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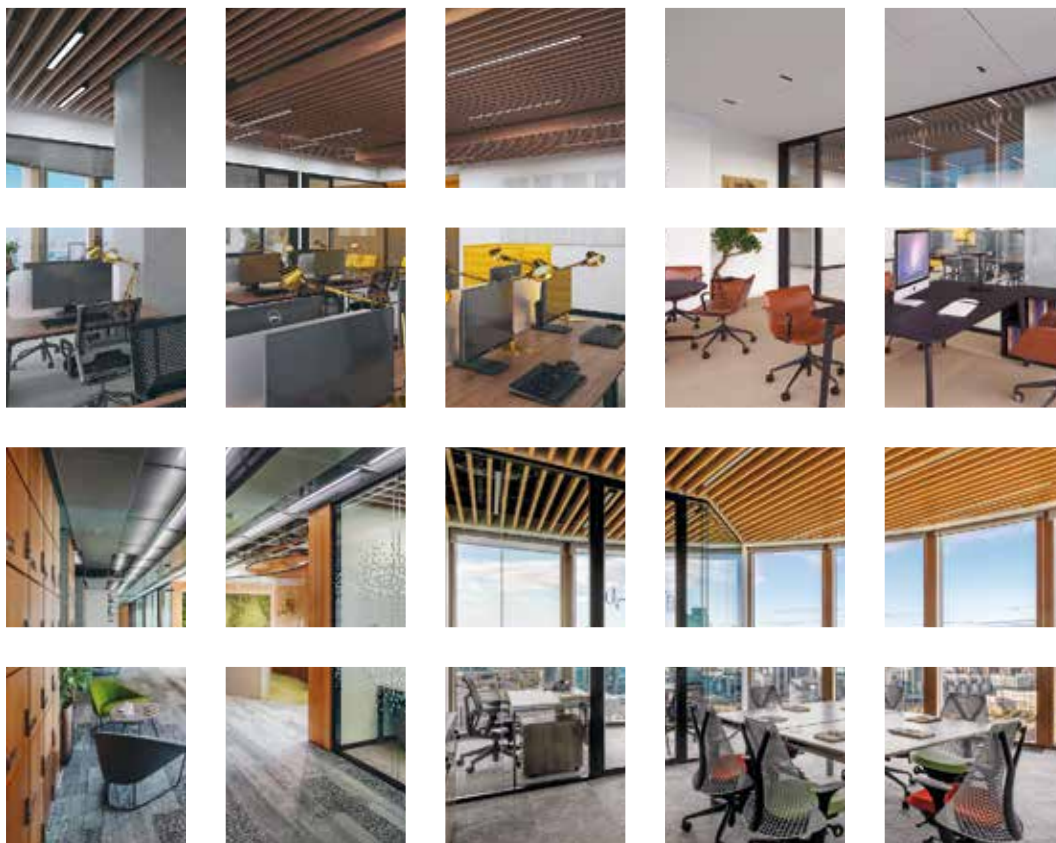
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Secondary Sanctions – Impact on Kazakhstan's Business Environment



- ▶ International Sanctions and Their Spillover Impact - The Legal Perspective
- ▶ Seeking a Logistics Solution - What is the Middle Corridor?
- ▶ The Sanctions View From Canada: Compliance and Mitigation
- ▶ New Opportunities to Diversity Trade and Supply Chains
- ▶ Secondary Trade Sanctions: In Search of a Solution
- ▶ Spillover impact of Economics Sanctions
- ▶ Walking a Tangled Tightrope – Navigating International Sanctions in Central Asia

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EDITOR'S NOTE



Dear Readers,

The *Summer 2022 Investors' Voice* has a dual nature-celebrating the arrival of summer and reflecting on the international economic sanctions imposed in response to the Russian invasion of Ukraine in late February. Although Kazakhstan is not directly involved in lending any form of support to the war and therefore the sanctions do not apply to Kazakhstan, nonetheless there is a spillover effect on the country's business operations and investment climate.

Kazakhstan has committed to comply with the international sanctions, but inevitably – given Kazakhstan's proximity and long-standing trade and economic relationship with Russia – the sanctions impact negatively on Kazakhstan's economy. This is of equal concern to the country's government and business community, both foreign and domestic, which experience the secondary effect of the sanctions on their operations, particularly on cross-border trade operations.

The spillover impact has a broad effect on logistics in particular, creating significant challenges for cross-border transit of goods and services. Banking operations are also under stress due to sanctions restrictions and vacillating exchange rates. The relocation from Russia of many major international companies, including leading AmCham members, has added to the turmoil that investors and Kazakhstan's government are struggling to resolve.

And so, while the summer vacation period offers its traditional respite, the unexpected challenges that have arisen from the Russia-Ukraine military conflict demand resolution. Resilient companies have come to terms with the current state of flux and have found options that, while compliant with the sanctions, enable them to continue operations that may even point the way to improvements.

AmCham has discussed these topics in recent months with the Kazakhstan Government at the most senior levels. The presentations with commentary and recommendations that have emerged at the *AmCham Investment Council (The Prime Minister's Council to Improve the Investment Climate)*, the monthly dialogue platform between AmCham investors and the Government, are published in this issue of the *Summer Investors' Voice*. In addition, articles by UNICEF and UNHCR highlight humanitarian issues.

AmCham looks forward to reuniting with its members in the autumn. We have already begun planning business networking and social events and much else besides to welcome you back.

Doris Bradbury
Executive Director



TABLE OF CONTENTS

Cover Art: States of Being by Kelly Burke

ARTICLES

**International Sanctions and Their Spillover Impact -
A Legal Perspective**
*by Aset Shyngyssov, Asem Bakenova, Aida Akhmetova.....*12

**Walking a Tangled Tightrope: Navigating Sanctions in
Central Asia**
*by Michael McNicholas.....*18

Geopolitical Turmoil Tests Kazakhstan's Russian Connection
*by Hüseyin Özhan.....*21

Secondary Trade Sanctions: In Search of a Solution
*by William Tompson.....*24

**The Sanctions View From Canada: Compliance and
Mitigation**
*by Ambassador Alan Hamson.....*28

**Seeking a Logistics Solution: What is the Middle
Corridor?**
*by Gulshat Raissova and Saad Paracha.....*29

New Opportunities to Diversify Trade and Supply Chains
*by Ambassador Kestutis Jankauskas.....*31

**Impact of Logistics Constraints on Kazakhstan's
Manufacturing Industry**
*by Biju Nair.....*32

**The Impact of Sanctions Spillover on Consumer-Oriented
Businesses**
*by Juan Carlos Escobar.....*35

UNICEF Protects and Supports Children in Ukraine
*by Arthur van Diesen.....*36

UNHCR 'Blue Dots' - Making a Difference For Refugees
*by Hans Friedrich Schodder.....*37

Chamber Events

U.S. Independence Day Celebration.....38

AmCham Atyrau Sundowner.....42

AmCham Nur-Sultan Sundowner.....43

Advocacy Update.....44

Working Groups Update.....46

New Member Profiles.....48



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Alan Hamson joined Foreign Affairs Canada in 2004. In Ottawa, he has worked in the Human Rights, Humanitarian Affairs, and International Gender Equality Division (2004 to 2005), in the National Security Branch of the Privy Council Office (2013 to 2015) and as Director of Strategic Planning and Coordination in the Peace and Stabilization Operations Program (2018 to 2021).

His overseas assignments have included postings in Beijing (2006 to 2009), the Provincial Reconstruction Team in Kandahar, Afghanistan (2009 to 2010) and in Kabul, Afghanistan (2010 to 2012). He was also Canada's Ambassador to South Sudan (2016 to 2018), served at the Canadian Permanent Mission to the UN in New York (2005) and with the International Red Cross in Colombia (2015 to 2016).

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William Thompson is Head of the Eurasia Division in the OECD Global Relations Secretariat, having previously spent seven years as a Senior Economist in the OECD Economics Department and six years in its Public Governance and Territorial Development Directorates. He is the author of over 100 publications, including books, OECD studies, articles in scholarly journals and book chapters on political economy and economic policy. Prior to joining the OECD, Professor Thompson taught at the University of London and the University of Oxford. He has also worked as a private consultant and as an advisor to the Select Committee on Foreign Affairs of the British House of Commons and has taught at the Institut d'Études Politiques de Paris. He holds BA and MA Degrees from Emory University and a Doctorate from Oxford University.

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Arthur van Diesen was appointed the UNICEF Representative in Kazakhstan in June 2019. He previously served with UNICEF as Regional Social Policy Adviser in the Middle East and North Africa (2015-2019) and as Deputy Representative in Tajikistan (2010-2015). Before joining UNICEF, Arthur worked for the U.K. Department for International Development (DFID), the United Nations Development Program (UNDP), and various international NGOs. He has over thirty years' experience in social policy, applied social research, monitoring and evaluation and program management.

