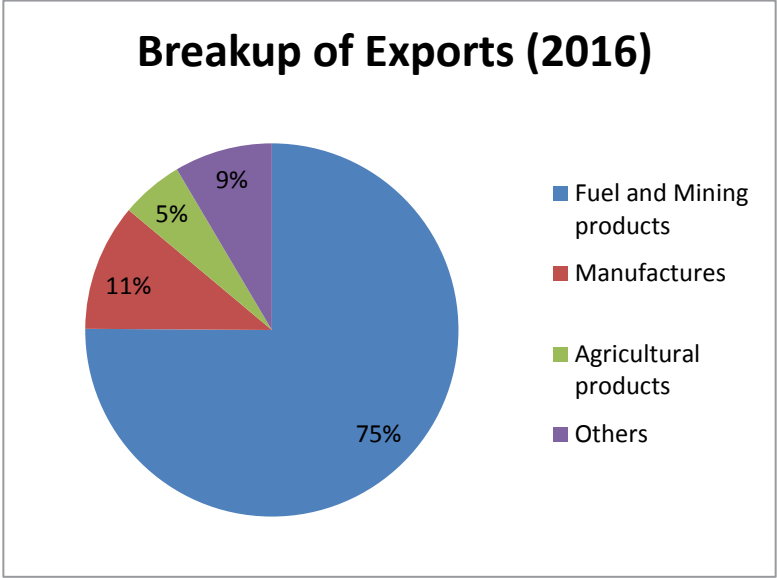


Figure 19: Breakup of Kazakhstan's Exports (2016)

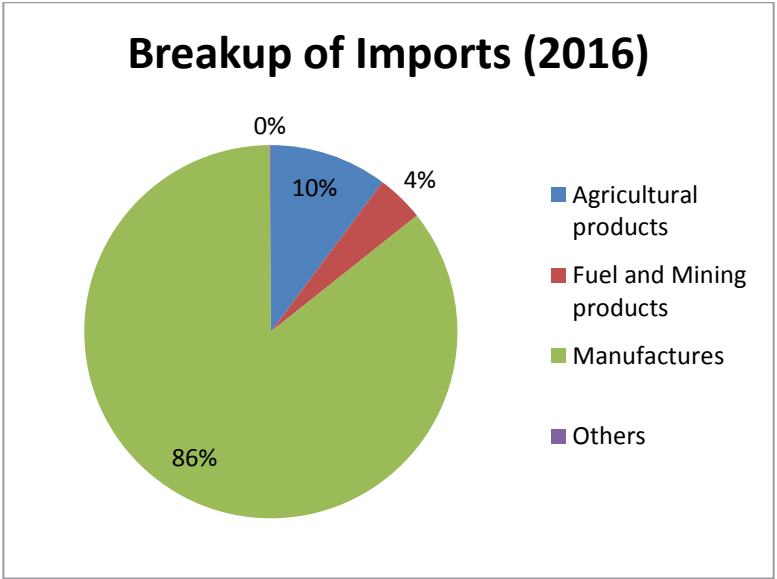


Figure 20: Breakup of Kazakhstan's Total Imports (2016)

3.2 Major Trading Partners

3.2.1 Import Partners

Kazakhstan's major import partners in 2016 were Russia (\$9.13 billion) and China (\$3.67 billion), followed by Germany (\$1.44 billion) and the United States of America (\$1.28 billion).

Kazakhstan's Top 10 Origin of Imports					
*All Values in USD Billion	2012	2013	2014	2015	2016
Russia	17.11	17.97	13.81	10.53	9.13
China	7.50	8.36	7.36	5.09	3.67
Germany	2.27	2.46	2.31	1.99	1.44
United States of America	2.12	2.16	1.99	1.48	1.28
Italy	0.96	1.04	1.04	1.18	0.84
France	0.58	1.03	1.09	0.67	0.66
Turkey	0.79	0.93	1.02	0.74	0.62
Uzbekistan	0.82	0.97	1.02	0.73	0.59
Japan	0.90	1.08	0.92	0.58	0.55
Korea, Republic of	0.96	1.27	1.07	0.61	0.45

Table 2: Top 10 Origin of Imports into Kazakhstan

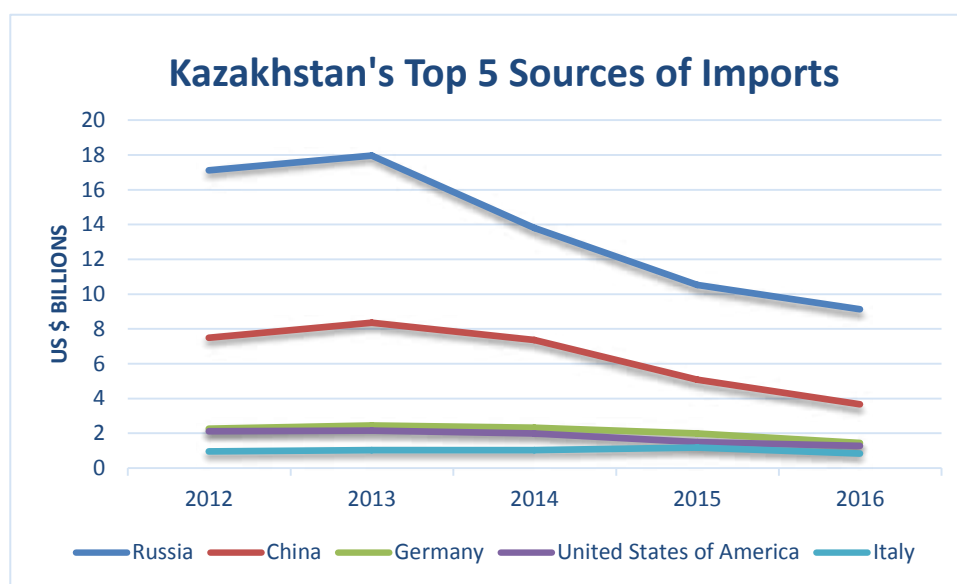


Figure 21: Top 5 Sources of Imports of Kazakhstan (USD Billion) (2012-2016)

3.2.2 Export Partners



Figure 22: Top 5 Export Partners of Kazakhstan (USD Billion) (2012-2016)

The major export partners of Kazakhstan in 2016 were Italy, China and the Russian Federation, with values of \$7.47 billion, \$4.21 billion and \$3.51 billion respectively. Looking at the trend, exports to Italy increased and then decreased, while exports to China have decreased gradually over a period of 5 years. On the other hand, exports to the Russian Federation declined because of the financial crisis in Russia (2014) which caused a downturn in the Russian economy.

Kazakhstan's Top 10 Export Partners					
*All Values in USD Billion	2012	2013	2014	2015	2016
Italy	15.47	16.48	16.05	8.14	7.47
China	16.48	14.37	9.80	5.48	4.21
Russian Federation	6.75	5.88	6.39	4.55	3.51
Netherlands	7.48	9.89	8.72	4.98	3.26
Switzerland	4.97	4.31	4.54	2.66	2.69
France	5.63	5.46	4.69	2.68	1.80
Spain	0.77	1.85	2.36	1.22	0.99
Uzbekistan	1.34	1.15	1.08	0.94	0.92
Ukraine	2.55	2.04	1.67	1.17	0.91
United Kingdom	1.69	1.50	0.63	0.83	0.89

Table 3: Top 10 Export Partners of Kazakhstan (USD Billion) (2012-2016)

3.2.3 Major Imports

The table below shows Kazakhstan's top imports at HS-02 level. Machinery, electrical appliances, vehicles and iron and steel make up most of the country's imports. However, there has been a decline in the country's imports from 2012-2016 due to currency depreciation and the financial crisis of 2014. The economy suffered due to a fall in oil prices as global economic conditions worsened.

		2012	2013	2014	2015	2016
Total	All Products	44.54	48.80	41.30	30.57	25.17
Code	Product Description					
84	Machinery, mechanical appliances and parts thereof	6.81	7.50	6.85	5.60	4.40
85	Electrical machinery and equipment and parts thereof	3.94	4.00	3.98	3.07	2.43
73	Articles of iron or steel	3.51	4.42	2.52	2.58	1.96
27	Mineral fuels, mineral oils and products of their distillation	4.81	5.47	2.32	1.68	1.52
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	3.31	4.51	4.40	2.02	1.11
39	Plastics and articles thereof	1.40	1.59	1.49	1.09	0.98
30	Pharmaceutical products	1.30	1.61	1.42	1.22	0.96
90	Optical, photographic, cinematographic accessories	1.07	1.23	1.12	0.79	0.75
26	Ores, slag and ash	0.63	0.37	0.53	0.53	0.69
72	Iron and steel	1.20	1.15	1.05	0.88	0.66
94	Furniture; bedding, mattresses and cushions	0.73	0.79	0.79	0.59	0.44
38	Miscellaneous chemical products	0.52	0.59	0.57	0.46	0.43
8	Edible fruit and nuts; peel of citrus fruit or melons	0.49	0.60	0.61	0.46	0.42
40	Rubber and articles thereof	0.71	0.73	0.61	0.45	0.42
86	Railway or tramway	2.37	1.31	0.91	0.25	0.40

Table 4: Major Imports of Kazakhstan at HS-02 Level (USD Billion) (2012-2016)

At the HS-06 level, the imports are majorly medicaments followed by different types of petroleum byproducts. Equipment utilized for petroleum products, including line pipes, are also imported. Kazakhstan's top 15 imports at HS-06 made-up 18.75% of total imports in 2016, indicating a diverse import base.

		2012	2013	2014	2015	2016
Total	All Products	44.54	48.80	41.30	30.57	25.17
Code	Product Description					
300490	Medicaments consisting of mixed products for therapy	0.80	1.01	0.86	0.68	0.50
271121	Natural gas in gaseous state	0.37	0.49	0.37	0.44	0.47
730511	Line pipe of a kind used for oil and gas pipelines	0.91	1.29	0.19	0.74	0.45
271012	Light oils and preparations of petroleum	0.79	0.80	0.76	0.60	0.41
848180	Appliances for pipes, boiler shells and tanks	0.39	0.51	0.47	0.36	0.39
851712	Telephones for cellular networks	0.34	0.51	0.59	0.42	0.39
271019	Medium oils and preparations, of petroleum	0.66	0.79	0.63	0.33	0.36
870323	Motor cars and other motor vehicles	0.89	1.55	1.64	0.70	0.26
841480	Air pumps, air or other gas compressors	0.09	0.11	0.11	0.10	0.26
732690	Articles of iron and steel,	0.32	0.39	0.33	0.26	0.26
260700	Lead ores and concentrates	0.10	0.10	0.20	0.18	0.22
730890	Structures and parts of structures, of iron and steel	0.27	0.28	0.31	0.40	0.22
261690	Precious-metal ores and concentrates	0.43	0.14	0.22	0.22	0.20

		2012	2013	2014	2015	2016
Total	All Products	44.54	48.80	41.30	30.57	25.17
854449	Electric conductors, for a voltage <= 1.000 V	0.19	0.16	0.18	0.19	0.17
853710	Boards, cabinets and apparatus for electrical control	0.17	0.16	0.20	0.18	0.16

Table 5: Major Imports of Kazakhstan at HS-06 Level (USD Billion) (2012-2016)

3.2.4 Major Exports

The table below shows Kazakhstan's major exports to the rest of the world at HS-02. The main exports are mineral fuels and mineral oils valued at \$22.33 billion, followed by export of iron and steel worth \$2.75 billion in 2016.

		2012	2013	2014	2015	2016
Total	All Products	92.28	84.70	79.46	45.95	36.78
Code	Product Description					
27	Mineral fuels and mineral oils	64.49	64.62	60.70	31.12	22.33
72	Iron and steel	5.89	3.25	3.38	2.50	2.75
28	Inorganic chemicals	3.53	3.13	2.84	3.11	2.41
74	Copper and articles thereof	3.77	2.92	1.83	2.01	1.92
26	Ores, slag and ash	3.99	2.73	2.60	1.08	1.19
10	Cereals	1.69	1.34	1.14	0.83	0.82
71	Natural or cultured pearls	1.89	1.12	0.75	0.75	0.65
79	Zinc and articles thereof	1.03	0.49	0.59	0.58	0.55
11	Products of the milling industry; malt and starches	0.62	0.59	0.57	0.50	0.52
76	Aluminum and articles thereof	0.49	0.49	0.38	0.42	0.38
25	Salt, sulfur and mineral stones	0.74	0.52	0.59	0.55	0.36
84	Machinery and mechanical appliances	0.60	0.51	0.89	0.20	0.25
49	Printed books, newspapers and pictures	0.47	0.08	0.00	0.01	0.22
78	Lead and articles thereof	0.32	0.16	0.21	0.19	0.22
12	Oil seeds and miscellaneous grains	0.25	0.19	0.27	0.23	0.20

Table 6: Major Exports of Kazakhstan at HS-02 Level (USD Billion) (2012-2016)

At HS-06 level, petroleum oils and natural mineral oils are the most exported product from Kazakhstan. However, the value of exported petroleum oil decreased over the years, from \$56.44 billion in 2012 to \$19.38 billion in 2016, primarily due to a sharp decline in oil prices. The top 15 exports make up 80.56% of the total exports in 2016.

