



TRADE COOPERATION BETWEEN KAZAKHSTAN AND CHINA: RECENT TRENDS AND FUTURE PERSPECTIVES

In August 30, 2015 President Nursultan Nazarbayev paid an official visit to China to take part in the celebration of the 70th anniversary of the Victory in the Pacific Day. Apart from discussing current issues of mutual interest, the two leaders discussed new opportunities of bilateral trade. The visit ended on September 3 when Nursultan Nazarbayev and 30 foreign government officials and heads of state participated in the military parade in Beijing dedicated to the 70th anniversary of Chinese People's War of Resistance against Japanese Aggression and the end of the World War II. Although the two leaders tackled certain political and historical issues, the prevalence of the economic agenda was evident. Nursultan Nazarbayev also attended a meeting with heads of the largest Chinese companies like Xinhua, CITIC Group, Huawei Technologies, Sinopec Group, CNPC, China Investment Corporation as well as China Development Bank, Export-Import Bank of China, Multilateral Temporary Secretariat of the Asian Infrastructure Investment Bank, Silk Road Foundation.

It is noteworthy that Kazakhstan decided to involve large Chinese companies in many state projects like Nurdy Zhol and Astana EXPO-2017. One of the most crucial issues for Kazakhstan is the industrial and innovative development. The two sides signed a Memorandum of Understanding on cooperation between the JSC National Agency for Export and Investment KAZNEX INVEST and Silk Road Fund on establishment of a special investment fund for the industrial-innovative projects of coopera-

tion. A special attention was paid to the development of the transit corridor along the New Silk Road initiative and other joint infrastructural projects. Particularly, the Kazakh national holding company "Bayterek" and the state Chinese investment company CITIC Group reached an agreement to participate in the Kazakhstan Infrastructure Fund, which will spend not less than \$300 million on the realization of various infrastructural projects in Kazakhstan.

The two countries will cooperate further in the extractive sector. In this context, the two sides signed the "Framework Loan Agreement between the LLP Masalskoe Mining and Processing Plant and the Export-Import Bank of China" and the "Framework Agreement between Eurasian Resources Group Corporation and the State Development Bank of China". Besides, several other investment projects with CNPC are in process in the extractive industry including development of Kashagan oil field, modernization of the Shymkent Oil Refinery, construction of the gas pipeline Beyneu-Bozoy, etc.

Totally, 45 projects will be realized in the near future concerning various industries in Kazakhstan. The contracts on 25 projects were signed totaling \$23 billion. These joint projects are planned to last at least 3-4 years. Such close economic cooperation was clearly a result of recent changes in the oil market and the economic crisis in Russia, Kazakhstan's most important trade partner. In fact, the trade with Russia has been steadily falling since 2013. During the first half of 2015, it decreased by more

than 20% compared to the same period of 2014. The sharp depreciation of ruble made Kazakh exports to Russia less competitive. As a result, tenge depreciated by nearly 50%. Moreover, low oil prices and uncertainties about their future hinder the growth of the national economy. Close economic integration with Russia that was boosted during recent years in the framework of the Eurasian Economic Union (EEU) makes it difficult to stimulate trade with other countries because the trade tariffs with countries outside the EEU are set by the Eurasian Economic Commission. As a result, Kazakhstan had to search for new investment opportunities outside the EEU.

China has been Kazakhstan's second most important trade partner. In 2014 trade with China accounted for \$17.156 billion which was 14.2% of the total trade of Kazakhstan with other countries, whereas trade with Russia was 16.7%. Over the years the share of the trade with China has gotten closer to the share of trade with Russia.

In conclusion, this visit certainly marks a new level of economic relationships between Kazakhstan and China. Contracts that were signed during this visit imply many long-term projects aiming at closer economic cooperation. The intention for future cooperation was also summarized in the "Joint Declaration on a new Stage of Comprehensive Strategic Partnership". In this sense, a closer trade cooperation between Kazakhstan and China seems to bring new opportunities for Kazakhstan in both domestic and foreign balances.

