



## KAZAKHSTAN'S PROJECT ON EXTENDING THE AKTAU INTERNATIONAL SEA TRADE PORT TO THE NORTH

Located on the eastern shore of the Caspian Sea, the Aktau International Sea Trade Port is the only maritime gate of the land-locked Kazakhstan enabling transportation of dry cargoes, grain, crude oil and petroleum products by sea. Situated at the crossroad of the international transport corridors such as the Europe – Caucasus – Asia Transport Corridor and the International North – South Transport Corridor, the Aktau seaport provides international shipping and ensures access to the European and the Middle Eastern countries.

The seaport of Aktau, currently managed by the national company Kazakhstan Temir Zholy (KTZ), is an important component in the development of the multimodal transport chain, which is to be formed by Kazakhstan in order to realize its transit potential at full capacity. Therefore, it is quite natural that the main aim of the State Program for the Development and Integration of Infrastructure of the Transport System of Kazakhstan up to 2020 is to support the improvement of cargo flows between the so-called eastern and western gates of Kazakhstan, namely, the Khorgos dry port and the Aktau seaport.

However, it should be noted that in 1963, the year when the Aktau seaport was founded, this port was mainly oriented to export uranium ore and crude oil coming from oil fields in the Mangistau region of Kazakhstan. For instance, during the Soviet period the major part of the seaport traffic was oil shipment which amounted to over 7 million tons per year, while the transportation of dry cargo did not exceed 300 thousand tons annually. With the collapse of the Soviet Union, there was a significant decline in the volume of oil and dry cargo carried by the seaport. This situation started to change only in 1995. At this particular time, Kazakhstan increased the extraction of minerals and metals, and started to export these products more intensively.

After the reconstruction of the Aktau seaport in 1997-1999 financed by the European Bank for Reconstruction and Development, the capacity of dry cargo transportation was increased up to 1.55 million tons per year. Due to the further development of the Aktau seaport infrastructure in subsequent years, the oil terminals were also modernized and their annual capacity was increased to 12 million tons per year. Therefore, in 2006 the total oil turnover of the seaport exceeded 10 million tons. At that moment, the capacity of the Aktau seaport allowed to provide annual transshipment of 4.5 million tons of dry cargo, including 1.4 million tons of ferry cargo and 600 thousand tons of grain.

However, since 2007 the Aktau seaport has witnessed a steady decline in oil transportation

via cargo ships. There is a number of reasons behind the drop in the traffic of oil products. Since Kazakhstan could not manage to boost oil and gas production as scheduled, it has begun filling the first section of the Kazakhstan – China pipeline (Atasu – Alashankou) constructed in 2006 with crude oil that was supposed to be shipped by sea. After the construction of the second section of the pipeline (Kennyak – Kumkol) in 2009, it was decided to continue the oil supply of the pipeline at the expense of reducing shipment by tankers. In addition, with the signing of the Agreement on expanding the capacity of the Tengiz – Novorossiysk pipeline from 33 million tons to 67 million tons per year in December 2008, the crude oil was also redirected through this pipeline. Due to delays in the Kashagan project, there was no additional oil flow to replace the losses in oil transshipment even partially. As a result of the aforementioned situations, in 2008 the crude oil and petroleum products transshipment in the Aktau seaport decreased down to 8.9 million tons. Over the past three years, due to the sharp decline in oil prices, which caused a downfall in the oil production in Kazakhstan, the volumes of hydrocarbons exported through the seaport of Aktau declined even further amounting to 6.2 million tons in 2013, 5.9 million tons in 2014 and 3.5 million tons in 2015.

On the other hand, there was a tendency to constantly increase the volumes of dry cargo traffic. For instance, in the early 2000s the annual average of dry cargo transshipment did not exceed 1 million tons. However, in 2009 the total volume of transported dry cargo via the Aktau seaport reached 2.6 million tons for the first time. The annual average of dry cargo transshipment for 2011-2013 was 3.5 million tons. Despite the fact that under the influence of recession the volumes of dry cargo decreased from 4.3 million tons in 2014 to 2.3 million tons in 2015, there is still a strong need for the development of dry cargo facilities.