		2012	2013	2014	2015	2016
Total	All Products	92.28	84.69	79.45	45.95	36.77
Code	Product Description					
270900	Petroleum oils and oils from minerals	56.44	57.25	53.63	26.77	19.38
284410	Natural uranium and its compounds	2.66	2.24	2.01	2.25	1.74
740311	Copper refined	3.41	2.67	1.33	1.56	1.51
271121	Natural gas in gaseous state	2.19	1.96	1.88	1.75	1.28
720241	Ferro-chromium, containing by weight > 4% of carbon	2.93	1.30	1.19	1.13	1.13
271019	Medium oils and preparations, of petroleum	3.22	3.14	2.95	1.38	0.80
710691	Silver, incl. silver plated with gold or platinum	0.96	0.64	0.46	0.48	0.58

		2012	2013	2014	2015	2016
Total	All Products	92.28	84.69	79.45	45.95	36.77
100199	Wheat and meslin (excluding seed for sowing, and durum wheat)	1.48	1.03	0.85	0.59	0.56
110100	Wheat or meslin flour	0.61	0.58	0.56	0.49	0.50
790111	Unwrought zinc, not alloyed, containing by weight > = 99,99% of zinc	1.02	0.46	0.55	0.54	0.50
260300	Copper ores and concentrates	0.82	0.59	0.83	0.31	0.44
760110	Aluminum, not alloyed, unwrought	0.45	0.46	0.34	0.36	0.33
281820	Aluminum oxide	0.31	0.31	0.29	0.33	0.31
740319	Copper, refined, unwrought	0.00	0.00	0.37	0.35	0.29
271112	Liquefied Propane	0.90	0.85	0.84	0.37	0.27

Table 7: Major Exports of Kazakhstan at HS-06 Level (USD Billion) (2012-2016)

As mentioned in the previous sections, the country is a major exporter of petroleum products to many of its neighbors. More than half of the export value in 2014 comprised of petroleum oil products, since then there has been a sharp decline in exports owing to the decrease in oil prices. The rest of the exports make up a very small part of exports. Most of these are metals, including uranium and iron compounds, while some of the exports are byproducts of mineral petroleum including natural gas and medium oils.

3.3 Kazakhstan's Trade with Neighboring Countries

3.3.1 Kazakhstan's Trade with the Central Asian Republics

Regional trade of Kazakhstan includes trade with countries in Central Asia which are Uzbekistan, Tajikistan, Turkmenistan and Kyrgyzstan. Overall, the positive trade balance of Kazakhstan has decreased over the past 5 years, from \$1.37 billion in 2012 to \$0.52 billion in 2016. One of the possible reasons for the low levels of trade flows could be that the Central Asian states have failed to produce a meaningful and effective framework for regional integration. Over the years, Central Asian states have experimented with numerous regional integration agreements, including the Central Asian Union, Central Asian Economic Community (CAEC) and Central Asian Co-operation Organization (CACO), all of which have so far failed to translate into beneficial cooperation. Moreover, the fall in global oil prices has also led to a decline in trade numbers between Kazakhstan and the Central Asian Republics.

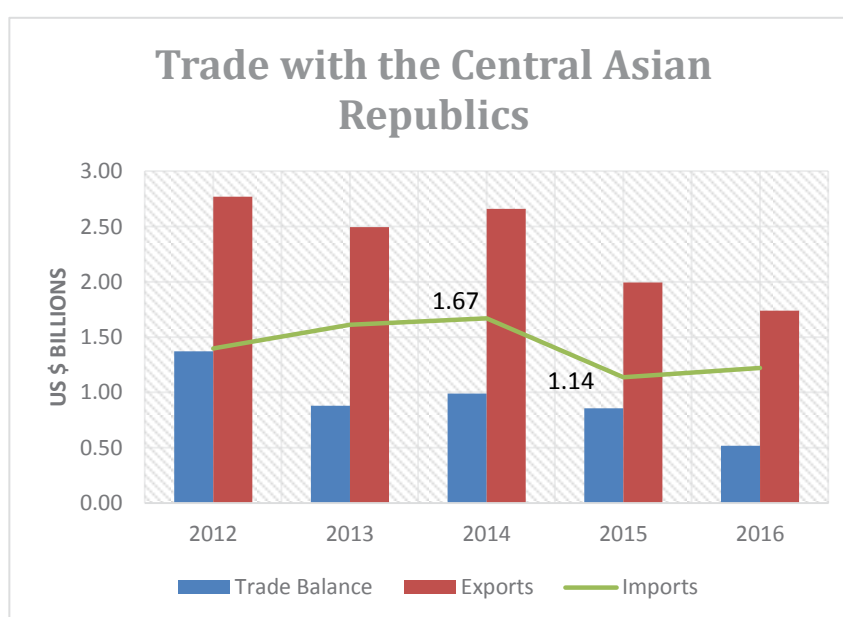


Figure 23: Kazakhstan's Trade with Central Asian Republics (USD Billion) (2012-2016)

3.3.2 Major Export Destinations in Central Asia

The table below shows the major countries in Central Asia which import various commodities from Kazakhstan; these are mostly petroleum oil, natural minerals and gas. One of Kazakhstan's top export destination in Central Asia is Uzbekistan. However, the country's exports to Uzbekistan have decreased considerably over a period of 5 years, from \$1.34 billion in 2012 to \$0.92 billion in 2016. Kazakhstan's exports to other regional trading partners have also decreased.

*All Values in USD Billion	2012	2013	2014	2015	2016
Central Asian Republics Aggregation	2.77	2.49	2.66	1.99	1.74
Uzbekistan	1.34	1.15	1.08	0.94	0.92
Kyrgyzstan	0.72	0.68	0.7	0.52	0.38
Tajikistan	0.54	0.5	0.52	0.42	0.37
Turkmenistan	0.17	0.18	0.35	0.11	0.07

Table 8: Countries Importing from Kazakhstan (USD Billion) (2012-2016)

3.3.3 Major Imports from Central Asian Countries

The table below shows the top countries in Central Asia that export to Kazakhstan, these are Uzbekistan and Tajikistan. The imports from Uzbekistan mostly include natural gas and edible goods such as nuts, fruits and vegetables. On the other hand, imports from Tajikistan are lead, copper, zinc ores, and edible goods.

*All Values in USD Billion	2012	2013	2014	2015	2016
World	44.54	48.80	41.30	30.57	25.17
Central Asian Republics Aggregation	1.40	1.61	1.67	1.13	1.22
Uzbekistan	0.82	0.97	1.02	0.73	0.59
Tajikistan	0.07	0.07	0.18	0.16	0.22
Turkmenistan	0.18	0.22	0.12	0.06	0.21
Kyrgyzstan	0.33	0.35	0.35	0.18	0.20

Table 9: Countries Exporting to Kazakhstan (USD Billion) (2012-2016)

3.3.4 Trade with Uzbekistan

Formal ties between the Republic of Uzbekistan and the Republic of Kazakhstan were established on November 23, 1992. The relationship of these countries is still deemed developing in respect to the guidelines provided in both the Treaty on Eternal Friendship (October 31, 1998) and the Treaty on Strategic Partnership (June 14, 2013). Numerous documents have been signed by both parties, which includes all important aspects of interstate relations.

The First Deputies of the Heads of the Governments of both countries supervise and run the Joint Intergovernmental Commission on bilateral cooperation, which works with the objective of expanding trade and economic relations between Kazakhstan and Uzbekistan. On March 11, 2016, the fifteenth assembly of the Commission took place in Astana.

The trade balance of Kazakhstan with Uzbekistan is shown in the following graph which shows a declining trend in the trade surplus of \$526.25 million in 2012, which in 2014 was reported as \$66.29 million. However, following 2014 a substantial increase was witnessed in the trade surplus which was \$334.73 million in 2016, driven primarily by a large decline in imports from Uzbekistan.

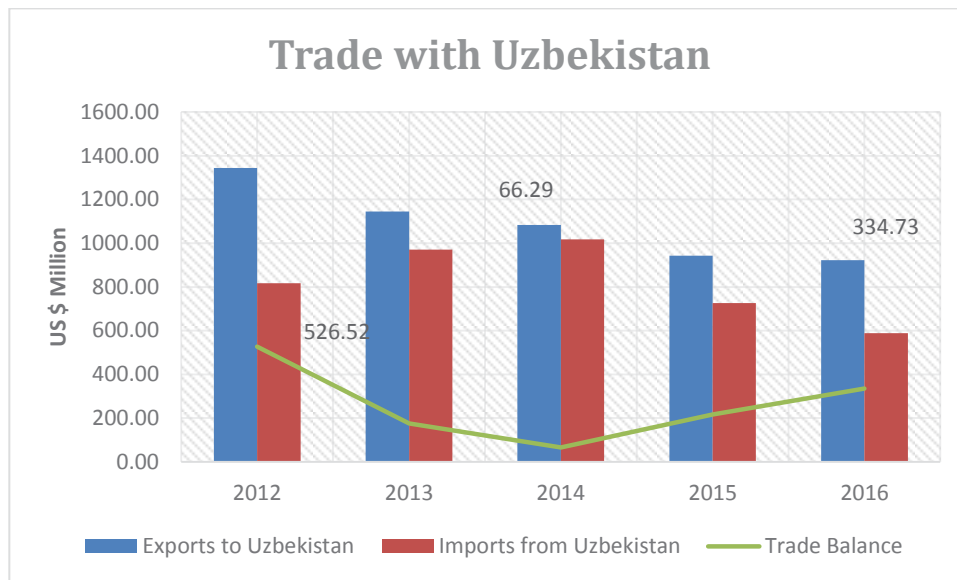


Figure 24: Kazakhstan's Trade with Uzbekistan(USD Million) (2012=2016)

3.3.4.1 Kazakhstan's Exports to Uzbekistan

The major exports of Kazakhstan to Uzbekistan at HS-06 Level are shown below. Zinc ores, petroleum oils, wheat and meslin flour are major items exported by Kazakhstan to Uzbekistan. The export of wheat and meslin was reported to be \$90.79 million in 2012 which increased to \$201.79 million in 2016. While, the export of wheat and meslin flour decreased significantly, from \$290.72 million in 2012 to \$126.98 million in 2016.

		2012	2013	2014	2015	2016
Total	All Products	1,343.72	1,145.31	1,083.95	942.27	922.53
Code	Product Description					
100199	Wheat and meslin (excluding seed for sowing, and durum wheat)	90.79	120.19	153.75	206.10	201.79
110100	Wheat or meslin flour	290.72	273.05	231.71	193.75	126.98
260800	Zinc ores and concentrates	132.99	37.91	67.45	39.65	54.87
270900	Petroleum oils and oils obtained from bituminous minerals, crude	309.94	262.71	120.64	23.62	51.39
870322	Motor cars and other motor vehicles principally designed for the transport of persons	0.01	0.01	0.02	0.00	49.53
720720	Semi-finished products of iron or non-alloy steel containing, by weight, $\geq 0,25\%$ of carbon	0.00	0.00	28.52	51.74	33.37
760110	Aluminium, not alloyed, unwrought	29.48	43.73	47.76	37.69	33.34
120600	Sunflower seeds, whether or not broken	13.02	24.30	26.74	26.53	30.71
720711	Semi-finished products of iron or non-alloy steel containing, by weight, $< 0,25\%$ of carbon	0.00	0.00	17.83	28.65	24.74
870323	Motor cars and other motor vehicles principally designed for the transport of persons	0.11	0.95	0.59	0.03	21.33

Table 10: Major Exports of Kazakhstan to Uzbekistan at HS-06 Level (USD Million) (2012-2016)

3.3.4.2 Kazakhstan's Imports from Uzbekistan

The HS-06 Level imports of Kazakhstan from Uzbekistan are shown in the table below. The major products imported, include natural gas and perishables such as fruits and vegetables. A 38.16% increase in the value of imported natural gas was observed from 2012 until 2015; but in 2016, these values decreased by 57.43%.

		2012	2013	2014	2015	2016
Total	All Products	817.20	970.08	1,017.66	725.68	587.80
Code	Product Description					
271121	Natural gas in gaseous state	184.23	186.47	187.12	254.54	108.36
080610	Fresh grapes	77.04	26.92	84.71	57.61	51.54
080929	Fresh cherries (excluding sour cherries)	5.40	33.69	42.04	14.70	41.53
080620	Dried grapes	10.36	1.41	10.06	22.36	28.71
081070	Fresh persimmons	18.29	50.99	16.60	9.65	27.68
070200	Tomatoes, fresh or chilled	10.25	16.58	20.45	34.41	23.42
080910	Fresh apricots	7.81	42.50	26.73	10.44	18.71
080930	Fresh peaches, incl. nectarines	14.79	14.77	29.20	11.69	17.81
390120	Polyethylene with a specific gravity of $\geq 0,94$, in primary forms	1.63	1.14	3.44	1.58	15.89
070999	Fresh or chilled vegetables	5.88	12.67	14.72	18.24	12.51

Table 11: Major Imports of Kazakhstan from Uzbekistan at HS-06 Level (USD Million) (2012-2016)

3.3.5 Trade with Kyrgyzstan

Relations between Kyrgyzstan and Kazakhstan are still deemed developing on the lines of the Treaty of Eternal Friendship (April 8, 1997) and the Treaty on Allied Relations dated (December 25, 2003). Nursultan Nazarbayev, the President of Kazakhstan recommended formulating a fund for the facilitation of economic development of Kyrgyzstan. It wasn't until 2011 that this project began. Kazakh-Kyrgyz Investment Fund (KKIF) was created with a capital of US \$100 million, fully funded by Kazakhstan. The goal of the Fund is to provide financial assistance to the economy of Kyrgyzstan through the execution of local projects on priority basis and by aiding the development of small scale businesses in Kyrgyzstan. Out of the 2,000 initiatives in Kyrgyzstan, 500 are Kazakh in origin. This bilateral cooperation is beneficial for both countries. The Intergovernmental Council (IGC) of the Republic of Kazakhstan and the Kyrgyz Republic also serves to improve and strengthen relations between the two countries. The Heads of the Governments of both countries supervise and run the IGC. The 6th meeting of the IGC took place on June 7, 2016 in Bishkek.