Politics, Foreign Affairs and Security

- The President of Azerbaijan, Ilham Aliyev, the President of Kazakhstan, Nursultan Nazarbayev, the President of Kyrgyzstan, Almazbek Atambayev, the Chairman of the Grand National Assembly of Turkey, Ismet Yilmaz, and the Deputy Prime Minister of Turkmenistan, Sapardurdy Toylyev, attended the V Summit of the Cooperation Council of Turkic Speaking States in Astana. The Declaration of the V Summit was signed and issues related to the spheres of culture, education and economy were discussed. Moreover, the Protocol of bilateral cooperation in media and information among the member-countries of the Turkic Council and a Memorandum of Understanding among the official news agencies and national TV channels were signed.
- The meeting of the Eurasian Intergovernmental Council was held in the Belarusian city of Grodno. Following the meeting, the representatives of the member states of the Eurasian Economic Union signed an Agreement on the coordination of actions to protect the rights of intellectual property and an Agreement on the implementation of a pilot project on marking goods with identification marks in 2015-2016.
- Deputy Foreign Ministers of Azerbaijan, Iran, Kazakhstan, Russia and Turkmenistan held the 41st Session of the Special Working Group on the Convention on the Legal Status of the Caspian Sea in Moscow. A draft Convention included progress of discussion on methods of setting the baselines, on working out a navigation regime and on conducting the marine scientific research in the Caspian Sea.
- The Contact Group on Ukrainian reconciliation held talks on the withdrawal of the heavy weapons from the contact line in Donbass in Minsk. After the meeting the parties announced that there was still no progress on the issue of reaching the possible deal to pull back weapons under 100mm caliber from the line of engagement in the Donbas region in east Ukraine.
- Members of the Coordinating Committee on Air Defense under

the Commonwealth of Independent States (CIS) Council of Defense Ministers held a meeting in Astrakhan. The main goal of the meeting was to discuss the improvement and development of the united air defense system of the CIS countries.

- According to the Ministry of Interior of Tajikistan, four militants were killed, 17 were detained and 3 surrendered in a counter-terrorism operation against an anti-governmental armed group led by the republic's former Deputy Defense Minister, Major-General Abdukhalim Nazarzoda, in the Ramitskoye mountain gorge in Tajikistan.

Economy, Finance and Energy

- The First Vice-Minister of Energy of Kazakhstan, Uzakbai Karabalin, announced that Kazakhstan produced 30.2 billion cubic meters of gas and 1.69 million tons of liquefied petroleum gas in January-August 2015, which were correspondingly 6% and 7% more than in the same period in 2014.
- The Russian oil company Lukoil increased investments in exploration and production of gas in Uzbekistan by 64.8% in the first half of 2015 compared to the same period in 2014, namely, from \$301 million to \$496 million.
- According to the draft national budget for 2016-2018 submitted to the Parliament of Kazakhstan, revenue to the National Fund from the oil sector in 2016 forecasted at amount of 1.6 trillion tenge, based on oil production at 77 million tons, the world price of oil at \$40 per barrel, and the exchange rate of 250 tenge for \$1.
- According to the report published by the General Administration of Customs of China, the trade turnover between China and Russia in August declined by 32.6% to \$6.13 billion in annual terms. Namely, Chinese exports fell by 37.6% to \$3.631 billion, Russian imports to China fell by 23.8% to \$2.499 billion.
- The President of Turkmenistan, Gurbanguly Berdimkhammedov, announced that more than 220 facilities worth \$18 billion would be constructed in 2016. In the framework of a large-scale investment development program it is planned to construct Pakistan-India gas pipeline, a gas-chemical complex, which will produce

467,000 tons of polyethylene and polypropylene, a plant engaged in the production of 600,000 tons of gasoline and a plant for the production of 1 million tons of cement.

- The Central Bank of Russia reported that remittances from Russia to Central Asian states significantly decreased in the first half of 2015 compared to the same period in 2014. Uzbekistan received remittances in the amount of \$1.149 billion, which is 54% less compared to 2014, Tajikistan – \$696 million (-58.3%), Kyrgyzstan - \$570 million (-40%), and Kazakhstan - \$148 million (-30%).
- According to the lower house of the Parliament of Uzbekistan, the state budget surplus of Uzbekistan in January-June 2015 amounted to 0.2% of GDP (119.9 billion soums). The revenue increased by 15.9% compared to the same period in 2014 and amounted to 17.055 billion soums, or 23.6% of GDP.
- A new gas-turbine thermal power plant was commissioned in the Derweze district of Turkmenistan's Ahal province. The new power plant with the total installed capacity of 504.4 megawatt is able to meet the electricity demand of the province and the Ashgabat city. The power plant was constructed by Turkish Calik Enerji Sanayi ve Ticaret A.S.

Society and Culture

- Bulgaria and Ukraine has closed their airspace to Russian cargo planes with relief aid for Syria.
- The Russia Arms Expo-2015 international exhibition of arms, military equipment and ammunition was held in Nizhny Tagil, a city in the Urals region. Official delegations from 65 countries attended the exhibition.
- The Government of Uzbekistan jointly with the Executive Committee of the International Fund for Saving the Aral Sea and Charity Fund for Aral Sea Gene Pool Protection has adopted a comprehensive program to mitigate the consequences of the Aral Sea disaster in 2015-2018 worth \$4.3 billion.
- A Russian-made Soyuz rocket has successfully blasted off from French Guiana bearing two new satellites for Europe's Galileo global positioning system.