Therefore, there was a growing demand for reorientation of the Aktau seaport facilities to transportation of dry cargo and freight containers. In order to increase freight flow and to help the seaport to compete with the traditional Europe – China transport corridors (the Trans-Siberian corridor and the South sea route) by reducing transportation time and cost of cargo deliveries, Kazakhstan initiated a project on extending the Aktau International Sea Trade Port to the North. The Aktau Seaport North Terminal was planned to be established within the framework of the project. The cost of the project which was launched in 2006 is 32.2 billion tenge. According to the project, the

seaport area should be increased by 22,000 hectares from 45,000 hectares to 67,000 hectares. It was planned that the implementation of the project would allow to increase annual transit capacity of the Aktau seaport from 18 million tons up to 23 million tons. The extension of the Aktau seaport involved three stages:

- Stage I (2006-2012): During the first stage of the project, which was worth 15 billion tenge, the waterside infrastructure, namely, the dam and the breakwater, was constructed. The construction of the dam with a length of 1,350 meters was completed in 2009. The breakwater with a length of 505 meters which was built to protect the seaport water area against wind was put into operation in 2012;

- Stage II (2013-2014): The main focus of this stage was the management of the dredging operations, which would provide sufficient depth of the harbor of the new seaport. The total costs were estimated at 3.6 billion tenge. The construction activities were carried out by the Caspian Technical Fleet LTD;

- Stage III (2014-2015): The final stage involved the construction of two dry cargo terminals, a grain handling complex and related infrastructure with a total capacity of 2.5-3.0 million tons per year. In accordance with the project, six new grain silos, each of which had the capacity of 10 tons, a container area with a capacity of 1 million tons of cargo handling per year and three berths, each of which were 150 meters long, were constructed. The design capacity of the loading is 500 tons/hour. All aforementioned construction works were carried out by the Aktau Sea North Terminal LLP, which was created jointly by the Singaporean company, Inter Port Development PTE (60%), KTZ Express (30%) and Aktau International Sea Trade Port (10%).

It should be mentioned that the development of the Aktau seaport quadrupled its grain transportation capacity and modernized the equipment for faster and more efficient operations. The Aktau Seaport North Terminal came into operation in December 2015. For instance, the first grain transshipment from the north terminal has already been loaded on the Kazakh cargo ship, Turkestan, with a tonnage of 4,700 tons and has been sent to Iran.

Therefore, it should be highlighted that the implementation of the project on extending the Aktau International Sea Trade Port to the North is definitely to accelerate the process of forming the Trans – Caspian International Transport Route and to enhance the significance of the seaport in both inter-regional and transcontinental transshipments.

## Politics, Foreign Affairs and Security

- The Minister of Foreign Affairs of Azerbaijan, Elmar Mammadyarov, and the Secretary General of the Shanghai Cooperation Organization (SCO), Rashid Alimov, inked a Memorandum on granting a status of the SCO dialogue partner to Azerbaijan in Beijing.
- In the framework of the Fifth Meeting of the Turkey-Azerbaijan High-Level Strategic Cooperation Council held in Ankara, the high-ranked officials of Azerbaijan and Turkey signed six documents in spheres such as military, forensic examination and technical cooperation. The signing ceremony took place in the presence of the President of Azerbaijan, Ilham Aliyev, and the President of Turkey, Recep Tayyip Erdogan.
- During the official visit of the President of Turkmenistan, Gurbanguly Berdimuhammadov, to Pakistan, the high-ranked officials from both sides inked eight documents on cooperation, including a Program of Cooperation between Ministries of Foreign Affairs of Turkmenistan and Pakistan for 2016-2017 and a Memorandums of Understanding (MoU) on cooperation in spheres such as energy and financial intelligence.
- According to the Chief Negotiator of the self-proclaimed Donetsk People's Republic (DPR) at peace talks in Minsk, Denis Pushilin, the DPR and Ukraine exchanged three residents of the DPR and three Ukrainian prisoners in the free-for-free format at the line of engagement near the DPR checkpoint in the vicinity of the settlement of Maryinka.
- Based on an agreement between the President of Russia, Vladimir Putin, and his Syrian counterpart, Bashar Assad, on pulling out the major part of the Russian Aerospace Forces from the war-torn country, the Minister of Defense of Russia, Sergey Shoigu, has ordered to withdraw the main part of the grouping of the Russian Aerospace Forces in Syria.
- During the meeting between the Minister of Defense of Azerbaijan, Colonel-General Zakir Hasanov, and the Chairman of the Committee on Defense of Czech Parliament, David Kadner, the sides discussed issues of modernization and upgrading of military technologies and equipment at the disposal of the Azerbaijani armed forces, as well as cooperation in the field of military education.