The following graph shows imports and exports between Kazakhstan and Kyrgyzstan. In 2012, the trade surplus in favor of Kazakhstan hit its highest value of \$390.92 million but it declined to \$175.55 million in 2016.

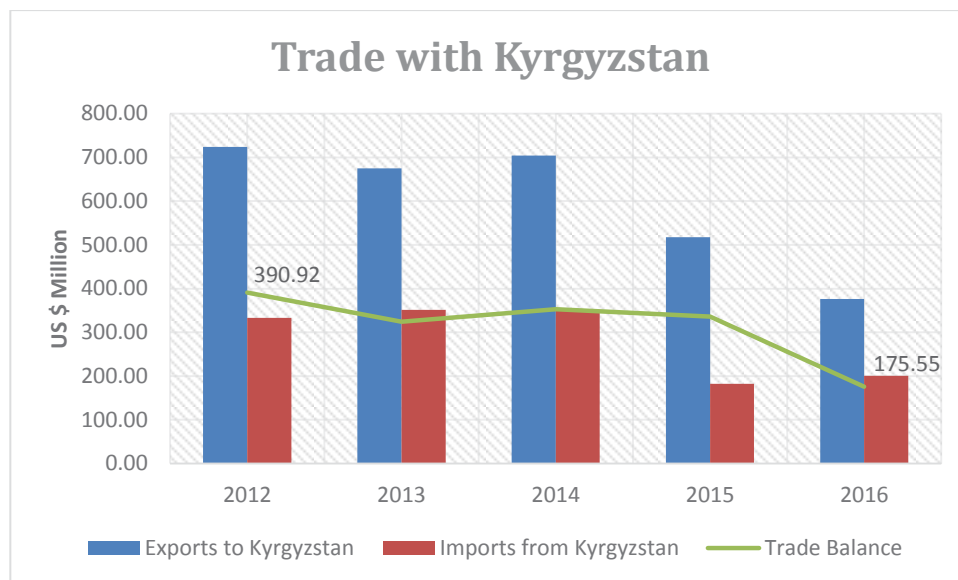


Figure 25: Kazakhstan's trade with Kyrgyzstan (USD Million) (2012-2016)

3.3.5.1 Kazakhstan's Exports to Kyrgyzstan

The HS-06 Level exports of Kazakhstan to Kyrgyzstan are listed in the table below. Cigarettes are the most exported item, amounting to \$46.14 million, followed by seeds of wheat valued at \$28.59 million in 2016.

		2012	2013	2014	2015	2016
Total	All Products	723.97	675.16	703.99	517.72	517.72
Code	Product Description					
240220	Cigarettes, containing tobacco	37.41	46.99	51.47	54.23	46.14
100191	Seed of wheat and meslin, for sowing (excluding durum)	1.05	0.00	0.11	9.70	28.59
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel	15.56	5.79	4.21	28.84	18.43

		2012	2013	2014	2015	2016
Total	All Products	723.97	675.16	703.99	517.72	517.72
270119	Coal, whether or not pulverised, non-agglomerated (excluding anthracite and bituminous coal)	90.88	43.05	40.88	40.27	17.83
220210	Waters, incl. mineral and aerated, with added sugar, sweetener or flavour, for direct consumption	15.30	19.06	19.80	12.87	11.05
721049	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled	5.27	9.25	11.90	9.48	10.08
110100	Wheat or meslin flour	28.77	38.90	13.92	10.71	9.62
100199	Wheat and meslin (excluding seed for sowing, and durum wheat)	91.81	78.34	99.31	50.47	8.68
720925	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, not in coils	0.00	0.00	0.00	2.01	6.53
252100	Limestone flux; limestone and other calcareous stone, of a kind used for the manufacture	7.71	6.65	10.44	6.27	5.80

Table 12: Major Exports of Kazakhstan to Kyrgyzstan (USD Million) (2012-2016)

3.3.5.2 Kazakhstan's Imports from Kyrgyzstan

The following table lists the major items imported from Kyrgyzstan by Kazakhstan at HS-06 Level. Ores and concentrates, light oils and medium oils are the major imports. The import of ores and concentrates started in 2016 and account for approximately \$86.98 million. However, there is an increasing trend in imports of light and medium oils.

		2012	2013	2014	2015	2016
Total	All Products	333.05	351.15	351.17	182.01	200.58
Code	Product Description					
261790	Ores and concentrates (excluding iron, manganese, copper, nickel, cobalt, aluminium, lead,	0.00	0.00	0.00	0.00	86.98
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume	0.17	0.00	0.00	0.81	26.95
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel	0.16	0.00	0.18	4.66	17.90
700529	Float glass and surface ground and polished glass, in sheets, but not otherwise worked	6.27	13.90	10.84	4.66	7.96
190590	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion	0.01	0.04	0.43	0.47	4.85
040120	Milk and cream of a fat content by weight of > 1% but <= 6%, not concentrated nor containing	17.26	6.98	11.64	7.43	3.48
040390	Buttermilk, curdled milk and cream, kephir and other fermented or acidified milk and cream	1.88	1.11	1.92	2.07	3.01
284410	Natural uranium and its compounds; alloys, dispersions, incl. cermets, ceramic products	0.00	26.38	46.03	21.88	2.74
392390	Articles for the conveyance or packaging of goods, of plastics (excluding boxes, cases	3.14	3.70	4.51	4.15	2.65
220820	Spirits obtained by distilling grape wine or grape marc	0.00	0.03	0.00	0.00	2.62

Table 13: Major Imports of Kazakhstan from Kyrgyzstan (USD Million) (2012-2016)

3.3.6 Trade with Turkmenistan

The strategic relations between Turkmenistan and Kazakhstan started in October 1992, and were later strengthened when the two countries signed cooperation pacts in May 1993.

In 2013 the inauguration of the 928-km railway line, Uzen-Bereket-Gorgan, took place which connects Uzen (Kazakhstan), Bereket (Turkmenistan) and Gorgan (Iran). Later, in October 2014 the Kazakh President Nursultan Nazarbayev, the Turkmen President Gurbanguly Berdimuhamedow and the Iranian President Hassan Rouhani met and discussed the socio-economic importance of the new line for the countries involved. Among many benefits the most significant one pertaining to the new railway is the transportation via the shortest route for delivery of steel, fertilizers and other Kazakhstani products. It only includes transit trade for now but passenger transport on these routes is part of the expansion plan. Another benefit of the railway is that it also provides access to the Persian Gulf, as well as to Russia and China.

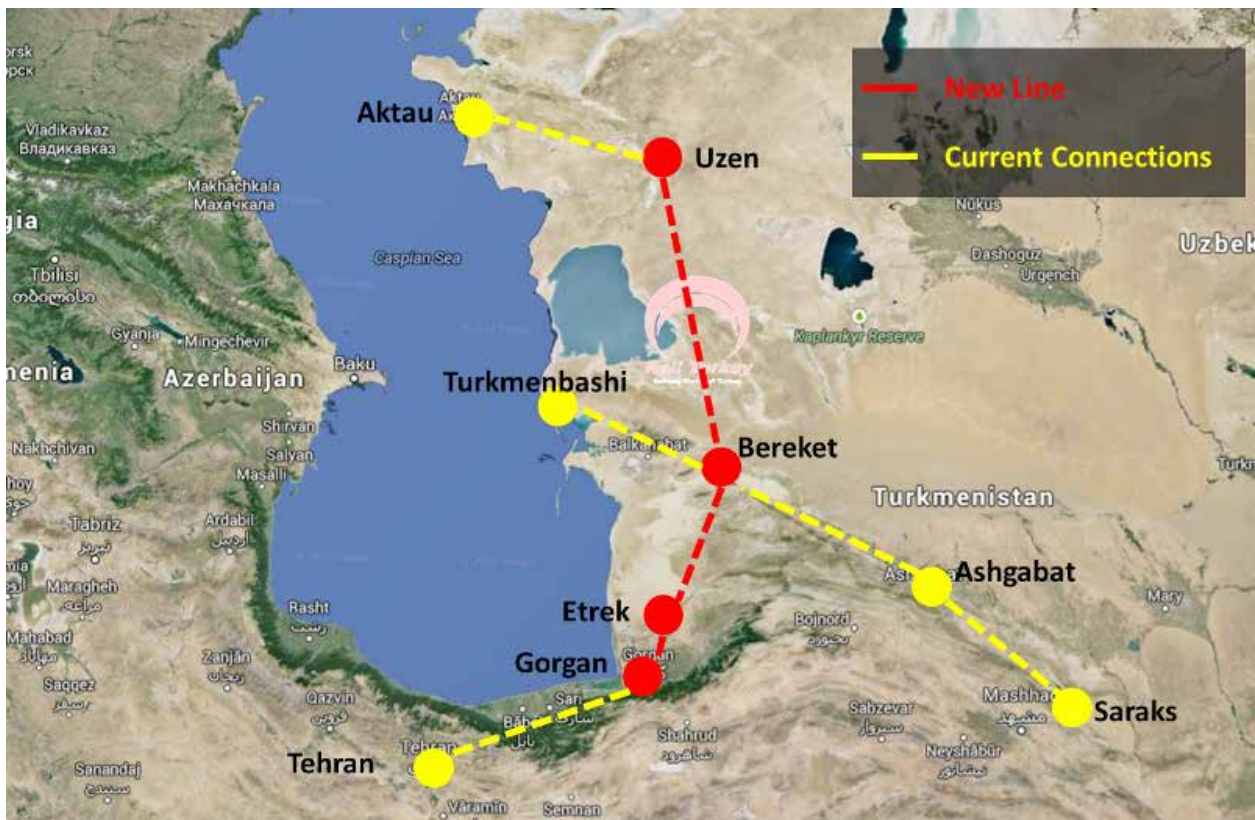


Figure 26: Uzen-Bereket-Gorgan Railway Line, Kazakhstan

Turkmenistan was one of the countries which participated in the International Specialized Exhibition EXPO-2017 held in Astana between June & September 2017. It was organized under the theme 'Future Energy'. Kazakhstan and Turkmenistan's country heads also signed the pact of cooperation between the two countries' Foreign Ministries for 2017-2018. An agreement was also signed between the two Finance Ministries on cooperation in fighting money laundering and the financing of terrorism, and on cooperation between the Kazakhstan National Chamber of Entrepreneurs and the Turkmenistan Chamber of Commerce and Industry.

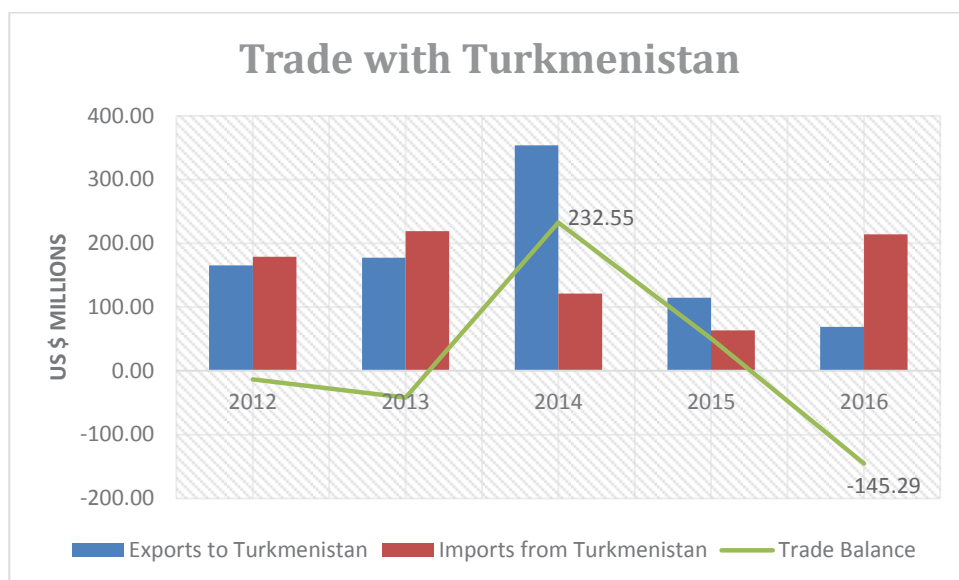


Figure 27: Kazakhstan's Trade with Turkmenistan (USD Million) (2012-2016)

The graph above shows the trade balance of Kazakhstan's trade with Turkey, the export of Kazakh goods to Turkmenistan reached its all-time high in 2014 with a value of \$353 million leading to a trade surplus of \$232.55 million, while in 2016 it was at its lowest with a value of \$69 million and a trade deficit of \$145.29 million.

Cooperation between the two countries also plays a significant role in the development of multiple large transnational energy projects, which would provide energy security internationally. Turkmenistan-Uzbekistan-Kazakhstan-China gas pipeline is such an example, foundation of which was laid in December 2009 and which became operational in October 2010. It currently allows for export of around 55 billion cubic meters of gas annually.



Figure 28: Central Asia-China Gas Pipeline

3.3.6.1 Kazakhstan's Exports to Turkmenistan

The following table lists the products that are exported from Kazakhstan to Turkmenistan. Most popular among exports are sulphates and wheat or meslin flour valued at \$13.71 million and \$11.29 million respectively.