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Biju Nair was appointed Chief Executive Officer of Arcelor Mittal Temirtau in January 2020. Between 2014-2019 he served as CEO at ArcelorMittal Zenica in Bosnia Herzegovina, as well as Chairman of the Board in ArcelorMittal Projedor Mines in Bosnia and Herzegovina. His career in Bosnia and Herzegovina began in 2008 and continued till December 2019 in various roles at ArcelorMittal. His overseas experience also includes Bulgaria where he worked as Deputy Director of Operations at Kremikovtzi Steel until 2008. He began his career as a management trainee in 1989 at the Steel Authority of India (Bhilai Steel Plant), then served 15 years in maintenance management specializing in electricity and automation.

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Juan Carlos Escobar, Managing Director Kazakhstan and Central Asia, Philip Morris International

Juan Carlos Escobar joined Philip Morris International in its Operating Center in Switzerland in 2004 after a career in Strategy Consulting in the UK and Australia. He has held numerous leadership positions in strategic planning, business development, fiscal affairs, international trade and commercial and general management, spanning EEMA (Eastern Europe, Middle East and Africa), Latin America and Canada.

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Michael McNicholas is General Counsel for the private equity firm Visor International and has been based in Almaty since 2014. He specialises in cross-border mergers and acquisitions focusing on renewable energy, oil and gas, and telecommunications. Prior to joining Visor he lived in London for 15 years and worked with Clifford Chance, HSH Nordbank and a number of "frontier market" private equity firms.

Michael McNicholas attended Dalhousie University in Nova Scotia where he studied law (LL. B. - 1993), Boston University (M.S.M - 1988) and Memorial University of Newfoundland (B.A.(Hons) - 1988). He is qualified to practice law as a solicitor in England & Wales and as a barrister and solicitor in Canada.



INTERNATIONAL SANCTIONS AND THE SPILLOVER IMPACT ON KAZAKHSTAN BUSINESS – THE LEGAL PERSPECTIVE

The summary in this article is as of April 2022 and does not reflect subsequent developments, including in relation to further tightening of sanctions, expiration of certain licenses or potential imposition of secondary sanctions. These may be addressed in future ML publications.

by **Aset Shyngyssov**, Managing Partner, Morgan Lewis, Kazakhstan

Asem Bakenova, International Partner, Morgan Lewis

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Introduction

Ukraine-Russia-related sanctions were first introduced in 2014 in response to the situation in the Crimea region. These sanctions have continued to develop since then and escalated in February 2022 due to the recognition by the Russian government of non-government-controlled areas of Donetsk and Luhansk oblasts as independent states and the subsequent events in Ukraine.

Importantly, Ukraine-Russia-related sanctions have been imposed by a number of countries in response to Russian actions in Ukraine. These are currently the United States, Canada, the United Kingdom, the European Union (EU), Japan, South Korea, Australia and New Zealand, among others. Simultaneously, sanctions were also imposed against Belarus. The following article is a brief summary of sanctions imposed on Russia in connection with the Ukraine crisis by the United States and the EU due to their extensive scope and far-reaching nature.

Unprecedented Sanctions

The sanctions imposed by the United States and EU in 2022 are unprecedented because of their scope, nature, pace and magnitude. In a nutshell, in addition to blocking top government officials, Russian oligarchs, and members of their families and property of such persons, the sanctions have frozen Russia's sovereign assets by prohibiting any dealings with the Russian government and instrumentalities - the Russian Central Bank, Ministry of Finance and National Wealth Fund.

It is also noteworthy that the US/EU actions on imposition of sanctions are generally aligned and coordinated in terms of timing, albeit not fully synchronized. That being said, sanctions imposed in different jurisdictions (most notably, the United Kingdom) often vary and therefore a separate analysis for each jurisdiction is advisable.

Legal Basis and Competent Authorities

US sanctions are issued via *Executive Orders (EOs)* of the US President based on the codified laws of the United States. There are a number of Determinations (by the *Department/Secretary of Treasury*), Directives (by the *Office of Foreign Assets Control (OFAC)* subordinate to the *Department of Treasury*), and Regulations (incorporated into the *Code of Federal Regulations* by OFAC) issued in relation to EOs intended to specify and facilitate implementation of the EOs. Thus, while the President is granted the power to introduce sanctions, government agencies and officials such as the *Department of Treasury and OFAC*, the *Bureau of Industry and Security (BIS)* within the *Department of Commerce*, the *Department of State*, and the *Attorney General*, among others, are responsible for implementing and enforcing US sanctions.

EU sanctions or "restrictive measures" are an essential tool of the EU's *Common Foreign and Security Policy (CFSP)* and pursue the CFSP objectives as set out in Article 21 of the *Treaty on European Union*. Sanctions are issued by the EU Council in the form of Decisions and Regulations. While the *EU Commission* provides the implementation and compliance guidelines in its guidance notices, opinions and comments on FAQ, it is the responsibility of the EU Member States to implement and enforce the EU sanctions, including the identification of breaches and imposition of penalties. The correct and uniform implementation of EU sanctions by the Member States is monitored by the *EU Commission*.



Who Must Observe the Sanctions?

Given that the jurisdiction of each country is limited to its territory, sanctions are intended to be leveraged through either (i) personal jurisdiction (i.e., US or EU persons) or (ii) territorial jurisdiction (i.e., the business or operations done, in whole or in part, within the territory (including airspace, on board of any aircraft or vessel) of the sanctioning country).

Importantly, for US sanctions to apply to an individual/entity, it may be sufficient to meet the “US nexus” test, i.e., these sanctions may apply to non-US persons if, for example, the transaction needs to be cleared via the US financial system, involves data routed through servers in the United States, or contemplates the supply of goods of non-US origin that incorporate US components or technology.

Unlike the US sanctions, despite putting certain pressure on third countries by targeting particular individuals, entities or industries, the EU sanctions are not usually seen as having an extraterritorial effect. This is because the EU sanctions typically only create obligations for non-EU persons or entities if their business is conducted within the EU, whether in whole or in part.

In addition to the above, it is worth mentioning that definitions of terms used in sanctions are quite broad. For example:

- “*property*” or “*interest in property*” covers, among others, financial instruments, rights in the nature of security, power of attorney, deeds of trust, services and contracts of whatever nature, insurance policies, and so forth;
- “*financial, material or technological support*” covers, inter alia, any transmission of value, communications equipment, computers, electronic devices, facilities, vehicles and goods;
- “*transferrable securities*” covers various classes of securities, shares, bonds or their equivalents, including in the form of crypto-assets, and other securities giving the right to acquire or sell any such transferrable securities or giving rise to a cash settlement determined by reference to transferrable securities;
- “*transfer*” covers any purported act/transaction and includes the making/execution/delivery of any contract, statement, the fulfillment of any condition, the exercise of POA, and so forth.

Given the broad coverage of key terms utilized in the documents imposing sanctions and subsequent broad application, it is prudent to analyze on a case-by-case basis whether a person or an operation (transaction) is subject to sanctions.

Any Exceptions?

There are general exceptions (*e.g., providing goods or services for the purposes of medical or humanitarian aid*) that apply to different categories of sanctions.



As for US sanctions, the conduct of the official business of the following entities is explicitly authorised:

- *the US government*, including by its employees, grantees and contractors
- *the United Nations*
- *the ICSID and Multilateral Investment Guarantee Agency*
- *the African Development Bank, Asian Development Bank, EBRD, and Inter-American Development Bank Group*
- *Red Cross entities.*

Authorisation to engage in activity prohibited by the US sanctions can be obtained via general (covering certain types of activities) or specific (issued on a case-by-case basis) licenses. Any authorisation would usually be limited in time and is mainly designated to provide time for ensuring compliance with sanctions. The general publicly available licenses are updated on a regular basis.

Waiver of sanctions can be granted by the US President in the interests of national security.

As to the EU sanctions, the relevant Council Decisions and Regulations set out *general and specific “derogations” (essentially, limited exemptions)* from the prohibitions. General derogations relate to humanitarian purposes, health, environment emergencies, maritime safety, diplomatic representation of the EU or its partner countries, and the transport of fossil fuels, oil and gas into the EU.

Most of the general derogations do not exempt entities from obtaining authorisation (*e.g., export licenses*) of/notification to the competent authority of the concerned EU Member State. Authorisation may be annulled/suspended/revoked if such annulment/suspension/revocation is needed for the effective implementation of the underlying EU Regulation.

The competent authorities of EU Member States are empowered by the EU Regulations to grant specific derogations (authorisations) on a case-by-case basis when they determine that, by way of example, derogation is necessary “for critical energy supply within the Union”, or it “exclusively concerns a legal person operating in the Russian energy sector but owned by an EU person”.

What Are the Sanctions Categories?