## Economy, Finance and Energy

- According to the Russian gas producer, Novatek, the company has closed the transaction on sale of

9.9% stake in the Yamal LNG project worth €1.087 billion to the China's Silk Road Investment Fund. The Yamal LNG is a large scale project on creating a liquefied natural gas production facility with a capacity of 16.5 million tons per year on the base of resources in Russia's Yamal peninsula. The launch of LNG production is scheduled for 2017.

- The State Oil Company of Azerbaijan, SOCAR, and Zenith Aran Oil Company, a subsidiary of Canada's Zenith Energy, signed an agreement on production sharing, restoration, development and exploration at the block that includes the Muradkhanli, Jafarli and Zardab oil fields. Currently, an average daily oil production at these fields, which cover an area of 642.2 km<sup>2</sup>, is 350 barrels.
- According to the Kazakh state-owned company, KazTransOil, its consolidated revenue and net profit for 2015 amounted to 213.162 billion tenge and 44.713 billion tenge, which is 3.2% higher and 3.7% lower than that in 2014 respectively. Meanwhile, non-consolidated revenue and net profit of the company for 2015 amounted to 193.618 billion tenge and 79.643 billion tenge, which is 3.5% and 38% higher than that in 2014.
- The State Oil Company of Azerbaijan, SOCAR, announced that it increased the number of its gas filling stations in Romania to 33. Currently, gas filling stations of the company operate in 16 regions of Romania. To date, SOCAR has filling stations in Azerbaijan, Georgia, Ukraine, Romania and Switzerland.
- The Minister of Taxes and Duties of Belarus, Sergei Nalivaiko, announced that Belarus and Kazakhstan had introduced amendments and additions to the intergovernmental double taxation agreement on the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and property dated April 1997.
- According to reports of the National Statistics Committee of Kyrgyzstan, in 2015 the share of the Kumtor mine, the largest gold mine in the country, in GDP was 6.8%. Moreover, in 2015 the share of the Kumtor mine in the country's aggregate industrial output and its share in the national gold exports were 22.5% and 39.7% respectively. Contributions of the Kumtor mine to the national budget in taxes, deductions to the Social Fund and other mandatory payments exceeded \$123 million in 2015.
- The Ministry of Taxes of Azerbaijan provided the state budget with tax

revenues worth 1.1 billion manats in January-February 2016 against 1.6 billion manats during the same period of 2015. The Ministry of Taxes is expected to provide the state budget with tax revenues worth 7.01 billion manats or 41.7% of total revenues of the country in 2016.

- The Central Bank of Azerbaijan (CBA) announced an increase in the reserve requirements for the deposits in foreign currency that country's banks should keep in the CBA from 0.5% to 1%, while the reserve requirements for deposits in national currency, as well as for security deposits have remained unchanged and account for 0.5%.
- The National Bank of Tajikistan reported that the inflation in the country measured by consumer price index had amounted to 1.9% in January-February 2016. In the reporting period food prices, non-food products and paid services increased by 2.1%, 1.1% and 3.2% respectively.

## Society and Culture

- On the sidelines of the Fourth High-Level Donor Forum held in Guyana, Secretary-General Ambassador of the Caribbean Community (CARICOM), Irwin LaRocque, and the Ambassador of Kazakhstan to the CARICOM, Konstantin Zhigalov, signed an agreement on allocation of a \$770,000 grant to CARICOM member states by Kazakhstan. The agreement is intended to support the Community on issues related to climate change and sustainable development on the international stage.
- The Chairman of the State Migration Service of Kyrgyzstan, Bakyt Adylov, and the Head of the Employment Permit System Center of the Republic of Korea, Lee Keng-Hi, signed a MoU on the employment of Kyrgyz citizens in Korea. During the meeting, the parties discussed the issues of increasing and expanding legal employment of Kyrgyz citizens, noting that the number of Kyrgyz citizens emigrated to work in Korea reached 206 people in 2014 and that 284 more traveled to Korea in 2015.
- According to the World Happiness Report 2016 compiled annually by the Earth Institute of the Columbia University at the request of the United Nations, Uzbekistan got highest rating among the Central Asian countries taking the 49<sup>th</sup> place in ranking. Kazakhstan, just like a year ago, was ranked 54<sup>th</sup>. Turkmenistan took the 65<sup>th</sup> place, Kyrgyzstan and Tajikistan are located at the 85<sup>th</sup> place and the 100<sup>th</sup> place respectively.