		2012	2013	2014	2015	2016
Total	All Products	165.60	177.50	353.80	114.54	69.10
Code	Product Description					
251110	Natural barium sulphate "barytes"	16.85	16.26	26.23	20.02	13.71
110100	Wheat or meslin flour	24.18	23.88	23.47	12.57	11.29
190110	Food preparations for infant use, put up for retail sale, of flour, groats, meal, starch	6.75	9.81	12.58	10.04	7.13
251020	Natural calcium phosphates and natural aluminium calcium phosphates	7.96	1.97	2.86	6.78	4.23
860610	Railway or tramway tank wagons and the like (excluding self-propelled)	0.00	0.00	0.65	0.00	2.75
392350	Stoppers, lids, caps and other closures, of plastics	1.37	1.77	1.71	1.96	2.16
843143	Parts for boring or sinking machinery of subheading 8430.41 or 8430.49	0.19	0.41	0.18	0.05	1.52
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	3.73	5.57	0.83	1.72	1.51
070310	Fresh or chilled onions and shallots	1.42	1.03	0.21	0.41	1.38
210112	Preparations with a basis of extracts, essences or concentrates of coffee	0.38	0.55	0.66	0.45	1.09

Table 14: Major Exports of Kazakhstan to Turkmenistan at HS-06 Level (USD Million) (2012-2016)

3.3.6.2 Kazakhstan's Imports from Turkmenistan

The following table lists the top products at HS-06 that are imported by Kazakhstan from Turkmenistan, most popular of which is natural gas. In 2012, Natural gas worth \$175.34 million dollars was imported from Turkmenistan, while this value was recorded at \$192.07 million in 2016.

		2012	2013	2014	2015	2016
Total	All Products	178.98	219.41	121.25	63.71	214.40
Code	Product Description					
271121	Natural gas in gaseous state	175.34	208.97	91.40	52.98	192.07
890690	Vessels, incl. lifeboats (excluding warships, rowing boats and other vessels of heading 8901...)	0.00	0.00	12.14	2.42	5.07
730519	Line pipe of a kind used for oil or gas pipelines, having circular cross-sections and an external	0.00	0.00	0.00	0.00	4.32
271099	Waste oils containing mainly petroleum or bituminous minerals (excluding those containing polychlorinated	0.00	0.00	0.52	1.43	2.20
841229	Hydraulic power engines and motors (excluding hydraulic turbines and water wheels of heading	0.00	0.27	0.15	0.28	2.20
070200	Tomatoes, fresh or chilled	1.32	1.39	0.90	0.97	1.01
843143	Parts for boring or sinking machinery of subheading 8430.41 or 8430.49	0.00	0.01	0.00	0.07	0.98
271091	Waste oils containing polychlorinated biphenyls [PCBs], polychlorinated terphenyls	0.00	0.00	0.00	0.00	0.81
253090	Arsenic sulfides, alunite, pozzuolana, earth colours and other mineral substances	0.00	0.00	0.00	0.20	0.69

		2012	2013	2014	2015	2016
Total	All Products	178.98	219.41	121.25	63.71	214.40
732690	Articles of iron or steel, n.e.s. (excluding cast articles or articles of iron or steel wire)	0.00	0.04	0.02	0.16	0.59

Table 15: Major Imports of Kazakhstan from Turkmenistan at HS-06 Level (USD Million) (2012-2016)

3.4 Trade with Regional Countries

3.4.1 Trade with The Russian Federation

Diplomatic relations between the Republic of Kazakhstan and The Russian Federation were established on October 22, 1992. Bilateral trade and cooperation between the two nations are based on the framework provided by more than 300 international treaties, these include; Treaty on Friendship, Co-operation and Mutual Assistance signed on May 25, 1992 and the Declaration on Eternal Friendship and Alliance aimed for the XXI century on July 6, 1998. In the course of the official visit of the President of the Russian Federation, Vladimir Putin, to Kazakhstan on July 7, 2012, the Protocol on Amendments to the Treaty on Friendship, Co-operation and Mutual Assistance of May 25, 1992 was signed (ratified by both the parties in June 2013). The Economic Co-operation Program for 2012-2020 was signed on November 25, 2011 in Astana.

Kazakhstan's trade balance with the Russian Federation has remained negative through the years 2012-2016. This is largely because of the high value of Russian imports coming into the country. The imports reached their highest point of \$17.97 billion in 2013, when exports were \$5.88 billion. This led to a trade deficit of \$12.10 billion. The trade deficit however, has improved since 2012; from a deficit of \$12.10 billion in 2013 to a deficit of \$5.62 billion in 2016.

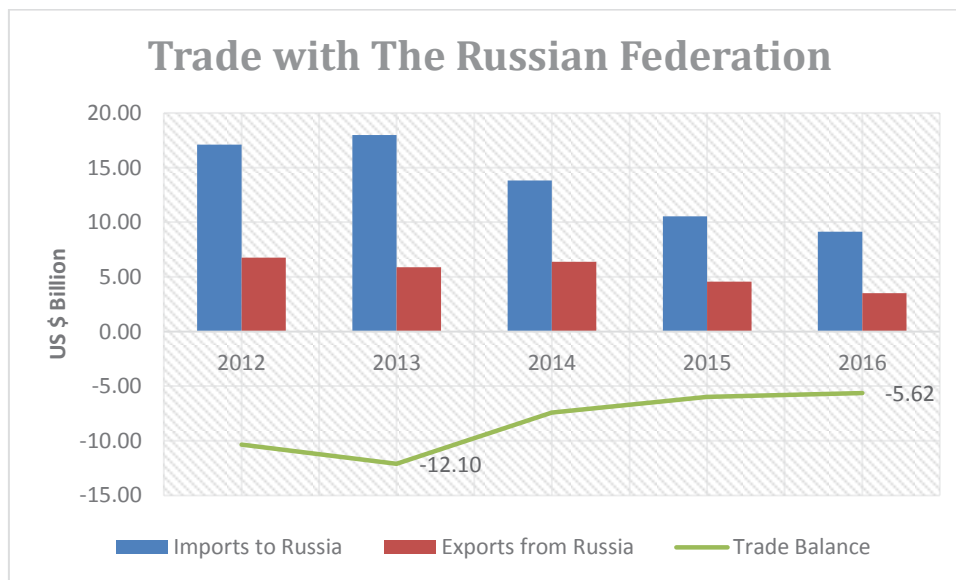


Figure 29: Kazakhstan's Trade with The Russian Federation (USD Billion) (2012-2016)

3.4.1.1 Kazakhstan's Exports to the Russian Federation:

The table below shows Kazakhstan's major exports to the Russian Federation at HS-06 Level. The major exports include Aluminum oxide at \$311.06 million, Natural Uranium at \$245.02 million, Iron ores at \$209.40 million and products of iron and steel at \$137.58 million, in 2016. The trend of exports of Aluminum oxide and Natural Uranium has been fluctuating over the past 5 years, but the exports of iron ore and products of iron and steel have followed a decreasing pattern between the period 2012-2016.

		2012	2013	2014	2015	2016
Total	All Products	6,747.21	5,875.27	6,388.50	4,547.50	3,509.16
Code	Product Description					
281820	Aluminium oxide (excluding artificial corundum)	305.25	305.78	290.33	334.97	311.06
284410	Natural uranium and its compounds; alloys, dispersions, incl. cermet	499.79	326.45	387.38	502.66	245.02
260111	Non-agglomerated iron ores and concentrates (excluding roasted iron pyrites)	576.13	548.22	380.00	261.37	209.40
721049	Flat-rolled products of iron or non-alloy steel, of a width of \geq 600 mm	220.01	232.84	197.45	126.60	137.58
260112	Agglomerated iron ores and concentrates (excluding roasted iron pyrites)	346.69	290.14	346.36	112.82	135.79
270119	Coal, whether or not pulverised, non-agglomerated (excluding anthracite and bituminous coal)	493.09	313.91	257.74	182.87	129.56
271121	Natural gas in gaseous state	217.69	219.10	214.25	166.60	120.22
260300	Copper ores and concentrates	194.66	196.02	161.88	67.02	112.95
261000	Chromium ores and concentrates	233.92	232.90	198.60	144.51	105.28
720836	Flat-rolled products of iron or non-alloy steel, of a width of \geq 600 mm	90.94	93.92	73.35	66.13	101.30

Table 16: Major Exports of Kazakhstan to Russian Federation at HS-06 Level (USD Million) (2012-2016)

3.4.1.2 Kazakhstan's Imports from the Russian Federation

The table below shows Kazakhstan's major imports from the Russia Federation at HS-06 Level. The main imports of Kazakhstan in 2016 included petroleum at \$384.75 million, medium oils at \$255.46 million, metal-ores at \$197.53 million, natural gas at \$171.57 million and motor vehicles at \$168.61 million. The imports follow a decreasing trend similar to exports; mostly because of the increase in the ability of Kazakhstan's fuel and mining sector to produce sufficient amounts of fuel and minerals. However, imports of natural gas increased 86.6% from \$91.92 million in 2014 to \$171.57 million in 2016.

		2012	2013	2014	2015	2016
Total	All Products	17,110.46	17,971.76	13,807.69	10,529.28	9,129.77
Code	Product Description					
271012	Light oils and preparations, of petroleum or bituminous minerals which \geq 90% by volume	787.37	741.60	660.02	531.12	384.75
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel	483.09	590.71	436.74	198.84	255.46
261690	Precious-metal ores and concentrates (excluding silver ores and concentrates)	402.84	120.45	177.84	198.35	197.53
271121	Natural gas in gaseous state	15.28	94.74	91.92	131.50	171.57
870323	Motor cars and other motor vehicles principally designed for the transport of persons	363.88	816.23	994.05	534.16	168.61

		2012	2013	2014	2015	2016
Total	All Products	17,110.46	17,971.76	13,807.69	10,529.28	9,129.77
240220	Cigarettes, containing tobacco	100.58	127.63	105.46	118.76	128.27
270400	Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon	206.48	169.02	140.95	128.76	120.58
880212	Helicopters of an unladen weight > 2000 kg	0.00	15.26	14.54	31.78	109.78
260700	Lead ores and concentrates	87.65	92.52	93.96	104.24	95.66
854449	Electric conductors, for a voltage ≤ 1.000 V, insulated, not fitted with connectors	80.28	66.61	69.12	51.19	86.35

Table 17: Major Imports of Kazakhstan from Russia Federation at HS-06 Level (USD Million) (2012-2016)

3.4.2 Trade with Turkey

President of Kazakhstan, Nursultan Nazarbayev signed the Strategic Partnership Agreement while visiting Turkey in October 2009. During his visit to Kazakhstan, the Turkish President Recep Tayyip Erdogan laid the foundation of the High Level Strategic Cooperation Council (HLSCC) in May 2012. In October of the same year, the first meeting of the High Level Strategic Cooperation Council (HLSCC) was held in Turkey during the return visit of President Nursultan Nazarbayev.

As reported by the Central Bank of Turkey, in 2015 Kazakh foreign direct investment in Turkey amounted to \$681 million. At the same time, Turkish investment into Kazakhstan was almost \$859.8 million. Turkey ranks 17th among all investors in Kazakhstan and 4th in fund investment. Around 15,000 people have gained jobs in Kazakhstan due to Turkish initiatives. It was due to the cooperation between Turkey and Kazakhstan that the Summit of Turkic Speaking States was established, this Summit aims to promote peace and stability in the Turkic speaking countries spread over Europe and Asia. The International Turkic Academy established under the guidelines of the Turkic Council is also hosted by Kazakhstan.

The figure below shows that exports to Turkey have declined continuously from \$2,442.88 million in 2012 to just \$232.94 million in 2016. This has resulted in a declining trade surplus for Kazakhstan in its trade with Turkey:

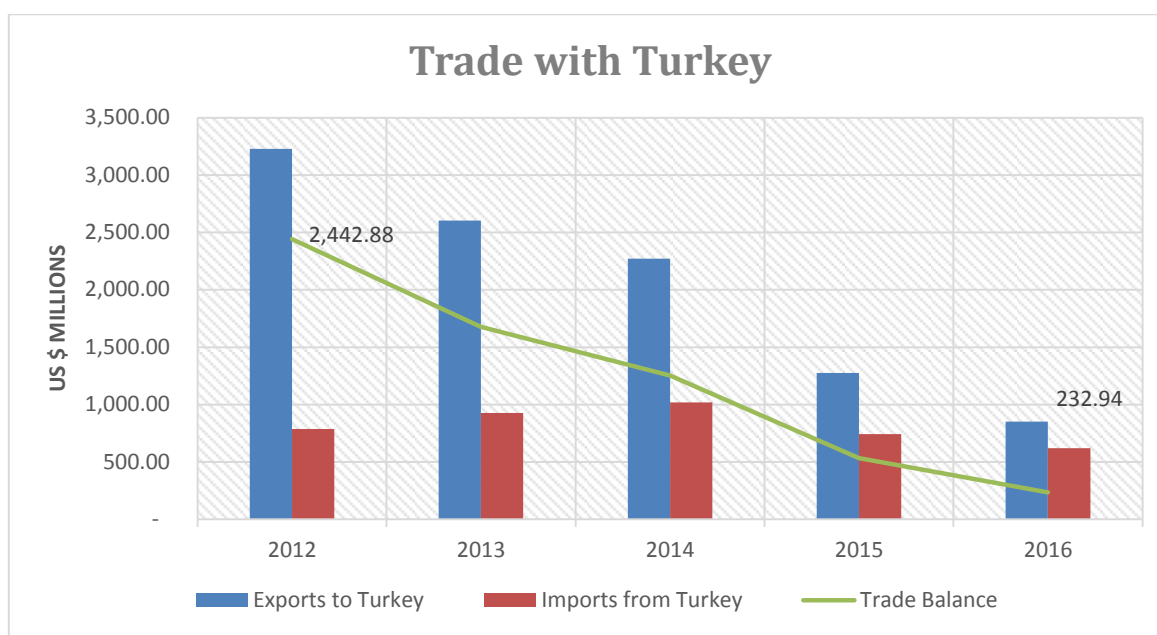


Figure 30: Kazakhstan's Trade with Turkey (USD Million) (2012-2016)

3.4.2.1 Kazakhstan's Exports to Turkey

The table below shows Kazakhstan's Exports to Turkey at HS-06 Level. The major exports comprise of copper, petroleum oils, zinc and refined copper. Exports of copper have shown a decreasing trend from \$363.66 million in 2014 to \$180.39 million in 2016. Similarly, exports of other goods have also declined over the last 5-year period.