In general, the sanctions applied can be divided into the following categories:

- ***Blocking sanctions*** against specially designated nationals and blocked persons (*Specially Designated Nationals*, or *SDNs*, under US sanctions or designated persons under the EU “individual sanctions”), their property and interest in property (as referred to in the US sanctions) or funds and economic resources (as referred to in the EU sanctions). US/EU persons are generally prohibited from dealing with such persons and their assets.
- ***Sectoral sanctions*** against entities operating in certain key sectors of the Russian economy, such as finance, transport, energy, technology, trade and defense. The relevant prohibitions cover not only the sale, supply, transfer, import/export of goods to and from sanctioned sectors but also related financing, financial and/or technical assistance, brokering or other services. There are lists that help identify persons operating in sectors of the Russian economy, goods and technology, dealings with which are prohibited.
- ***Ban on new investments/new debts***. These sanctions are less than full blocking sanctions and target financing or financial assistance to trade with, or investment in, Russia. Under US sanctions, along with prohibition to provide financing or otherwise deal in new debt and new equity, the sanctions prohibit US persons from transacting with the *Russian Central Bank*, *Ministry of Finance*, and *National Wealth Fund*.

As for the EU sanctions, they prohibit financing or financial assistance to projects co-financed by the *Russian Direct Investment Fund*; the sale or purchase of transferable securities and/or money-market instruments issued by Russia and its government or the *Russian Central Bank* or provision of related investment services; and the supply, sale, transfer, and export of Euro-denominated banknotes to Russia or any persons in Russia, subject to certain derogations.

- The *US Non-SDN Menu-Based Sanctions List (NS-MBS List)* specifies the type of sanction imposed on the person and the legal authority under which the person is sanctioned.
- ***Regional sanctions*** which prohibit most transactions with persons located in the Crimea, Luhansk and Donetsk regions. These sanctions target businesses and business operations in the Donetsk, Luhansk and Crimea regions and provide for a ban on imports and exports in respect of certain goods and technologies to and from the above-mentioned regions, as well as trade and investment restrictions.

US sanctions also provide for a block on property or interest in property of persons operating in these regions, whereas the EU sanctions put a ban on supplying tourism services.

- ***EU other sanctions*** – restrictions on broadcasting *Russia Today* and *Sputnik* television channels and restrictions on economic (no new lending by the *European Bank for Reconstruction and Development (EBRD)* and *European Investment Bank*) and diplomatic cooperation (suspension of regular summits, diplomatic/business/“golden” visa/passport benefits) and the implementation of a *SWIFT* ban on certain Russian and Belarus banks.

A few points to bear in mind:

- any categorization of sanctions is rather conventional because in many cases one sanction can fall into more than one category, while more than one category of sanctions can apply to one and the same matter, so the distinction between the categories is somewhat subtle;
- therefore, a person appearing on one list may also be listed on the other(s);
- the lists are updated on a regular basis; and
- the lists are not exhaustive: the US government agencies and *EU Commission* are entitled to consider a person meeting certain criteria to be a blocked/targeted person, even though not directly included or named on the list.

What are the Impacts and Liability for Sanctions Violations?

As for the sanctions effect, sanctions are typically forward-looking, do not have a retrospective effect, and often set the deadline by which the compliance is required.

The imposition of sanctions does not require immediate sale or liquidation of a blocked property or interest therein. In fact, such alienation or liquidation may need an authorisation or an instruction from the competent authority. By way of example, if a US person holds funds subject to sanctions (e.g., proceeds from a prohibited transaction), such US person must place the funds into a so-called blocked account located in the United States, and operations with such funds will be limited.

However, sanctions effectively prevent any future dealings subjected to sanctions and, therefore, the businesses either shut down or suspend their operations to the extent affected by sanctions.

Importantly, it is evident from the US sanctions' Regulations that each Regulation devoted to a specific set of sanctions applies independently from any other set of sanctions. Thus, no authorisation, carve-out or other inapplicability of one regulation (sanction) will exempt the same in connection with other regulation (sanction).

As for the liability for non-compliance with sanctions, one should note that actions in violation of sanctions are generally null and void under relevant *US Regulations*.

In addition, for violation of US sanctions *OFAC* may:

- *impose civil penalties* (in an amount not to exceed the greater of US\$250,000 or twice the amount of violating transaction),
- *engage in discussion on or enter into settlement*, or
- *refer a matter to law enforcement agencies* for a criminal investigation/prosecution on a vis-à-vis basis for a criminal penalty (20 years of imprisonment or a penalty of US\$1 million or both).

As for the EU sanctions, each Member State must determine penalties that it considers to be sufficiently effective and dissuasive to deter breaches of the sanctions regime. Thus, depending on

- (i) *the jurisdiction in which the breach has occurred*,
- (ii) *the nature of the breach*, and
- (iii) *the authority within the jurisdiction concerned*, the potential offence may be criminal or civil in nature, and the penalties may range from fines to custodial sentences. This lack of uniformity across the EU is not without its critics.

The consequences of a failure to comply with sanctions can be severe and cannot be ignored.

What are Secondary Sanctions?

To date, secondary sanctions have been utilized by the United States only due to their extraterritorial nature, which has been the subject of criticism by many countries (including the EU) in the past. The following are key features of the secondary sanctions:

- *secondary sanctions are so-called "smart" sanctions* (i.e., specific because they are directed at individuals and companies or restrict trade with certain goods);
- *unlike primary sanctions, they apply when there is no clear US nexus*, but if, for instance, a transaction involving a US-sanctioned person or industry is deemed to be 'significant' or to constitute the provision of 'material support'; and
- *they may target normal arm's-length transactions* executed outside of the United States that are legitimate under the laws of the foreign (i.e., non-US) jurisdiction.

The secondary sanctions use the indirect leverage of the US financial system and may, therefore, result in, for instance, denial of export licenses or loans from US financial institutions or even designating the foreign person as an *SDN*, thus forcing a non-US person to abandon targeted transactions or transactions with targeted persons and their property.

Historically, most secondary sanctions are Iran-related. But given the magnitude of the current primary sanctions imposed by the United States and EU, one may not exclude imposition of secondary sanctions.

New Trends; More Risks?

Unfortunately, in the absence of a peace settlement between Russia and Ukraine, one could expect further expansion and stiffening of the sanctions regime. By way of example, the US BIS in charge of issuing export licenses has shifted its general approach from "*presumptions of denial*" to a so-called "*policy of denial*", meaning that export licenses will be issued only in exceptional cases. In addition, recent implementing guidelines issued by the EU Commission demonstrate a trend towards broad (catch-all) interpretation of certain key concepts of the sanctions regime, such as ownership or control.

The above trends alongside harsh penalties for breaches of the sanctions regime are fraught with and

have already resulted in de-facto overcompliance by businesses across the affected sectors of the global economy.

Another trend worth mentioning is the exit from Russia of foreign companies mainly due to reputational risks.

One should bear in mind blocking statutes that have been adopted or are pending adoption by the Russian government in response to sanctions imposed by the United States and other “unfriendly states” (e.g., the EU, United Kingdom, Canada). The adopted countersanctions introduce a wide range of measures, such as a ban on providing financing in forex or mandatory conversion of 80% of proceeds in forex, authorisation of parallel import in certain cases or an authorisation for Russian companies to register foreign-leased jets and aircraft in Russia.

The countersanctions pending adoption appear to aim for, *inter alia*, (i) *nationalization of assets of foreign investors* originating from the “unfriendly states” via forced replacement of a company’s management by “special external management” and the subsequent spin-off of its assets, and (ii) *criminalization of compliance with anti-Russian sanctions*. These developments further complicate compliance with the US/EU sanctions and may eventually lead to loss of business in the crossfire of various sanctions regimes.

Conclusion

In view of the above, given the geographical proximity and close trade relations with Russia, the Kazakhstan government and business community are inevitably concerned by the new sanctions’ reality and must act proactively to address timely and efficiently the inherent challenges and problems. Those challenges include, *inter alia*, the need for a new regulatory framework and business decisions to mitigate the adverse effect of primary sanctions on the Kazakhstan economy and exclude or minimize exposure to secondary sanctions – all this while taking into account new business opportunities in Kazakhstan for Western investors and current integration process within the Eurasian Economic Union.

Indeed, because the rapidly evolving sanctions represent a moving target, one may no longer rely on blocked persons or other sanctions lists only when analyzing whether the persons, assets or the activities are subjected to sanctions. A thorough compliance analysis and due diligence become critical, and the focus of those should rather be on substance of the matter in question and not a form of it. For that purpose, the resources available at the *US Department of Treasury* website (including the FAQ section) and *EU Commission* websites can be very helpful.



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WALKING A TANGLED TIGHTROPE – NAVIGATING INTERNATIONAL SANCTIONS IN CENTRAL ASIA

by Michael McNicholas
General Counsel
Visor International

For businesses in Kazakhstan and central Asia, navigating the thicket of world-wide trade and financial sanctions is becoming increasingly complicated and hazardous. There are many risks for those who do not carefully consider these factors including the imposition of multi-million dollar fines and possible denial of access to international banks and payment systems or incarceration.