Code	Product Description	2012	2013	2014	2015	2016
	All Products	3,229.01	2,603.06	2,272.45	1,275.57	851.08
740319	Copper, refined, unwrought (excluding copper in the form of billets, wire-bars)	0.00	0.00	363.66	337.11	180.39
270900	Petroleum oils and oils obtained from bituminous minerals, crude	958.34	1,129.44	1,038.33	333.89	175.82
790111	Unwrought zinc, not alloyed, containing by weight >= 99,99% of zinc	444.49	129.03	170.72	175.52	163.12
740311	Copper, refined, in the form of cathodes and sections of cathodes	700.83	550.36	110.88	94.41	88.56
271113	Butanes, liquefied (excluding of a purity of >= 95% of N-butane or isobutane)	223.02	259.79	181.24	74.54	59.28
760110	Aluminium, not alloyed, unwrought	150.54	120.69	87.27	121.20	39.83
271112	Propane, liquefied	174.24	165.02	151.59	53.56	38.26
71340	Dried, shelled lentils, whether or not skinned or split	0.32	0.07	1.81	3.98	24.33
720712	Semi-finished products of iron or non-alloy steel containing, by weight, < 0,25% of carbon	0.00	0.00	0.00	0.00	14.83
100119	Durum wheat (excluding seed for sowing)	0.00	14.21	9.76	4.59	7.47

Table 18: Major Exports of Kazakhstan to Turkey at HS-06 Level (USD Million) (2012-2016)

3.4.2.2 Kazakhstan's Imports from Turkey

The table below shows Kazakhstan's imports from Turkey at HS-06 level. Imports began to rise from 2012 till 2014 when they reached an all-time high of \$1,019 million, after which they started to decline. Imports fell to \$618 million in 2016. Major imports from Turkey include aluminum products, electrical conductors, t-shirts, and iron and steel products.

Code	Product Label	2012	2013	2014	2015	2016
	All Products	786.14	926.13	1,019.39	741.92	618.15
761090	Structures and parts of structures, of aluminum, n.e.s., and plates, rods, profiles, tubes	17.13	9.33	10.85	12.07	22.77
854449	Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors	8.16	15.43	21.64	18.70	12.60
940600	Prefabricated buildings, whether or not complete or already assembled	18.85	27.10	29.63	16.52	11.27
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	5.72	9.40	12.48	12.27	10.85
730890	Structures and parts of structures, of iron or steel, n.e.s. (excluding bridges and bridge-sections)	17.49	30.19	28.68	29.96	10.70
570242	Carpets and other floor coverings, of man-made textile materials, woven, not tufted or flocked	20.49	23.14	17.79	15.89	10.68
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton	5.30	7.65	8.96	9.76	9.44
851660	Electric ovens, cookers, cooking plates and boiling rings, electric grillers and roasters	18.31	20.30	17.80	11.85	9.02
843780	Machinery used in the milling industry or for the working of cereals or dried leguminous vegetables	18.51	13.88	23.75	24.04	8.88
732690	Articles of iron or steel, n.e.s. (excluding cast articles or articles of iron or steel wire)	12.39	13.68	12.55	5.75	8.57

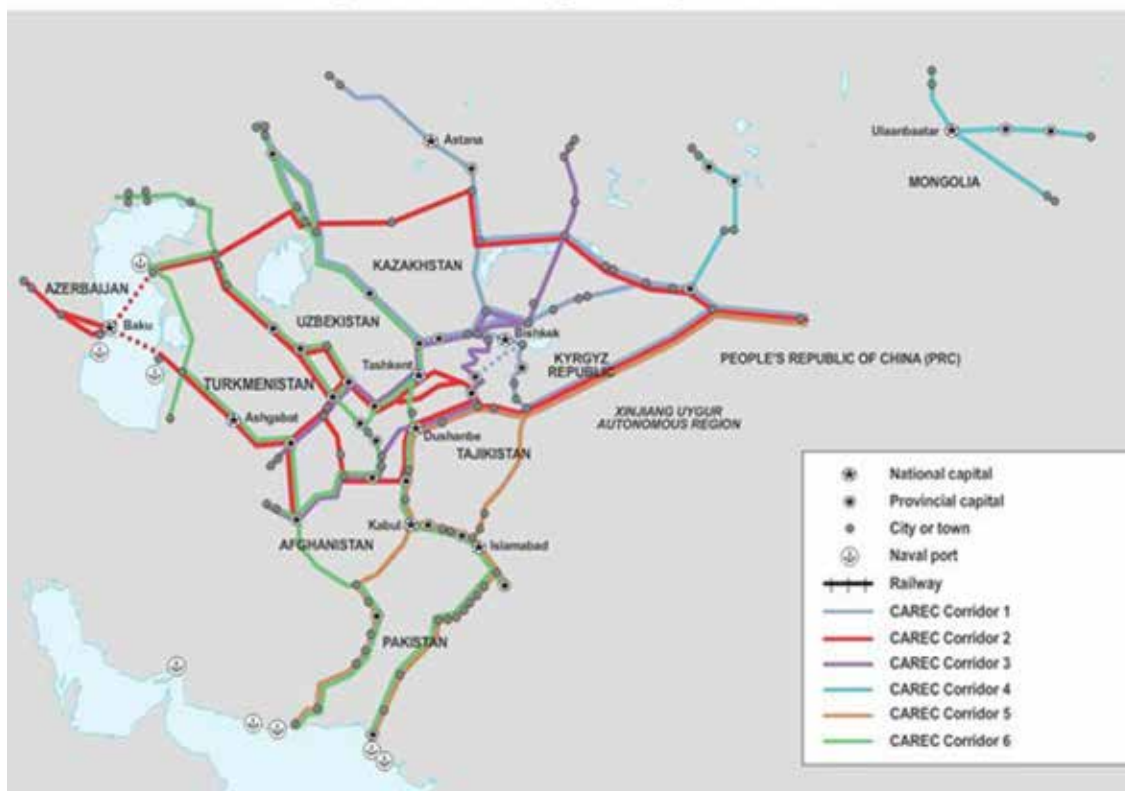
Table 19: Major Imports of Kazakhstan from Turkey at HS-06 Level (USD Million) (2012-2016)

3.5 Global & Regional Trade Alliances

Kazakhstan became a part of the United Nations (UN) on 2nd March, 1992. To promote economic integration with its neighbors, Kazakhstan became a member of the Commonwealth of Independent States in 1995. Kazakhstan also joined the Organization of Islamic Cooperation (OIC) in 1995.

The Central Asia Regional Economic Cooperation (CAREC) Program was initiated in 1997 and Kazakhstan became a friendly member. Kazakhstan’s first contribution to regional cooperation involved one of the CAREC Program’s earliest initiatives. In 2000, the program began to rebuild the road between the commercial city of Almaty and the Kyrgyz Republic capital of Bishkek. The route became an integral part of CAREC Corridor 1, one of the six CAREC corridors in the current version of the Silk Road, which stretches from the People’s Republic of China (PRC) to Azerbaijan, in the Caucasus, and farther west to Europe; and from south Kazakhstan to the ports of Pakistan. As of 2016, around \$8.23 billion has been invested in Kazakhstan through the CAREC Program for projects that have improved transport, trade, and energy infrastructure.

Key CAREC Projects by Corridor



Source: Central Asia Regional Economic Cooperation (CAREC)

Figure 31: CAREC Corridors

Kazakhstan, Belarus and Russia formed a European Free Trade Association (2010) in order to abolish custom controls at the border and increase the flow of trade. Other countries like Ukraine (1994), Kyrgyzstan (1995), Uzbekistan (1997), Azerbaijan (1997), and Georgia (1999) have also individually partnered with Kazakhstan to improve trading conditions and economic cooperation in Central Asia.

The President of Kazakhstan proposed a Central Asian Union agreement in 2007 in the hope of creating a political and economic union between countries of Central Asia. Subsequently, Kazakhstan, Kyrgyzstan and Uzbekistan also signed the Treaty of Eternal Peace, to establish a free trade area.

3.5.1 Commonwealth of Independent States

To form a mutual economic zone to allow for free trade of goods, services and labor, the Commonwealth of Independent States (CIS) came together in 1993 to sign an agreement for the creation of an Economic Union. The agreement targeted the development of economic and political relations between the Central Asian countries. In 1994, the CIS signed an agreement to create a free trade zone, currently Tajikistan & Turkmenistan have yet to sign and ratify this agreement.

Kazakhstan joined the CIS in 1995, along with Belarus, Russia and Kyrgyzstan and in 2000 the CIS signed an arrangement to create the Eurasian Economic Community, in which Kazakhstan is a prominent and active member.

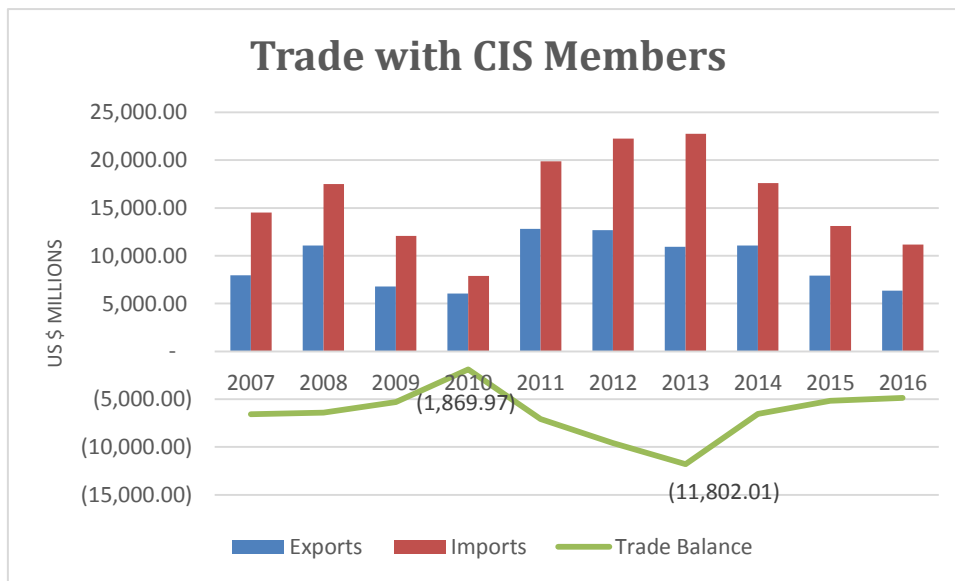


Figure 32: Kazakhstan's Trade with CIS Members (USD Million) (2007-2016)

The graph above shows that the trade balance of Kazakhstan with the CIS member countries has been negative between 2007 & 2016. The trade deficit decreased as Kazakhstan's imports from CIS member countries decreased between 2007 & 2010. However, imports increased sharply after 2010 which led to an increase in the trade deficit to \$11,802.01 million in 2013. Later, the trade deficit improved significantly to \$4,851.64, as imports decreased consistently till 2016.

3.5.1.1 Kazakhstan's Exports to CIS

The table below shows the main exports from Kazakhstan to the CIS. As can be seen, the major export is that of petroleum derived products; export of natural gas was \$624.53 million while the export of oil was \$335.9 million in 2016. However, the export of mineral oils has been declining during the last few years and wheat and meslin are now the second major export to the CIS, valued at \$409.17 million.

		2012	2013	2014	2015	2016
Total	All Products	12,662.46	10,943.12	10,84.19	7,930.73	6,366.22
Code	Product Description					
271121	Natural gas in gaseous state	1,396.14	1,486.35	1,585.50	1,010.45	624.53
100199	Wheat and meslin	691.93	750.11	561.29	479.60	409.17
270900	Petroleum oils and oils obtained from bituminous minerals	937.14	627.41	375.7	771.75	335.86
281820	Aluminum oxide	305.25	305.78	290.33	334.97	311.06
284410	Natural uranium and its compounds; alloys, dispersions	530.37	344.96	461.7	530.1	254.4

Table 20: Major Exports of Kazakhstan to CIS Members at HS-06 Level (USD Million) (2012-2016)

3.5.1.2 Kazakhstan's Imports from CIS

Although light oils derived from petroleum used to be a major import from the CIS valued at \$787.81 million in 2012, the import of light oils however, has decreased over time to \$411.78 million. Natural gas was the main import as of 2016, valued at \$471.99 million. Metal ores are also imported by Kazakhstan from the CIS.

		2012	2013	2014	2015	2016
Total	All Products	22,241.42	22,745.12	17,617.36	13,101.02	11,187.96
Code	Product Description					
271121	Natural gas in gaseous state	374.85	490.17	370.44	439.01	471.99
271012	Light oils and preparations, of petroleum or bituminous minerals which \geq 90% by volume	787.81	784.89	739.39	588.52	411.78
271019	Medium oils and preparations, of petroleum or bituminous mineral	493.76	606.20	448.16	206.46	275.74
261690	Precious-metal ores and concentrates (excluding silver ores and concentrates)	427.47	138.65	214.56	218.73	197.53
260700	Lead ores and concentrates	99.15	97.50	155.52	157.50	197.30

Table 21: Major Imports of Kazakhstan from CIS Members at HS-06 Level (USD Million) (2012-2016)

3.5.2 Organization of Islamic Cooperation

The Organization of Islamic Cooperation (OIC) was set up on September 25, 1969 and Kazakhstan became a complete member of this organization in 1995. Since then, Kazakhstan has been an important member of the OIC. The basic purpose of the OIC has been to safeguard and secure the interests of the Muslim world with the goal of developing international peace and harmony among various people of the world. The Organization has cooperative relations with the UN and several other governmental organizations to safeguard the basic interests of the Muslims and work towards resolution of the conflicts which involve the OIC member states. Various steps have been taken to remove wrong perceptions or discrimination of any kind against Muslims.