In addition, businesses need to monitor not just their own activities but also the activities of their customers, suppliers, end-users, shippers, brokers and any transaction counterparties. Generally, compliance laws and regulations require a person to conduct “reasonable” due diligence on any counterparty. However, these laws do not define the “reasonableness standard”. As such, this vague concept poses huge risks to a business.

The “special military operation” by Russia against Ukraine has resulted in an unprecedented wave of sanctions against Russia. This puts the economies of the Central Asian states, which are particularly dependent on Russia for trade, investment and remittances, in an especially vulnerable position.

As a founding member of the *Eurasian Economic Union*, and with an almost 8,000km border with Russia, Kazakhstan has a difficult path to navigate. Since 2009, Russia, Belarus and Kazakhstan have been committed, through the *Common Economic Space (CES)* and later via the *Eurasian Economic Union*, to create a common market for goods, capital, and labor.

Kazakhstan officially stated in March of this year that *“Kazakhstan will not be a tool to circumvent the sanctions on Russia by the US and the EU. We are going to abide by the sanctions. Even though we are part of the Economic Union with Russia, Belarus and other countries, we are also part of the international community. Therefore the last thing we want is secondary sanctions of the US and the EU to be applied to Kazakhstan”*. During an official meeting on 21 May 2022, Kazakhstan was assured that the U.S. is committed to minimizing the impact on Kazakhstan from the sanctions imposed on Russia.

Nevertheless, in late June and again more recently, the *U.S. Treasury Department* and the *U.S. Department of Commerce* issued alerts identifying *Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan* among a



group of 18 countries as *“transshipment points through which restricted or controlled exports have been known to pass before reaching destinations in Russia or Belarus.”*

Understanding International Sanctions

Part 1 - US Sanctions Regime

The *U.S. Treasury Department's Office of Foreign Assets Control (OFAC)* is the arm of the US government responsible for the administration and enforcement of sanctions across various target groups. Companies that deal with foreign entities must learn the ins and outs of the sanction lists to avoid a harsh penalty.

US law imposes a duty on “*US Persons*” to know the end-to-end provenance of all goods and services in a transaction and to avoid any deals that have sanctions implications. Recent enforcement actions highlight the duty to know the entire transaction chain. A “*US Person*” is defined as a US citizen (including minor children); United States residents; entities, including but not limited to, corporations, partnerships, or limited liability companies created or organized in the United States or under the laws of the United States; and trusts or estates formed under the laws of the United States.

Are you off the sanctions hook if you are not a *US Person*? The answer is definitely no. While you may escape direct prosecution under US law, you and your company will effectively be frozen out of any international bank and payments system that uses US dollars (regardless of the currency of your transaction). As the vast majority of financial institutions and banks are deemed *US Persons* due to a US presence, they will canvass the *OFAC Sanctions* lists as a standard part of their anti-money laundering programs. Kazakhstan and the CIS countries are deemed to be “high-risk” for business and sanctions busting and will invariably be subject to “enhanced” checks.

Exemptions: US persons or entities are prohibited from engaging in trade or financial transactions with sanctioned parties; however, OFAC will grant exemptions under certain circumstances. These restrictions can apply down the supply chain or to counterparties. The two main types of OFAC *Sanctions* lists are:

- (1) the *Specially Designated Nationals (SDN)* list, a list of individuals and companies in countries targeted by U.S. sanctions, and
- (2) the *Consolidated Sanction Lists (CSL)*, which contain details about restricted parties not covered by the SDN list.

OFAC's *50 Percent Rule* states that the property and interests in property of entities directly or indirectly owned 50 percent or more in the aggregate by one or more blocked persons are considered blocked.

Part 2 - US Customs Control Lists

Also of major importance is the *US Commerce Control List (CCL)*, a list of goods that require export licenses – these are in most cases “dual use” goods that can have both a civilian or military application. Any item for export from the US must have a specific *Export Control Classification Number (ECCN)*, an alpha-numeric code, e.g., 3A001, that describes the item and indicates licensing requirements.

In relation to Russia and Belarus, the US BIS has severely limited the export of U.S. commodities, software, and technology. Among the commodities “*presenting special concern because of their potential diversion to and end use by Russia and Belarus to further their military and defense capabilities*” are aircraft parts, antennas, cameras, GPS systems, integrated circuits, oil field equipment, and more. US export controls in 2014 were initially directed towards Russian deep-water oil and gas exploration and extraction industries. In 2022 these were applied to a wide variety of items related to on-shore gas and oil extraction and refining.

Controlled US items may be legally exported as inputs for the production of other finished goods but would be in violation of US law if further exported to Russia or Belarus as part of finished products and goods. This poses a significant risk to the US exporter who does not conduct a thorough investigation of the end destination. For a middleman based in the CIS, this can result in US civil and criminal liability – potential liability a person may not realize until he or she visits the United States.



Part 3 - US Penalties for Breaching OFAC Sanctions

OFAC treats violations as a serious threat to national security and foreign relations. As a result, criminal offenders face monetary fines—ranging from a few thousand dollars to several million—and prison time up to 30 years. As of 2020, parties that break the *Trading with the Enemy Act*, for instance, face fines of about \$90,000 per violation. Violating the *International Emergency Economic Powers Acts* come with penalties of about \$308,000 per violation.

European Union - Sanctions

The European Union has adopted a number of packages of “*restrictive measures*” (i.e. sanctions) for Russia. The measures are designed to limit Russia’s ability to finance the war and to impose clear economic and political costs on Russia’s political elite deemed responsible for the invasion.

The measures include (a) *individual sanctions* (b) *economic sanctions* (c) *restrictions on media* and (d) *diplomatic measures*. The EU has also adopted sanctions against Belarus.

In terms of sanctions, the EU has imposed the following trade and investment restrictions:

Finance:

- restricted access to EU primary and secondary capital markets for certain Russian banks and companies
- prohibition on transactions with the *Russian Central Bank* and the *Central Bank of Belarus*
- *SWIFT* ban for certain Russian and Belarusian banks
- prohibition on the provision of euro-denominated banknotes to Russia and Belarus

- prohibition on public financing or investment in Russia
- prohibition on investment in and contribution to projects co-financed by the *Russian Direct Investment Fund*

Energy:

- prohibition on imports of coal from Russia
- prohibition on imports of oil, with limited exceptions, from Russia
- prohibition on exports of goods and technologies in the oil refining sector to Russia
- prohibition on new investments in the Russian energy sector

Transport:

- closure of EU airspace to all Russian-owned and Russian-registered aircraft
- closure of EU ports to Russian vessels
- prohibition on Russian and Belarusian road transport operators from entering the EU
- prohibition on exports to Russia of goods and technology in the aviation, maritime and space industry

Defence:

- prohibition on exports to Russia of dual-use goods and technology items that could contribute to Russia's defense and security capabilities
- prohibition on trade in arms

Raw materials and other goods:

- prohibition on imports from Russia of iron, steel, wood, cement, seafood and liquor
- prohibition on exports to Russia of luxury goods
- prohibition on imports from Russian-origin gold

EU Sanctions are typically implemented indirectly through the national laws of each EU member state. Each member must implement and enforce sanctions in compliance with *EU Council Decisions* and *EU Council Regulations*. As such there is great variability for implementation and enforcement of sanctions across the 27 EU member states and significant potential for circumvention.

Kazakhstan Sanctions

Kazakhstan has announced that it will not permit the territory of Kazakhstan be used as a base to circumvent western sanctions on Russia and Belarus. To this end, the Government of Kazakhstan is considering new laws and regulations to control trans-shipment of goods via Kazakhstan.

Under existing laws, the *Administrative Codex (Article 424)* provides that a failure to comply with the procedure for applying non-tariff regulation measures and other restrictions when moving goods and vehicles across the customs border of Kazakhstan entails a fine (as outlined below). Movement across the customs border of Kazakhstan of goods and vehicles in violation of the procedure for applying non-tariff regulation measures and restrictions established by legislative and regulatory legal acts, except in cases provided for in other articles of this chapter, also entails a fine in the absence of signs of a crime.

The Code provides for a fine for individuals in the amount of ten to twenty-five, for individual entrepreneurs and legal entities - in the amount of twenty to fifty monthly calculation indicators (2 917 KZT) with or without confiscation of goods and vehicles that are direct objects of the offense.

UN Sanctions measures are binding on all UN Member States. However, each member state must take action in accordance with its own domestic law to implement any UN sanctions. Therefore, it is important to note that a party must look to national laws to understand any potential liability to US sanctions.

For further information relevant to U.S. Government general approaches to due diligence and sanctions compliance policies and procedures, see *U.S. Department of State, U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC), and the U.S. Coast Guard, "Sanctions Advisory for the Maritime Industry," (May 14, 2020).*

CONTINUED GEOPOLITICAL TURMOIL IS TESTING KAZAKHSTAN'S RUSSIAN CONNECTION

by Hüseyin Özhan

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On Monday, February 28, 2022, four days after Russia's invasion of Ukraine, the *National Bank of Kazakhstan* and KASE published a joint statement suggesting that the two organizations "do not rule out <...> a complete suspension of exchange currency trading amid geopolitical uncertainty." When trading did open on that day (with a delay and subject to modified trading rules), the Kazakh tenge dropped from 456 to 490 to the dollar. And it did not stop there. Within two weeks, by March 12, KZT lost more than 20% of its pre-war value, reaching an all-time low of 524 tenge to the dollar.

Nothing about Kazakhstan's fundamentals - a successful political 'reset', enviable reserves, fiscal buffers and relatively modest external indebtedness - warranted the tenge's precipitous fall. Moreover, during the same period, the price of oil - Kazakhstan's main export and a key source of the country's foreign currency earnings - saw a dramatic increase of more than 40%. The tenge collapsed because of the country's multi-pronged "Russian connection".

Kazakhstan is a member of the Russian-led *Collective Security Treaty Organisation (CSTO)*, which deployed to Kazakhstan in early January at President Tokayev's request. It is also a key pillar of the *Eurasian Economic Union*, which effectively implies a shared customs border, regulatory harmonization and free movement of goods, people and capital between Kazakhstan, Russia and three other EEU members. Kazakhstan is crucial for the northern branch of the 'belt and road' connecting Central Asia and China to Russia's ports and the EU.

As we have been reminded only recently, the CTC pipeline (taking 2/3 of Kazakhstan's all-important oil exports to European buyers) terminates in Russia's Black Sea port of Novorossiysk. Finally, Russia and Kazakhstan have significant presence in each other's markets and are interconnected - physically, through a dense web of transport, broadband and electricity networks - and economically, through a myriad of finance, trade, and investment relationships.

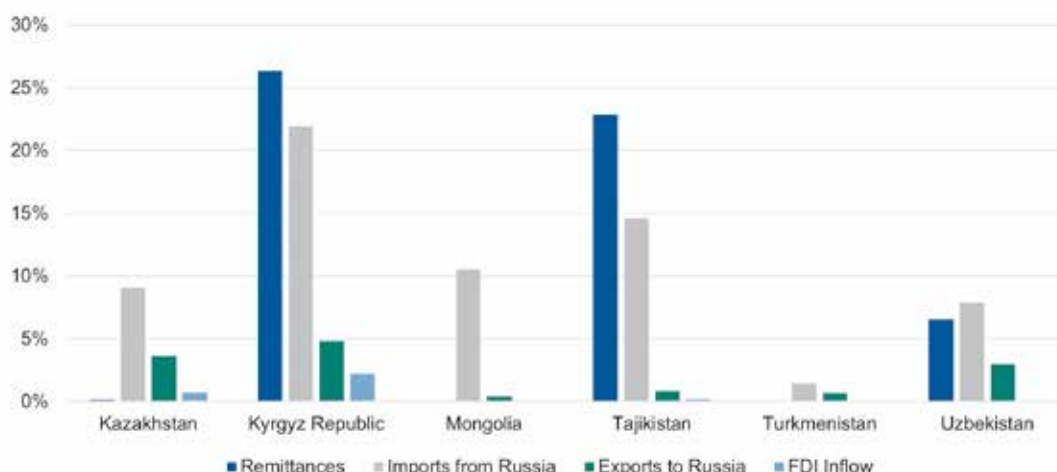
With so much at stake, no wonder investors hit the panic button. The military and financial confrontation between Russia and the West has immediate implications for Kazakhstan (and other Central Asian nations) as it finds itself on the receiving end of significant collateral damage from Western sanctions.

Financial Disorganization

The ever-escalating sanctions add to an already volatile situation as the Kazakh banking system is still reverberating following the January events. While the tenge has almost fully recovered from the lows of March (helped by the rouble's comeback and aggressive action by the Kazakh regulator - a steep policy rate hike, a cap on FX conversion, and indexation of local currency deposits), the general mood among investors and financiers is one of severe uncertainty.

A major headache is concerned with the presence of *Sberbank*, *VTB*, and *Alfa Bank* affiliates, which account for almost 13 cent of Kazakhstan's banking sector assets. Sanctioned by the West, these banks have no easy access to liquidity and have to be either sold or nationalized. *Alfa Bank* has already reported that its Kazakh subsidiary will be sold; facing a July 12 deadline to wind up transactions, *Sberbank* has returned all public funding and sold a part of its assets to *Halyk Bank* to ensure additional liquidity.

Central Asia's economic exposure to Russia (per cent of GDP)



Disruptions and distractions can be observed everywhere. Kazakh businesses have a hard time finding workarounds for payments to Russian banks and entities. Some companies are not able to repay their FX loans to sanctioned Russian banks, implying a technical default. Joint Russian-Kazakh ventures are forced to engage in corporate manoeuvring to carve out Russian assets (and Russian minority shareholders). On the positive side, in March alone, Kazakh banks opened accounts for 12,000 new Russian clients, over-fulfilling their annual targets on this indicator.

Uncertainty and FX volatility caused funding costs and interest rates to go up (to 18-19% for working capital KZT loans). Banks are not lending, preferring to sit on a lot of liquidity (around 40-45%). Businesses are not rushing to borrow. Some are waiting for the government to launch new subsidy programs, other simply take their time.

Consumer lending (and downstream retail business) is another victim of the sanctions-induced uncertainty, particularly when it comes to imported consumer electronics. Kaspi, on which many retailers rely for a big chunk of their sales, is no longer willing to take exchange rate risk on long-term loans. This implies a 20-25% hit on retailers' revenues (and some losses for the lenders, too). Car sales may be one exception as consumers seek to preempt expected price hikes.

But the gravest risk for Kazakh banks is to be hit by secondary sanctions. According to a Reuters article, as the US is prepping new efforts to crack down on Russian sanctions evasion, all eyes will be on the country's banking system. Many banks are already seeking guidance from the regulator regarding supposedly legit transactions involving Russian entities, rouble payments or restructuring of loans issues by Russian banks.

Going forward, inevitable attempts to circumvent the sanctions regime will put a lot of pressure on the banking sector and the regulator, necessitating significant upgrades to their compliance systems. This will be a complicated game to play with the sanctions-busting business growing in capacity and sophistication over time.

Trade and Transport Bottlenecks

As a net energy exporter and a major producer of metals, cereals and oil seeds, Kazakhstan



could benefit from the crisis-induced increases in commodity prices. That is, if it finds the ways to bring its commodity exports to the market. For the moment, oil and gas continue to flow westward, and trains keep running across Eurasia and over Russia's borders with EU. But the time and cost of delivering Kazakhstan's goods may dramatically increase as Europe continues to decouple from its Eurasian neighbours by blocking the transit of Russian and Belarusian trucks or prohibiting Russian ships from calling their ports.

Kazakhstan's exports may also fall prey to Russian countersanctions, should Russia decide to escalate its economic warfare with the West. The vulnerability of Kazakh crude exports has been very well illustrated by the recent incident at the Novorossiysk terminal of the *Caspian Pipeline Consortium*, the main gateway for Kazakh oil exports (53-54 million tons of oil in 2021). With two out of three moorings out of commission, Kazakh crude exports to Europe have been instantly reduced to a trickle.

Unfortunately for landlocked Kazakhstan, alternative transport routes are few and far between, especially given that China has just re-imposed Covid restrictions and Iran continues to be sanctioned by the West. Capacity on the *Baku–Tbilisi–Ceyhan* (BTC) pipeline is extremely limited, and any expansion would require very significant investment. The so-called 'middle corridor' (from the port of Aktau over the Caspian Sea and through Azerbaijan to Georgia's ports on the Black Sea) is both extremely complicated (requiring multiple border crossings and multimodal transshipments) and limited in capacity with it comes to container terminals and Ro-Ro vessels. As demand continues to swell, bottlenecks may emerge on all

other links of this transport route, including Georgian railways and ports.

Adjustment to the new realities may be easier for large multi-national companies operating in Kazakhstan, such as ArcelorMittal (a major exporter of steel). Having a strong international sales team, as well as its own logistics and vessels, ArcelorMittal managed to very quickly redirect its sales from Russia to other geographies – Europe, Pakistan, India, Vietnam. The company is currently in the process of acquiring necessary certification and testing new transportation arrangements.



Kazakh companies may have a much harder time dealing with similar challenges.

Transportation and logistics are also becoming a major challenge for Kazakh imports (and consumers). Until now, most retailers have been sourcing close to 50% of their products from Russia-based distribution hubs. With major European, South Korean and Japanese producers pulling out of Russia, Kazakh companies will have to seek replacement suppliers and alternative supply routes.

Given that direct sourcing from Southeast Asia is non-viable because of restrictions on China's borders, Turkey appears to be the likely winner of the war in Ukraine, at least as far as its trade and logistics business is concerned. The extra cost of more complicated logistics through the 'middle corridor' will be passed onto Kazakh consumers – the main losers of the conflict – increasing people's cost of living and adding to inflationary pressures.

But Every Coin Has Two Sides.....