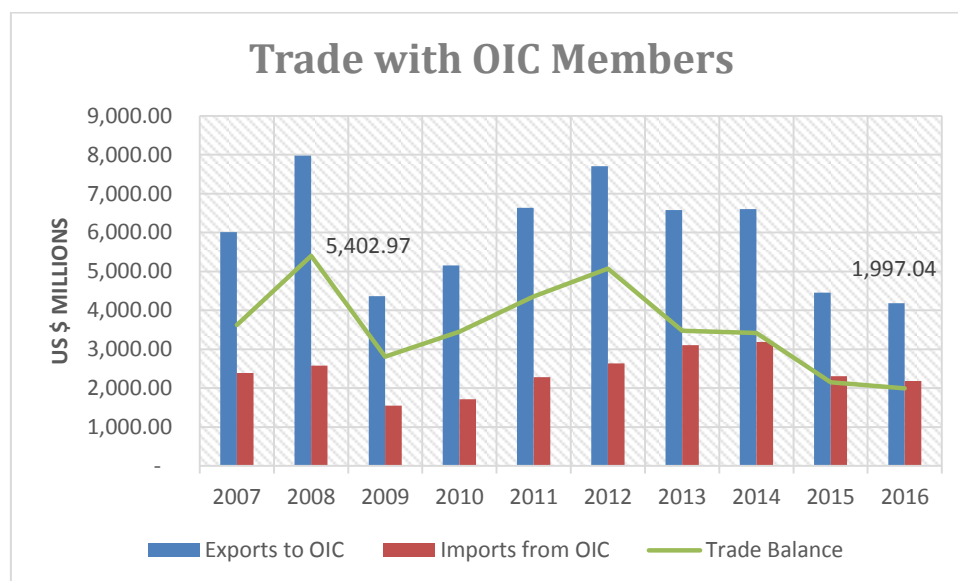


Figure 33: Kazakhstan's Trade with OIC Members (USD Million) (2007-2016)

The graph above shows the trade flow between Kazakhstan and the OIC countries which has been fluctuating over the years. The highest trade surplus in favor of Kazakhstan was \$5,402.97 million in 2008, when exports recorded were \$7,982.09 million, and imports were \$2,579.12 million. However, in 2016 the trade surplus dropped to \$1,997.04 million.

3.5.2.1 Kazakhstan's Exports to OIC

The table below shows exports for the period 2012-2016. From 2012 to 2014 mineral oils were the biggest export of the country to OIC members; \$1,299.83 million in 2012 and \$1,162 million in 2014. However, total exports of these products took a significant downturn and wheat and meslin derivatives became the top exports to the OIC countries in 2016 valued at about \$497.77 million.

		2012	2013	2014	2015	2016
Total	All Products	7,708.91	6,575.23	6,601.22	4,454.98	4,182.69
Code	Product Description					
110100	Wheat or meslin flour	601.49	559.19	552.87	490.15	497.77
100199	Wheat and meslin (excluding seed for sowing, and durum wheat)	1,132.10	819.63	724.88	531.37	461.03
740311	Copper, refined, in the form of cathodes and sections of cathodes	704.27	552.91	113.08	103.51	351.40

		2012	2013	2014	2015	2016
Total	All Products	7,708.91	6,575.23	6,601.22	4,454.98	4,182.69
270900	Petroleum oils and oils obtained from bituminous minerals, crude	1299.83	1521.03	1162.15	371.50	246.27
740319	Copper, refined, unwrought	0.00	0.00	363.66	337.11	180.39

Table 22: Major Exports of Kazakhstan to OIC Members at HS-06 Level (USD Million) (2012-2016)

3.5.2.2 Kazakhstan's Imports from OIC

The table below shows that natural gas derived from petroleum has been the major import from OIC, at \$300.42 million. However, the sharp increase in 2016 of imports of metal ore indicates the possibility that it could be one of the top import products in 2017.

		2012	2013	2014	2015	2016
Total	All Products	2,636.01	3,103.13	3,184.98	2,304.47	2,185.65
Code	Product Description					
271121	Natural gas in gaseous state	359.57	395.43	278.52	307.51	300.42
260700	Lead ores and concentrates	11.49	4.98	61.56	53.25	101.64
261790	Ores and concentrates (excluding iron, manganese)	0.00	0.00	0.00	0.00	86.98
260800	Zinc ores and concentrates	4.61	13.46	59.42	51.6	68.35
080610	Fresh grapes	79.40	28.84	86.27	58.84	54.14

Table 23: Major Imports of Kazakhstan from OIC Members at HS-06 Level (USD Million) (2012-2016)

3.5.3 World Trade Organization

The World Trade Organization (WTO) was founded in 1995 and Kazakhstan became a member in 2015. It is the 162nd member of the organization. Since joining the WTO, Kazakhstan has enjoyed favorable trade balances due to lower tariff rates on imports and lower export duties.

Being a member of WTO has helped Kazakhstan increase trade with its neighboring countries which are also members of this Organization; Kyrgyzstan, China, Russia, Tajikistan and Ukraine. 90% of Kazakhstan's trading activities are with member countries of the WTO. In 2015, it was reported that the benefit to Kazakhstan from accession to the WTO was 3.7% of its GDP and that this could go up as high as 9.7% of GDP in the long-term.

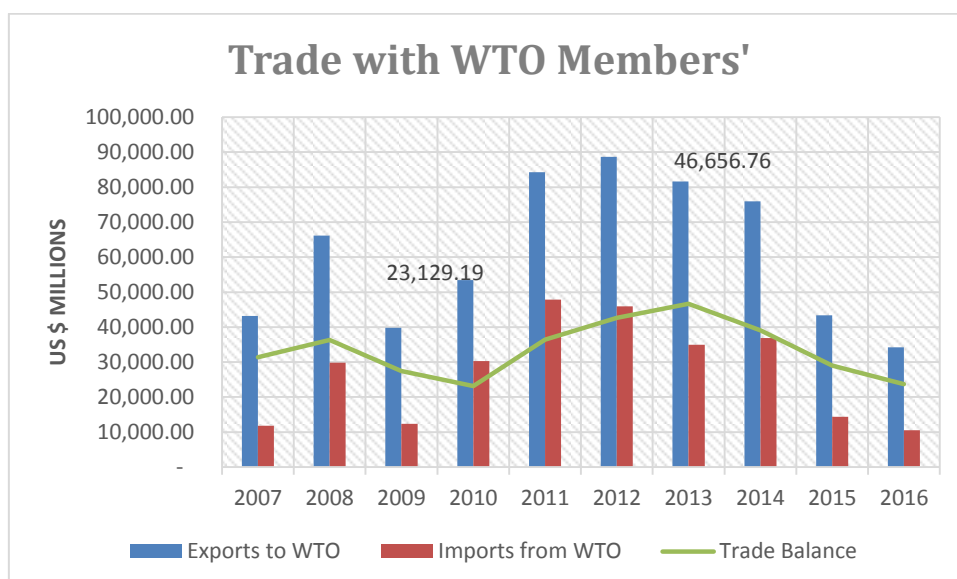


Figure 34: Kazakhstan's Trade with WTO members' (USD Million) (2007-2016)

Kazakhstan's trade with the WTO members has been highly favorable for the period 2007-2016. The highest trade surplus recorded was in the year 2013 at \$46,656.76 million, when exports were \$81,611.80 million and the imports were \$34,955.04 million. In all years except 2010, 2011 and 2012, when imports were higher than exports, Kazakhstan enjoyed a trade surplus.

3.5.3.1 Kazakhstan's Exports to WTO Members'

The table below shows that although there is a decreasing trend over time, petroleum based oils seem to be the major exports to WTO member countries from Kazakhstan; with a value of \$19,307.56 million in 2016. Metal ores and uranium also comprise a major portion of exports at \$1,738.57 million in 2016.

		2012	2013	2014	2015	2016
Total	All products	88,647.67	81,611.81	75,911.68	43,332.01	34,216.66
Code	Product Description					
270900	Petroleum oils and oils obtained from bituminous minerals, crude	56,132.49	56,986.43	53,451.29	26,749.07	19,307.56
284410	Natural uranium and its compounds; alloys, dispersions, incl. cermets	2,662.86	2,235.63	2,006.95	2,241.45	1,738.57
740311	Copper, refined, in the form of cathodes and sections of cathodes	3,406.54	2,672.50	1,330.86	1,562.31	1,508.84
271121	Natural gas in gaseous state	2,193.00	1,956.81	1,883.91	1,745.53	1,283.68
720241	Ferro-chromium, containing by weight > 4% of carbon	2,931.47	1,296.82	1,193.59	1,127.17	1,129.56

Table 24: Major Exports of Kazakhstan to WTO Members at HS-06 Level (USD Million) (2012-2016)

3.5.3.2 Kazakhstan's Imports from WTO Members'

The table below shows that medicaments at a value of \$495.56 million in 2016, followed by line pipes for oil and gas at a value of \$450.64 million in 2016, are the most commonly imported products from WTO member countries. Moreover, telecommunication products (mobile phones) also contribute to imports from WTO member countries.

		2012	2013	2014	2015	2016
Total	All products	42,679.53	46,656.76	39,043.90	29,006.07	23,716.04
Code	Product Description					
300490	Medicaments consisting of mixed or unmixed products	783.47	996.79	844.01	665.81	495.56
730511	Line pipe of a kind used for oil or gas pipelines	909.66	1,288.65	188.20	741.35	450.64
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume	790.23	756.83	679.62	544.16	412.88
848180	Appliances for pipes, boiler shells, tanks, vats	389.60	507.43	468.14	354.79	392.58
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	339.84	505.60	592.81	422.18	389.42

Table 25: Major Imports of Kazakhstan from WTO Members at HS-06 Level (USD Million) (2012-2016)

3.6 Trade with Pakistan

Relations between Kazakhstan and Pakistan have been improving since independence, following the visit to Pakistan of the President of Kazakhstan. This trip marked the first step to a strong affiliation between the two countries. Pakistan was one of the first countries to recognize Kazakhstan’s independence after the disintegration of the Soviet Union.

To boost trade between Kazakhstan and Pakistan, Trade Development Authority of Pakistan (TDAP) organized a large composite stall at the Trade Caravan in Almaty in 2016, where 45 exhibitors of garments, sports goods, home textiles and other miscellaneous consumer product participated. The most sold goods were Pakistani tea and leather jackets. This initiative helped enhance commercial relations between the two countries.

The Central Asia Regional Economic Cooperation (CAREC) Program is an important initiative of ten countries which was created in 1997 to promote economic cooperation in the region. The CAREC Corridor connects Pakistan to the Western markets of Europe and Russia, passing through Afghanistan, Tajikistan, Uzbekistan and Kazakhstan.

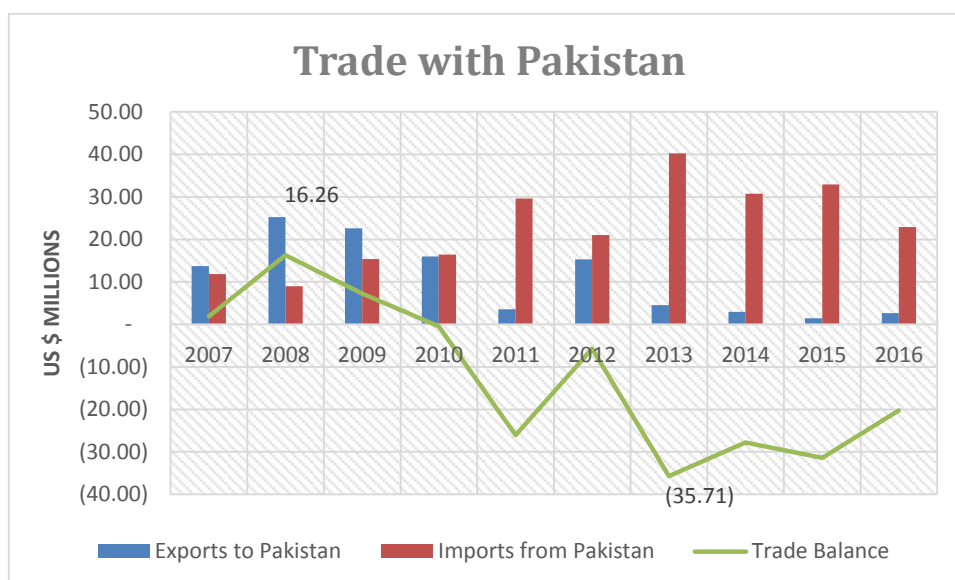


Figure 35: Kazakhstan's Trade with Pakistan (USD Million) (2007-2016)

Although Kazakhstan enjoyed a positive trade balance with Pakistan initially, it turned negative in 2011 when imports from Pakistan increased to \$29.58 million, while exports decreased to only \$3.95 million. The highest trade deficit was reported in 2015 when it reached \$31.44 million

3.6.1 Kazakhstan's Exports to Pakistan

The table below shows Kazakhstan’s exports at HS-06 to Pakistan. Not only are exports low, but they have also been declining over time. Lentils & iron and steel were the most exported items in 2016 with an export value of \$0.81 million each.