The Georgian wine industry has acquired a new lease on life in 2006-12, thanks to the Russian ban on

Georgian imports. Locked out of the Russian market, Georgian winemakers had no choice but to invest in modern technology, increase the quality of their products, and develop premium brands targeting European consumers. Western sanctions on Russia may have a similar effect on Kazakh companies, stimulating them to explore higher quality products suitable for lucrative Asian markets.

Sanctions also create opportunities for Kazakh businesses, at least in the short run. For example, with Russian airspace closed for international flights, Kazakh airports see increased demand for technical stops and refueling of cargo transit flights. Likewise, Kazakh airlines see less competition from Russian airlines (*Aeroflot*, *S7*) on flights to/from Russia.

A much more significant opportunity concerns the arrival of Russian, Belarusian and Ukrainian migrants, many of whom are IT entrepreneurs, developers and digital nomads – a great addition to Kazakhstan's start-up ecosystem and the country's knowledge-intensive industries. Absorbing this talent pool is a realistic possibility given that Kazakhstan is a member of EEU and its labour markets are open for Russian and Belarusian migrants.

Moreover, Kazakhstan's legislation has been amended in recent years, making it an attractive, tax-and-hassle-free destination not only for individual developers but also for IT companies registered as residents with Kazakhstan's IT Hub and similar special economic zones.

Diversifying the Kazakh economy, getting it off the oil and gas needle, has always appeared to be an elusive target. Now this target may finally be within reach, with a little bit of help from the Kazakh government.



SECONDARY TRADE SANCTIONS: IN SEARCH OF A SOLUTION

by William Tompson

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Russia's large-scale aggression against Ukraine since February 2022 and the ensuing sanctions and counter-sanctions have greatly exacerbated the trade connectivity challenges that have long confronted Kazakhstan and other Central Asian economies. This has prompted a flurry of interest in the rapid development of new trade corridors for the country's exports. Much can yet be done, but the prospects for replacing the overland trade routes that previously ran through the Russian Federation to Europe should not be exaggerated. Developing alternatives will require time, investment, and policy reform, as well as a realistic understanding of their potential.

Western sanctions and Kazakhstan's trade

Data for January-May 2022 suggest that, so far, Kazakhstan has weathered the shock of the war remarkably well. Inflation has surged, but both output and exports have continued to grow, sustained in large measure by higher prices for oil and other key export commodities. Nevertheless, events since 24 February have highlighted a number of critical vulnerabilities.

Successive packages of western sanctions adopted since Russia launched its full-scale invasion of government-controlled territories in Ukraine have effectively closed off the northern freight routes through Russia which are critical for Kazakhstan's non-oil exports to western markets. While there is not yet any trade data beyond the first quarter of 2022, all evidence points to a sharp reduction in shipments. While western sanctions do not extend to rail transport per se, there are perceived risks in doing business with Russian Railways, which is now a sanctioned company, and sanctions affecting road freight and Russian access to western ports mean most export routes have been closed off to Europe via Russia.

At the same time, the events over the last five months have highlighted the vulnerability of Kazakhstan's oil exports, an estimated 96% of which reached external markets via Russia in 2021, with some 80% passing through the pipeline to Novorossiysk operated by the *Caspian Pipeline Consortium (CPC)*. Kazakhstan's oil is not subject to sanctions and so export volumes rose by an estimated 12.1% year/year in January-May 2022, with average export prices up more than 58% compared to the corresponding period in 2021.

However, the Russian authorities have halted operations at the terminal at Novorossiysk three times since 24 February, citing such factors as storm damage, environmental violations, and the discovery of mines from the Second World War in the area. Most observers view Russia's claims with great scepticism, reckoning that Moscow is squeezing Kazakhstan's exports to make political points in response to the latter's refusal to recognise Russian territorial claims in Ukraine and its promise to help western economies deal with the energy crisis.

This presents Kazakhstan with a problem few major oil exporters face. Kazakhstan's landlocked location makes it by far the most important oil exporter in the world that does not have direct access to the sea and thus to global oil markets. This means that decisions about investment in pipelines and other export infrastructure resemble, for Kazakhstan, those that more typically confront natural gas exporters.

This tightening of constraints on trade connectivity comes against the backdrop of sanctions against Iran, the Taliban victory in Afghanistan in 2021 and tightening border controls in China as a result of its zero-COVID policies. Kazakhstan and its neighbours thus face bottlenecks not merely to the north but, to a significant degree, to the east and south as well.

Kazakhstan's response

The authorities in Kazakhstan moved rapidly to address the consequences of war, the second major shock to hit the country and the region in as many years. They achieved some initial success in stabilising the Tenge, though inflation has surged, and they have convened an operational headquarters for anti-crisis measures. While refraining from any sanctions against Russia, Kazakhstan made clear that it would not abet circumvention of western sanctions – avoidance of secondary sanctions is a key priority, nor would it join Russia in any countersanctions.

In an effort to minimise the impact of sanctions on oil exports, Kazakhstan also rebranded its own crude oil as *KEBCO – Kazakhstan Export Blend Crude Oil* - to distinguish it more clearly from Russia's. This is especially sensitive, since part of Kazakhstan's crude exports in fact consist of Russian crude under oil swaps whereby Kazakh producers introduce oil into the Russian trunk pipeline network and obtain the same volumes in Russian crude for export via Novorossiysk and Ust-Luga. The rebranding may have done some good: in early June, *KEBCO* was trading at a relatively small discount to Brent (US\$ 5.1/ barrel), while Urals crude was trading at a discount to Brent of US \$35.2.

Along with its neighbours in the region, Kazakhstan also began to devote greater attention to alternative export routes, especially the so-called *Trans-Caspian International Transport Route*, often referred to as the *Middle Corridor*. This is a multi-modal transport network that is currently used mainly for petroleum products and other commodities. Initiated in 2017 under an agreement among Azerbaijan, Georgia, and Kazakhstan, but also in coordination with China, Turkey, and Ukraine, the *Middle Corridor* was responsible of around 45% of Georgian Railways' cargo traffic volume in 2020.

In March 2022, Kazakhstan Temir Zholy announced that Kazakhstan, Azerbaijan and Georgia would create a *Eurasian Rail Alliance* to help further develop the Trans-Caspian route. A critical objective is to realise the Corridor's potential to gain a larger share of the containerised trade between China and the EU. The *Middle Corridor's* development would support growth across the region, both through the jobs created in the transport and logistics sector and indirect regional trade effects.

In July, the President also appealed to the western oil companies operating the giant *Tengiz* field to help develop a pipeline route that would allow oil exports to pass via Azerbaijan and thus to avoid reliance on Novorossiysk.



The “Middle Corridor” – a Reality Check

The potential of the *Middle Corridor* is significant and as-yet unrealised. However, bullish forecasts – and evidence of rapid growth already – cannot conceal the fact that its capacity is, and will for some time be, a fraction of the *Northern Route's*. Moreover, it necessarily involves longer distances, more modal switches, which implies more unloading and reloading, and more international frontiers, which entails more red tape and more tariffs. The bottom line is that it will involve higher costs and longer times.

Table 1. Cost / time for EU-China corridors

Per 40-foot container, from Chengdu, China

	Cost range (USD)	Average time (days)	Northern Europe time (days)	Central Europe time (days)	Balkans time (days)
Northern corridor	2 800 – 3 200	14 – 18	16	15 – 16	20
Middle corridor	3 500 – 4 500	16 – 20	18	17	14
Maritime route	1 500 – 2 000	28 – 40	28 – 40	28 – 40	28 – 40

Source: (World Bank, 2020)

The current capacity of the *Middle Corridor* is estimated to be at most 5% of the volumes that were transiting the northern route before the war. As such, it cannot absorb all the demand for transport services resulting from disruptions to shipping routes traditionally passing through Russia. Nevertheless, while the *Middle Corridor* is structurally less competitive than the overland routes via Russia or maritime transport in terms of cost and travel times (Table 1), it could present a viable option for exporters and transport operators seeking to diversify their shipment routes.

There are, however, many challenges to overcome if the *Middle Corridor's* potential as a transit option is to be fully developed. These involve the need for upgrading both “*hard*” transport infrastructure and “*soft*” procedures to facilitate movements of cargo across borders.

The “*hard*” *infrastructure investments* include improving capacity in ports, railways and highways across the region. Specifically, there is a need for greater investment in the Caspian Sea ports to ensure they can meet the capacity of the railway freight

trade coming from China. The main recipient port in Azerbaijan, the *Baku International Sea Trade Port (Alat Terminal)*, has an annual capacity of 15 million tons of bulk cargo freight, whereas the corresponding ports in Kazakhstan (*Aktau and Quryq*) have a combined capacity of 23.7 million tons. Additional vessels in the Caspian Sea would also be needed to meet the increasing demand.

Another key problem for the *Middle Corridor* is its multi-modal nature, requiring loading and unloading for ferry journeys in the Caspian and (depending on the route) Black Seas. This latter switch can be avoided with rail transport through Turkey, but the rail infrastructure on this route would need to be further developed. Additional bottlenecks could be encountered in Europe, as rail connections would have to pass through Serbia which, as a non-EU member, would entail further border formalities, as well as rail speeds as low as 20-40km/h.

The “soft” reforms would involve harmonising regulations and border controls to allow for international containerised trade, ensuring transparent and competitive tariff structures, improving the institutional framework for effective regulations. These reforms are required to reduce issues of visa bottlenecks and opaque tariff systems that can deter trade.

The critical point is that mobilisation of new investment must be accompanied by significant progress with respect to these “soft” infrastructures. Better customs and border management, unification of documents, and harmonisation of regulations will matter as much as developing and debottlenecking the physical infrastructures along the route. The good news is that this would not be prohibitively expensive and would generate additional benefits for the region. Kazakhstan, Azerbaijan and Georgia have already made a start on the “*Eurasian Rail Alliance*”, but much more can be done.



At a minimum, the countries developing the Corridor should aim for a single multimodal window consolidating ferry, port, rail, and logistics operations. A co-ordinated approach to trade facilitation reforms across Central Asia and the South Caucasus would not only help to develop the *Middle Corridor* – it could stimulate trade growth across the region.

Indeed, Kazakhstan should consider going beyond trade *facilitation* and explore the potential benefits of trade *liberalisation*, liberalising trade within the region and across the corridor. A regional trade zone capable of co-ordinating trade policy and practices, including the automation of processes, and harmonising technical and legal developments and standards, would put the region as a whole in a stronger position vis-à-vis Europe and China. Such a zone would require stronger intergovernmental dialogue mechanisms and stronger public-private dialogue. The response to the shock of Russia’s invasion of Ukraine might thereby serve to strengthen trade and resilience in the long run.





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THE SANCTIONS VIEW FROM CANADA: COMPLIANCE AND MITIGATION

by Ambassador Alan Hamson

Ambassador of Canada to Kazakhstan, Kyrgyzstan, and Tajikistan

Sanctions are undoubtedly of prime importance to the Government of Canada. Canada, and countries like us, benefit from a world based on rules — where might does not make right, and where the community of nations agrees on the norms of a peaceful international order, including for trade and investment.

Russia's invasion of Ukraine deals a serious blow to this rules-based international order on which we all rely. In response, Canada has closely coordinated with its partners and allies in imposing the strongest sanctions ever imposed upon a major economy. These measures are calibrated to hinder further aggression and pressure Russia's leadership to end this senseless and bloody war.

The invasion has caused global economic disruptions, impacting the security of global energy supplies and the functioning of global supply chains. The world's most vulnerable countries are affected the most severely. Together with partners globally, Canada is working to counter these adverse and harmful impacts.

For example, in support to the *United Nations Global Crisis Response Group*, Canada is part of the *Global Alliance for Food Security* to help address the global food crisis. The sanctions developed by Canada and other states are carefully targeted so as not to impede the delivery of humanitarian assistance or trade of agricultural products.

Yet, there are spillover effects, including in the banking and logistics sectors. Banks bear a heavy burden, as they often have to play, in effect, a sort of sanctions enforcement function. Ensuring proper compliance is both critical and demanding. Demanding, because the sanctions are targeted but not always consistent between Canada, the United States, the United Kingdom, the European Union and many others.

Every transaction must be checked and not all can be automated. Even automated checks, such a blacklist, can result in false positives that require human attention to resolve. It is also critical, because the risk of cutting corners is not simply a risk for the bank, but for the entire country of operations that will be at risk of secondary sanctions. I know the Government of Kazakhstan understands this and has stated at a high level that *"Kazakhstan will not be a tool to circumvent the sanctions on Russia."*

The risk then, is not government policy, but rather banks and other businesses cutting corners. Careful

checks on transactions can slow payments. I understand that this is a concern that businesses in Kazakhstan have raised with the financial regulators. The solution is not to pressure banks to shorten their current payment processing standards, but rather work with them, the regulators, and the customers.

All three sides of this triangle want a financial system that functions smoothly and safely. Canada has a role to play here, as do others participating today: we must facilitate clarifications on sanctions to avoid over-compliance that unfairly impacts the Kazakhstani economy.

Similar pressures exist in logistics. Long standing supply chains have experienced sudden disruptions — some disruption due to compliance with the sanctions, some due to over-compliance. The global food crisis, which is being exacerbated by broken supply routes and the outrageous Russian blockade of Ukrainian grain exports, is a case in point, but the disruption extends much more broadly.

Whole sectors of the global economy are adapting in real time to new realities. Oil and gas for example, which are critical to the Canadian and Kazakhstani economies, are especially facing logistical risks. Solving this problem will take time, investment, and a commitment to opening new trade routes and maintaining trade partners.

The signals our countries give to foreign investors matter more than ever. To attract foreign investment in such chaotic conditions, our policies need to be transparent, fair, and consistent. Changes such as recent tax proposals in the mining sector, should be well-consulted with stakeholders to avoid unintended consequences. Policies should aim to induce investors to enter our markets or to expand their current investments to make up for the exit of sanctioned companies.

Canada is committed to staying open to trade and investment as well as to avoiding export restrictions, which impact the most vulnerable. The Government of Canada engages regularly with Canadian firms and our partners to ensure that the scope of sanctions is clear. Our goal is for firms to accurately conduct their independent business and to make legal decisions, rather than to inadvertently harm countries that are not under sanctions.

Canada will continue to stand with its international partners to maintain our important trade and investment relationships and to prevent sanctions evasion, circumvention, and backfilling. We are keen to partner on these issues and to clarify if and when questions arise.

SEEKING A LOGISTICS SOLUTION – WHAT IS THE MIDDLE CORRIDOR?

by **Gulshat Raissova**

CAREC Institute Coordinator, Asian Development Bank

Saad Paracha

CAREC Unit Head, Asian Development Bank

The Trans-Caspian International Transport Route (TITR), also known as the Middle Corridor, is a trade route linking the containerized rail freight transport networks of China and the European Union through the economies of Central Asia, the Caucasus, Turkey, and Eastern Europe. Linking China and Central Asia's trade to Europe is critical, and efficiency of transport corridors is one of the ways to achieve this. Given the complex political and security challenges, and harsh weather conditions of the Northern Corridor that has long dominated transit between East and West, the Middle Corridor is emerging as the alternative route that will also enable Central Asian and Caucasus economies to benefit from China-Europe trade.

Background

Over 96% of China's estimated annual 10 million containers are transported via sea. The remaining 4% have been moved via the land route commonly known as the *Northern or the Upper Corridor*. This route uses the *Russian Trans-Siberian Railway* line passing through the Russian mainland, reaching Belarus and ultimately Europe. Historically, this route accounted for the bulk of land-bound traffic. The *Northern Corridor* has been popular with few competitors as it crosses through the fewest number of countries and border crossings with no need to move the cargo over waterbodies. However, due to the current political and security challenges this route is losing importance and transporters are looking for alternatives.

There are two alternative corridors to connect China to Europe: the *Southern Corridor* also called the *Lower Corridor*, and the *Middle Corridor*. The *Southern Corridor* linking China to Europe via Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Turkmenistan, Iran, and Turkey, has not been a favorite route for many companies because of fluctuating rates, problems at border crossings, and sanctions against Iran.

This article focuses on the *Middle Corridor*—so called because it falls between the Northern and the Southern corridors. It starts in China and runs through Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, Turkey, all the way to Europe. This route has recently grown in significance as an alternative between China and the European Union (EU).

The *Middle Corridor* represents the interests of several countries and was proposed in 2014 by seven logistics companies from Kazakhstan, Azerbaijan, and Georgia, with intentions to develop multimodal transportation routes between their respective jurisdictions. Later, other countries like Ukraine, Romania, Turkey, and Poland joined, which opened new possibilities for transporting cargo from China to Europe.

Why develop the Middle Corridor?

One of the key advantages of the *Middle Corridor* is the block train running along this corridor that delivers cargo from China to Europe, taking on average between 20 to 25 days. The *Middle Corridor* is more economically feasible and faster in comparison to the *Northern Corridor*: it is 2,000 km shorter and has more favorable climate conditions. Compared to the sea route, the Middle Corridor cuts the travel time by a third (15 days). Additionally, the *Middle Corridor*



Source: International Association "Trans-Caspian International Transport Route", <https://middlecorridor.com/en/route>

offers opportunities for cargo traffic to reach the Middle East, North Africa, and the Mediterranean by benefiting from the port connections in Turkey.

On the Caucasus railway side, the *Baku–Tbilisi–Poti/Batumi* main line is an electrified, mainly double-tracked line with heavy freight traffic capacity. From Azerbaijan to the Georgian Black Sea ports, the line currently carries mostly hydrocarbon products, but container transport has become much more significant on the return route. A total of 45% of Georgian Railways' traffic volume includes oil products, while 38% has been transit—almost entirely to and from Azerbaijan (*Georgian Railways 2019*).