		2012	2013	2014	2015	2016
Total	All Products	15.26	4.51	2.95	1.45	2.66
Code	Product Description					
71340	Dried, shelled lentils, whether or not skinned or split	0.00	0.00	0.00	0.00	0.814
720918	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm	0.00	2.614	1.815	0.00	0.771

		2012	2013	2014	2015	2016
Total	All Products	15.26	4.51	2.95	1.45	2.66
720449	Waste and scrap of iron or steel	0.582	0.098	0.00	0.00	0.318
730640	Tubes, pipes and hollow profiles, welded, of circular cross-section	0.00	0.00	0.589	0.153	0.102
842959	Self-propelled mechanical shovels, excavators and shovel loaders	0.00	0.00	0.00	0.00	0.101
820719	Rock-drilling or earth-boring tools, interchangeable	0.00	0.00	0.00	0.00	0.089
732690	Articles of iron or steel	0.014	0.001	0.004	0.001	0.087
901580	Instruments and appliances used in geodesy, topography	0.015	0.00	0.00	0.00	0.085
848180	Appliances for pipes, boiler shells, tanks	0.00	0.145	0.00	0.00	0.06
842952	Self-propelled mechanical shovels, excavators and shovel	0.00	0.00	0.00	0.00	0.10

Table 26: Major Exports of Kazakhstan to Pakistan at HS-06 Level (USD Million) (2012-2016)

3.6.2 Kazakhstan's Imports from Pakistan

Since 2012, the major import from Pakistan has been fresh or dried mandarins, with its value increasing over time. In 2016 the import of mandarins from Pakistan was worth \$11.40 million. Following this, the next major import were medicaments (containing alkaloids and derivatives with the exception of hormones), with a value of \$4.12 million in 2016.

		2012	2013	2014	2015	2016
Total	All Products	21.02	40.22	30.73	32.89	22.89
Code	Product Description					
80520	Fresh or dried mandarins incl. tangerines and satsumas	8.706	16.94	12.4	11.74	11.40
300440	Medicaments containing alkaloids or derivatives thereof, not containing hormones	0.00	0.00	0.00	2.42	4.12
300510	Adhesive dressings and other articles having an adhesive layer	0.719	1.06	0.93	0.95	1.006
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton	0.68	0.80	1.27	1.08	0.86
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	5.65	5.70	5.62	1.22	0.76
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton	0.47	0.63	0.86	0.85	0.64
420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves)	0.14	0.17	0.14	0.14	0.31
170490	Sugar confectionery not containing cocoa, incl. white chocolate (excluding chewing gum)	0.10	0.27	0.42	0.26	0.23
70190	Fresh or chilled potatoes (excluding seed)	0.27	9.06	3.14	9.28	0.19
610610	Women's or girls' blouses	0.002	0.001	0.00	0.001	0.18

Table 27: Major Imports of Kazakhstan from Pakistan at HS-06 Level (USD Million) (2012-2016)

3.6.3 Pakistan's Potential Trade with Kazakhstan

3.6.3.1 Trade Potential

Trade potential is an economic concept that allows us to identify the scale and scope of increasing bilateral trade between countries. It seeks to measure the additional trade that can exist between the two countries if trade is perfectly frictionless between them.

Import Potential = Min (Pakistan's imports from the world of X, Kazakhstan's exports to the world of X) – Pakistan's current imports from Kazakhstan of X

Import potential for a product is calculated by subtracting Pakistan's actual imports for a product from Kazakhstan from the minimum of Pakistan's imports from the world and Kazakhstan's exports to the world for that product.

Export Potential = Min (Pakistan's Exports to the world of X, Kazakhstan's imports from the world for X) – Pakistan's current exports to Kazakhstan of X.

The export potential for a product is calculated by subtracting Pakistan's actual exports for a product to Kazakhstan from the minimum of Pakistan's exports to the world or Kazakhstan's imports from the world for that product.

3.6.3.2 Pakistan's Potential Imports from Kazakhstan at HS-06 Level

The table below shows Pakistan's imports from Kazakhstan, Pakistan's Imports from the world, Kazakhstan's exports to the world and Pakistan's potential imports from Kazakhstan. According to the table, Pakistan's top 10 imports from Kazakhstan are worth \$2.71 million, while the potential imports for the top 10 products could be worth as much as \$75.32 million.

		Pakistan's Imports from Kazakhstan 2016	Kazakhstan's Exports to the World 2016	Pakistan's imports from the World 2016	Indicative Potential 2016
	Total (Top 10 Products)	2.71	94.85	883.18	75.32
Code	Product Description				
284130	Sodium dichromate	1.24	18.74	2.66	1.42
071340	Dried, shelled lentils, whether or not skinned or split	0.70	34.29	94.55	33.59
870120	Road tractors for semi-trailers	0.43	4.58	110.06	4.15
284150	Chromates and dichromates; peroxochromates	0.22	1.31	0.55	0.33
90240	Black fermented tea and partly fermented tea, whether or not flavoured	0.07	3.28	480.16	3.21
470790	Recovered "waste and scrap" paper or paperboard, incl. unsorted waste and scrap	0.02	0.27	22.50	0.25
853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution	0.01	12.14	80.18	12.13
300320	Medicaments containing antibiotics, not in measured doses or put up for retail sale	0.01	-	1.96	-
843143	Parts for boring or sinking machinery of subheading 8430.41 or 8430.49	0.01	20.24	31.97	20.23
540247	Filament yarn of polyester, incl. monofilament of < 67 decitex, single	0.00	-	58.53	-

Table 28: Potential Imports from Kazakhstan to Pakistan at HS-06 Level (USD Million) (2016)

3.6.3.3 Pakistan's Potential Exports to Kazakhstan at HS-06 Level

The table below shows Pakistan's Exports to Kazakhstan, Pakistan's exports to the world, Kazakhstan's imports from the world and most importantly Pakistan's potential exports to Kazakhstan. The top 10 products that Pakistan exports to Kazakhstan are worth \$23.93 million while the potential exports could be worth about \$182.28 million.

		Pakistan's Exports to Kazakhstan 2016	Kazakhstan's Import from World 2016	Pakistan's Exports to World	Indicative Potential 2016
	Total (Top 10 Products)	23.93	624.89	2,107.77	182.28
Code	Product Description				
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	15.54	4.20	1,418.93	-
120740	Sesamum seeds, whether or not broken	4.53	0.58	32.54	-
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes	2.69	504.15	73.32	70.63
300439	Medicaments containing hormones or steroids used as hormones but not antibiotics	0.26	29.17	36.70	28.91
300590	Wadding, gauze, bandages and the like, e.g. dressings, adhesive plasters, poultices	0.25	6.39	4.50	4.25
300510	Adhesive dressings and other articles having an adhesive layer	0.22	3.71	2.45	2.23
901890	Instruments and appliances used in medical, surgical or veterinary sciences	0.17	74.12	326.03	73.95
420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves)	0.11	2.41	187.62	2.29
091030	Turmeric "curcuma"	0.10	0.08	0.59	-
411200	Leather further prepared after tanning or crusting incl. parchment-dressed leather", of sheep	0.06	0.08	25.09	0.02

Table 29: Potential Exports of Pakistan to Kazakhstan at HS-06 Level (USD Million) (2012-2016)

3.6.3.4 Difficulty in Trade

Being a land-locked country with restricted access to the open seas, Kazakhstan's trade with Pakistan is very limited. The bilateral trade between the two countries has potential, which unfortunately is not being achieved due to the lack of a logistics network. The trade route between Pakistan and Kazakhstan relies on the Regional Cooperation for Development Highway which goes through Afghanistan to Almaty Kapshagay Highway in Kazakhstan. The law and order in Afghanistan has been unstable for many years which makes trade between Kazakhstan and Pakistan unsafe and time-consuming.

3.7 Kazakhstan's Trade with China and India

3.7.1 Trade with China

Historians are of the view that the Chinese have been in contact with the Kazakhstanis since the 2nd century BC. The Republic of Kazakhstan and China established diplomatic relations in 1992. To bolster relationships even further, China and Kazakhstan joined the Shanghai Cooperation Organization (SCO) in 1996, to improve economic relations, alleviate drug-trafficking and corruption.

Kazakhstan and China have signed several agreements to expand their partnership through economic cooperation, specifically in the areas of oil, minerals and natural gas. China hopes to play a lead role in developing the energy sector of Kazakhstan. China National Petroleum Corporation agreed to buy the Alberta, Canada - based PetroKazakhstan for US \$4.18 billion in 2005. Later, in 2006, 67% of shares were sold from the parent company to Petro-China. Moreover, Petro – China has obtained the license for production from Zhanazhol, Kenkiyak Oversalt and Kenkiyak Subsalt oilfields and owns 85.2% shares in AktobeMunaiGas. Currently, there are four jointly operated pipelines which include Kazakhstan-China Crude Oil Pipeline, Kazakhstan-China Gas Pipeline, Kenkiyak-Atyrau Pipeline & the Zhanazhol-KC13 Gas Pipeline.

The 'Belt and Road' initiative which was unveiled in 2013 by the Chinese President Xi Jinping also helped strengthen trade between the two countries. The graph below shows that the highest trade surplus attained by Kazakhstan in its trade with China was \$11,270.42 million in 2011 which was a result of the increased cooperation between the two countries. The 'Nurly Zhol' economic stimulus plan is a \$9.0 billion Chinese program for the development of Kazakh infrastructure and is a part of 'The Economic way of the Silk Road'.



Figure 36: Kazakhstan's Trade with China (USD Million) (2007-2016)

3.7.1.1 Kazakhstan's Exports to China

		2012	2013	2014	2015	2016
Total	All Products	16,484.41	14,373.75	9,799.42	5,480.14	4,214.93
Code	Product Description					
270900	Petroleum oils and oils obtained from bituminous minerals, crude	8,713.38	8,690.39	4,879.51	2,048.07	876.51
284410	Natural uranium and its compounds; alloys, dispersions, incl. ceramic products	1,378.12	1,324.9	1,180.8	1,185.91	826.63
740311	Copper, refined, in the form of cathodes and sections of cathodes	1,388.89	1,563.67	1,136.20	768.41	740.58
720241	Ferro-chromium, containing by weight > 4% of carbon	1,009.50	466.10	361.17	420.88	575.77
260300	Copper ores and concentrates	612.70	390.81	624.70	204.45	319.92

Table 30: Major Exports of Kazakhstan to China at HS-06 Level (USD Million) (2012-2016)

Petroleum and bituminous oils were the primary exports to China which have shown a declining trend over the past few years. In fact, the value last year was about 10% of the value it used to be in 2012. Uranium and its derivatives were the second highest exports to China with a value of \$826.63 million in 2016.

3.7.1.2 Kazakhstan's Imports from China

		2012	2013	2014	2015	2016
Total	All Products	7,497.72	8,364.47	7,357.22	5,087.80	3,665.65
Code	Product Description					
851712	Telephones for cellular networks "mobile telephones"	130.69	234.42	356.85	270.41	211.02
847130	Data-processing machines, automatic, portable, weighing <= 10 kg	571.31	628.74	311.53	103.22	84.84
848180	Appliances for pipes, boiler shells, tanks, vats	78.86	121.67	120.49	71.58	75.89
730890	Structures and parts of structures, of iron or steel	49.61	57.93	87.65	146.99	65.17
851762	Machines for the reception, conversion and transmission or regeneration of voice	114.46	140.44	124.98	85.94	58.40

Table 31: Major Imports of Kazakhstan from China at HS-06 Level (USD Million) (2012-2016)

Mobile phones constitute the largest imports from China with the value increasing from \$130.69 million in 2012 to \$211.02 million in 2016. Although data-processing machines were the biggest imports in 2012, their value has reduced significantly to \$84.84 million in 2016.

3.7.1.3 One Belt One Road

As part of this initiative a railway project has been initiated by China which runs from Xinjiang, China, exits the country via Alashankou and joins the railway networks of Central Asia and West Asia before reaching the Mediterranean coast and the Arabian Peninsula. The corridor mainly covers five countries in Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan) as well as Iran and Turkey in West Asia. This branch of the railway project is often referred to as the China-Central Asia-West Asia corridor.



Figure 37: China-Central Asia-West Asia Corridor

From 2008-10 the China-Central Asia natural gas dual pipeline of 1,840 kilometers was constructed for the import of 30 billion cubic meters of gas per annum from Turkmenistan, Uzbekistan, and Kazakhstan. Additionally, a third pipeline larger in diameter was constructed opposite to the first two, in 2012-2014, which added an extra 25 billion cubic meters per year to the gas supply.



Figure 38: China-Central Asia Gas Pipeline

The plan to rebuild and renovate the ancient Silk Road, which connects China to Central Asia, the Middle East, and Europe was announced by President Xi in September 2013. In November 2014, President Xi announced the intention of China to contribute \$40 billion to this project, which would open means of transportation in this rather ignored part of Asia. In June 2015, the China-led Asian Infrastructure Investment Bank (AIIB) was established with a capital of \$100 billion to financially back this ambitious initiative.

3.7.2 Trade with India

Kazakhstan was recognized by India in 1992 after its independence from the Soviet Union. In 2002 the then Prime Minister of India, Atal Bihari Vajpayee attended the Conference on Interaction and Confidence-Building Measures in Asia in Kazakhstan’s capital city, Almaty.

In 2003, trade between India and Kazakhstan stood at \$78.91 million and to promote trade the two nations chartered the Indo-Kazakh Joint Business Council. Additionally, India offered assistance in the Kazakhstan Petrochemical Complex, in Atyrau. Moreover, Kazakhstan also signed a multilateral agreement with Turkmenistan and Iran in 2014 to develop logistics for transporting goods to Kazakhstan and via Kazakhstan to India by connecting the ports of Mundra, Mumbai and Bandar Abbas through Iran and Turkmenistan to Kazakhstan to enhance trade.

The graph below shows that trade between India and Kazakhstan had been decreasing between 2007 & 2013. However, there was a sudden trade surplus for Kazakhstan in 2014 as exports to India reached a peak of \$1,083.35 million mainly due to the establishment of the Uzen-Bereket-Gorgan railway line. It reduced freight cost by half and improved trade and economic cooperation which resulted in a positive balance of trade of \$823.47 million.



Figure 39: Kazakhstan’s Trade with India (USD Million) (2007-2016)

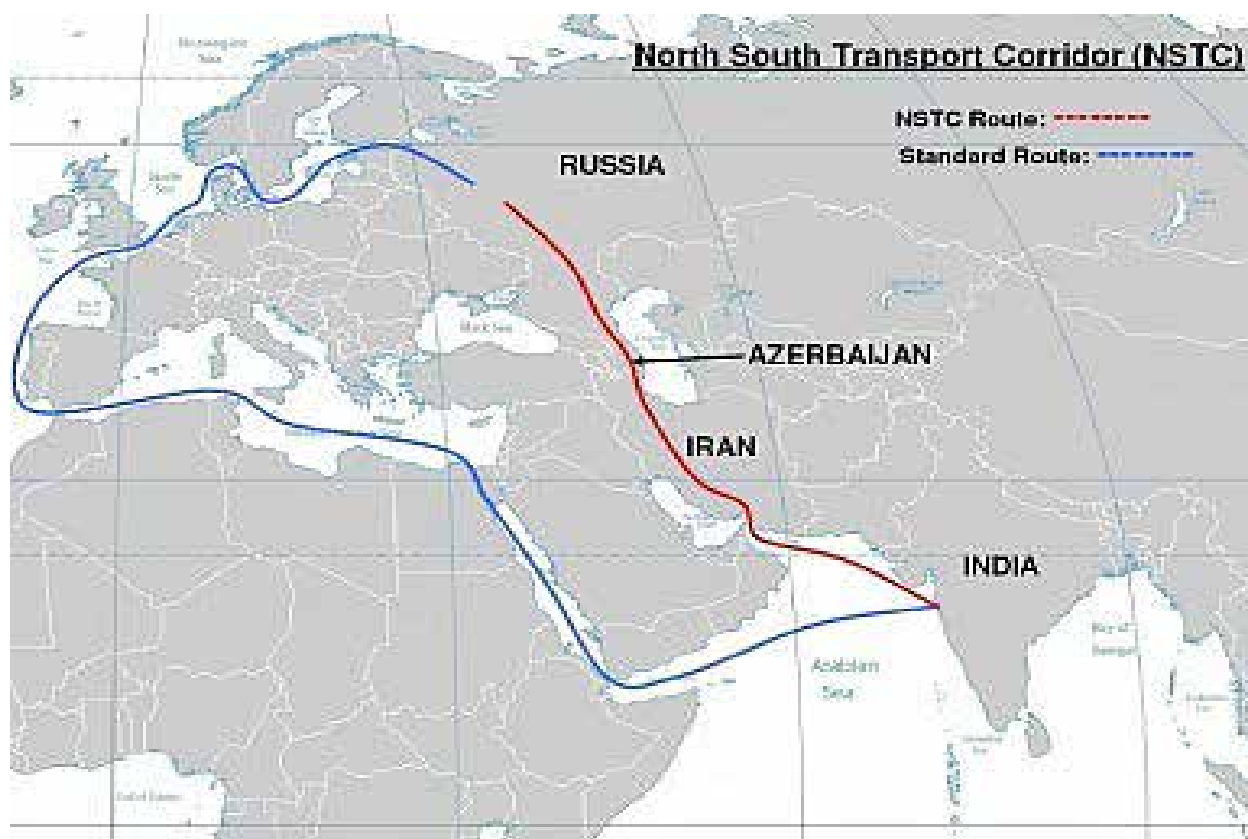


Figure 40: North-South Transport Corridor

3.7.2.1 Kazakhstan's Exports to India

		2012	2013	2014	2015	2016
Total	All Products	190.73	330.86	1,083.35	220.08	414.61
Code	Product Description					
284410	Natural uranium and its compounds; alloys, dispersions	96.65	61.29	34.01	0.00	195.28
270900	Petroleum oils	19.40	215.08	1,007.79	174.56	181.26
252490	Asbestos	40.35	26.44	27.64	37.32	23.57
721012	Flat-rolled products of iron or non-alloy steel, of a width of ≥ 600 mm	6.92	2.45	1.95	2.65	3.69
280470	Phosphorus	0.00	1.35	0.00	0.00	3.65

Table 32: Major Exports from Kazakhstan to India at HS-06 Level (USD Million) (2012-2016)

Natural uranium and its derivatives constitute the biggest share of Kazakhstan's exports to India with a value of \$195.28 million in 2016. This is closely followed by petroleum and bituminous based oils with a value of \$181.26 million in 2016.

3.7.2.2 Kazakhstan's Imports from India

		2012	2013	2014	2015	2016
Total	All Products	336.17	351.64	259.88	241.77	203.81
Code	Product Description					
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	66.13	80.54	66.43	67.52	43.32
090240	Black fermented tea and partly fermented tea, whether or not flavored, in immediate packing	48.24	43.94	41.25	41.61	37.37
300420	Medicaments containing antibiotics, put up in measured doses "incl. those in the form of transdermal	10.54	12.63	10.84	13.05	8.25
851490	Parts of electric industrial or laboratory furnaces and ovens, incl. of those functioning by ...	0.00	0.00	0.00	0.00	5.77
240120	Tobacco, partly or wholly stemmed or stripped,	2.51	2.72	6.28	5.47	5.46

Table 33: Major Imports of Kazakhstan from India at HS-06 Level (USD Million) (2012-2016)

The major imports from India, include medicaments (utilized for therapeutic and prophylactic purposes) with a value of \$43.32 million, followed by black tea (both fermented and non-fermented) with a value of \$37.37 million in 2016.



Kashagan Oil Field, Kazakhstan

SECTION IV

Oil & Gas Pipelines

Oil & Gas Pipelines

Kazakhstan has vast oil and gas reserves which allow for large export quantities. In 2015, Kazakhstan’s exports were \$40.9 billion out of which 48.5% was crude petroleum amounting to \$19.8 billion, apart from this the other major exports were petroleum gas which was 6.1% of the total exports (with a value of \$2.5 billion) and refined petroleum which was 3.4% of the total exports (with a value of \$1.39 billion).

4.1 Oil Pipelines

There are 4 major networks of oil pipelines running across Kazakhstan to deliver oil to, from and within the country. These include:

1. **Caspian Pipeline Consortium (CPC)**, which has a length of 940 miles and runs from the Tengiz oil field to the Russian Black Sea port of Novorossiysk. Commissioned in 2001, not only it comprises of Soviet-era refurbished pipelines along the Caspian Sea but also newly constructed pipeline.

In 2011, this network of pipelines transported 684,000 bbl/d of crude oil on average, including 608,000 bbl/d from Kazakhstan and 76,000 bbl/d from Russia. Additionally, about 53,000 bbl/d of Tengiz crude was discharged at Atyrau, Kazakhstan, for loading onto rail cars.



Figure 41: Caspian Pipeline Consortium

2. **Kazakhstan-China Pipeline;** which originates from Atyrau port in northwestern Kazakhstan and ends at Alashankou in China’s northwest Xinjiang region, the pipeline is 1,384 miles long. It is a joint venture between China National Petroleum Corporation (CNPC) and KazMunayGas (KMG) and has a capacity of 240,000 bbl/d of crude but there are plans to expand its capacity to 400,000 bbl/d.



Figure 42: Kazakh-China Oil Pipeline

3. **Uzen-Atyrau-Samara Pipeline;** is a northbound link to Russia’s Transneft distribution system and was the major export pipeline in Kazakhstan before the completion of the CPC. It provides Kazakhstan with a connection to world markets via the Black Sea. Currently, it has a capacity of about 600,000 bbl/d.

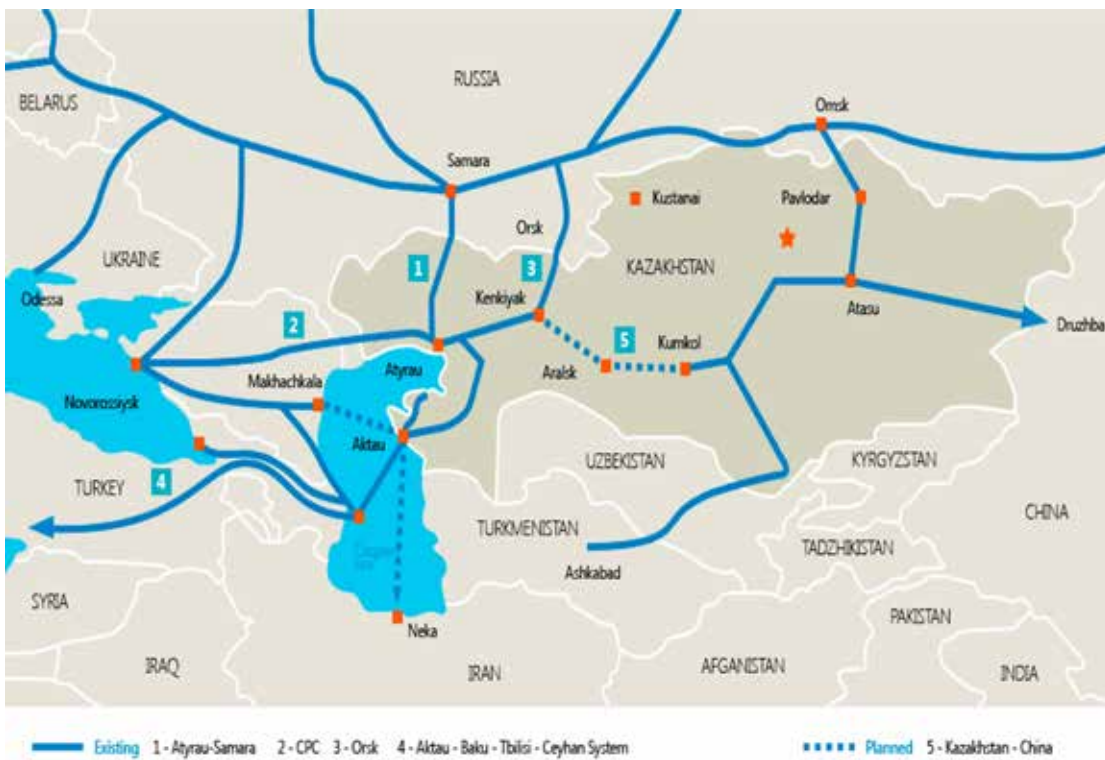


Figure 43: Oil Pipelines

4. **Baku-Tbilisi-Ceyhan;** is actually a pipeline in the neighboring country of Azerbaijan and Kazakhstan has a contract with Azerbaijan and the BTC Pipeline Company to supply up to 500,000 bbl/d of oil. Oil supplies are delivered by tanker across the Caspian to Baku.
5. **Central Asian Oil Pipeline;** is an oil pipeline which supplies 1,644,000 bbl/d. Currently, Kazakhstan is promoting the Kazakhstan Caspian Transportation System (KCTS), comprising of the construction of an 830-kilometer, 600,000 bbl/d capacity onshore pipeline from Eskene in western Kazakhstan to Kuryk on the Caspian Sea near Aktau, where a new 760,000-bbl/d oil terminal is to be built. The project also includes a link to Baku (Azerbaijan) through the sea, port facilities, and a transfer station using which the crude oil will be put into an expanded BTC pipeline to Turkey. This is an extensive project which is expected to be completed by 2023.

4.2 Natural gas Pipelines

The two major natural gas pipelines that Kazakhstan is a part of are: The Central Asia Centre pipeline (CAC), which passes through the western boundary of Kazakhstan on its way to Russia and then onward to Western Europe, and the Turkmenistan-China pipeline, which traverses the southern boundary of the country on its way to China.

Both pipelines are part of the regional Caspian export infrastructure and mainly carry natural gas from Turkmenistan, along with smaller but significant quantity of gas exports from Kazakhstan and Uzbekistan. The CAC pipeline also serves local natural gas demand in western Kazakhstan, including northwestern Kazakhstan where most of the country's production of commodities and domestic consumption is located.

A third major pipeline, the Bukhara-Tashkent-Bishkek-Almaty pipeline serves local demand in southern Kazakhstan with imported gas from Turkmenistan and Uzbekistan. Two of Kazakhstan's three underground gas storage facilities are located along this pipeline.

1. Basoi: Storage pipeline located at the Bukhara-Ural gas pipeline route with storage volume of 3,500 million cubic meters.
2. AkyrTobe: Storage pipeline located on the Tashkent-Bishkek-Almaty gas pipeline with storage volume of 200 million cubic meters.
3. Poltorazkoye: Storage pipeline located at the border of Kazakhstan and Uzbekistan with a storage volume of 400 million cubic meters.



Figure 44: Central Asia-Center Gas Pipeline



EXPO City in Astana, Kazakhstan

SECTION V

Ease of Doing Business

5. Ease of Doing Business

The Ease of Doing Business is an index formulated and published by the World Bank Group. It is an extensive index based on ten indicators. The main purpose of the index ranking is to determine the relative ease of starting a business by a resident for each country.

Kazakhstan ranks 35 amongst 190 economies, according to the Ease of Doing Business rating by the World Bank Group. This rank has improved from 51 in 2016 to 35 in 2017 mainly due to an improvement in various parameters, mostly, dealing with Construction Permits, Getting Electricity and Protection of Minority Investors.

Topics	DB 2017 Rank	DB 2016 Rank	Change in Rank
Overall	35	51	16
Starting a Business	45	54	9
Dealing with Construction Permits	22	78	56
Getting Electricity	75	102	27
Registering Property	18	18	0
Getting Credit	75	70	-5
Protecting Minority Investors	3	25	22
Paying Taxes	60	57	-3
Trading across Borders	119	128	9
Enforcing Contracts	9	9	0
Resolving Insolvency	37	46	9

Table 34: Ease of Doing Business Index (2016-2017)

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6. Sources:

- I. World Bank Open Data; <http://data.worldbank.org/>
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