Kazakhstan is considering a new tanker fleet that will move energy commodities from Aktau port to Baku. Kazakhstan mainly uses this corridor to export petrochemical products, ferrous and non-ferrous metals, liquefied hydrocarbon gas, coal, grain, oilseeds, and other vegetable items to Europe.

The *Baku–Tbilisi–Kars (BTK)* railway line, running from Azerbaijan to Turkey is a more developed railway track. This route has been successfully facilitating Eurasian traffic for several years with its access to destinations in southern Europe. The *BTK* railway line has an annual capacity of one million passengers and 6.5 million tons of cargo, which is expected to increase to three million passengers and 17 million tons of cargo by 2034.

To increase their competitiveness, the railway administrations of Azerbaijan, Georgia and Kazakhstan are considering uniting their railway lines to create a joint venture within the framework of the *Middle Corridor*. There are also plans to link the *Middle Corridor* with the *International North-South Freight Corridor (INSTC)* through the Caspian Sea ports, thus extending freight delivery to Iran, the Arab countries along the Persian Gulf, East Africa, and India.

What are the challenges?

The *Middle Corridor's* capacity to replace the *Northern Corridor* for China-EU land-based commercial connections remains limited. Its main challenges are the multi-modality at the Caspian crossing where the freight requires vessels to pass through the Caspian Sea between *Aktau/Kuryk* in Kazakhstan, *Turkmenbashi* in Turkmenistan, and *Baku/Alyat* in Azerbaijan; a limited capacity to handle cargo; and scarce infrastructure.

The multi-modal nature makes it unattractive for cargo handlers. Containers require loading/unloading to ships at ports in Kazakhstan and Turkmenistan as



well as the railroad in Azerbaijan. The infrastructure requires upgrades at more than one point. Outdated railway infrastructure hampers the otherwise popular route from Georgia to Constanta, Romania via the Black Sea. There are also many procedural and technical problems that need to be addressed if the *Middle Corridor* is envisioned to replace the *Northern Corridor* as a primary trade route.

Conclusion

Despite the *Middle Corridor's* limited capacity compared to the *Northern Corridor* for China-EU land-based commercial connections, recent developments suggest that the corridor has significant potential to attract more cargo and reduce supply chain disruptions in short and medium terms.

It remains an important regional initiative which requires overcoming significant challenges before it can become a viable alternate China-EU route. Moreover, if the *Middle Corridor* is used effectively, important economic opportunities will arise for the Central Asian and Caucasus countries to benefit from the trade between China and Europe.

In our opinion, the *Northern Corridor* will likely lose its importance considering sanctions against the Russian Federation. Meanwhile, the *Middle Corridor* is increasing its importance. Key challenges and bottlenecks of the *Middle Corridor* include the inter-modality at the Caspian crossing; a limited capacity to absorb all cargo; and scarce infrastructure.

But if the *Middle Corridor* is developed and used effectively, important economic opportunities will arise for the Central Asian and South Caucasus countries to benefit from trade between China and Europe.

Indeed, developing transportation corridors and reducing trade costs are necessary to develop foreign trade for Central Asian countries. This is also one of the visions of the *Central Asia Regional Economic Cooperation (CAREC)* program, which aims to pave the way for seamless connectivity through transport corridors, speeding up passage and reducing the costs of crossing borders through collaboration between member countries.

NEW OPPORTUNITIES TO DIVERSIFY TRADE AND SUPPLY CHAINS

by Ambassador Kestutis Jankauskas
European Union Ambassador to Kazakhstan

More than 70 years ago, one of the founders of the European Union, Robert Schuman, said: *"World peace cannot be preserved without creative efforts proportionate to the magnitude of the threat"*.

Today, in times of geopolitical turmoil, we need proportionate creative efforts, and we need to build alternatives. We will only have the freedom to choose when we have alternatives. We need to invest in them immediately. One important area today is alternatives of connectivity as part of logistics.

European Union economic and financial sanctions are aimed against Russia and Belarus, the two aggressor states. EU sanctions do not target Kazakhstan, whose efforts on the part of the Government to comply with the sanctions and not to allow their circumvention are appreciated. We hope for these efforts to continue. The European Union stands ready to address your concerns, to provide consultations, and to answer your questions.

We already responded and supported Kazakhstan regarding the banking sector, trade, and most recently exempted the transit of crude oil. Unfortunately, we noted that one of the loading docks at Novorossiysk CPC terminal was closed again, hopefully for not too long.

The European Union also very much welcomes the Government's effort to expand alternative routes for exporting your products. Kazakhstan's producers increasingly speak out about the need for new export routes. This is important for all the countries of Central Asia, and I very much welcome the commitment to cooperation that you and your colleagues from the other Central Asian countries demonstrated on the 16th of June in Almaty during the second *SDG (Sustainable Development Goals) Summit*.

The EU is committed to promoting smart and sustainable connectivity in Central Asia. We look forward to seeing Kazakhstan's ministers later this year at the *EU-Central Asia Connectivity Conference* that will be in line with the recently launched *EU Global Gateway Strategy*. This alternative route – the *Middle Corridor* – is important for you and for us.

The diversification of trade routes has been on the table for quite some time, but the war in Ukraine increased the urgency for finding alternative trade routes between Europe and Asia that do not go through Russia but go through Central Asia instead. We have seen Kazakhstan take a leading role in this respect

not only by promoting use of the *Middle Corridor* but also with Kazakhstan's recent announcement about creating the joint venture with Georgia, Azerbaijan and Turkey to develop the *Trans-Caspian Transport Route*. We support Kazakhstan's effort to involve European companies and to cooperate closely with partner countries in the South Caucasus and with Turkey.

The Kazakhstan Embassy in Brussels organized an excellent event in June on *"Transit and Transport Cooperation between Kazakhstan and the European Union: Prospects for the Development of the Middle Corridor"*. The EU is financing an ongoing study on sustainable transport connections with Central Asia, implemented by the *European Bank for Reconstruction and Development (EBRD)*. This study has the potential to bring transparency and prioritisation in transport infrastructure planning and development in Central Asia, and to open up opportunities for interested International Financial Institutions and the private sector to invest in regional projects that fulfil strict sustainability requirements. Most importantly, the study should assist in fast-tracking increased use of the *Middle Corridor* linking Europe to Asia through Kazakhstan.

Speaking of digital connectivity, the EU hopes that Kazakhstan might emulate our future rulebook including the *Digital Services Act* and the *Digital Markets Act*. We welcome Kazakhstan's plans to lay an optical cable across the Caspian Sea and to examine EU best practices on *e-signature*, which would facilitate *e-commerce* in the region.

On aviation, with a view to boosting air connectivity between the European Union and Kazakhstan, we welcome your eagerness to implement EU safety and security standards and appreciate your readiness to restart the negotiations on a *Horizontal Aviation Agreement* with the EU. Following the meeting between Kazakhstan's *Civil Aviation Committee* and the *European Commission (DG MOVE)* at the end of April, we look forward to productive negotiations aimed at reaching an agreement as soon as possible.

The EU Ambassadors look forward to discussing cooperation on *Critical Raw Materials* during the next EU-Kazakhstan high-level *Business Platform* meeting, hopefully very soon. These materials are vital ingredients for the green connectivity of the future.

The European Union cooperation with Kazakhstan is young and ambitious, and we are building the future together. The EU needs partners like Kazakhstan to join forces combating a variety of global challenges, first and foremost – restoring the peace. Every crisis is also an opportunity, and today we have an opportunity to build better alternatives for the future.

IMPACT OF LOGISTICS CONSTRAINTS ON KAZAKHSTAN'S MANUFACTURING INDUSTRY

by Biju Nair
Chief Executive Officer
Arcelor Mittal Temirtau

Introduction to Logistics Solutions in Kazakhstan

Kazakhstan's economy is driven by its natural resources, which have helped the country to grow into an important player in the region. The success of this country and its investments are strongly dependent on the market demand for its product and Kazakhstan's ability to access these market demands from the logistics standpoint. Today Kazakhstan's economy is reliant on the logistics infrastructure that was developed during the Soviet era with a few exceptions in the west and east of Kazakhstan.

If a SWOT analysis is done, natural resources will be Kazakhstan's strength while its logistics infrastructure will top the list of weaknesses. Though producers in Kazakhstan could transport all its goods to defined markets in the last two decades, the flexibility to reach alternate markets is limited. This weakness was exposed in the recent geopolitical crisis when Kazakh companies not only lost their markets with a smooth logistics infrastructure in Russia, but also lost the opportunity to transit through the Russian ports (Vladivostok and Novosibirsk) and through the Russian railways to reach Europe.

Products sold in large volume, such as iron ore, coal and steel, suffered major setbacks due to these logistical constraints. While most companies found alternate markets with demand for their products, the time and cost of logistics, together with ensuring the quality of products while transporting proved to be a nightmare.

Alternate Logistics Without Russia

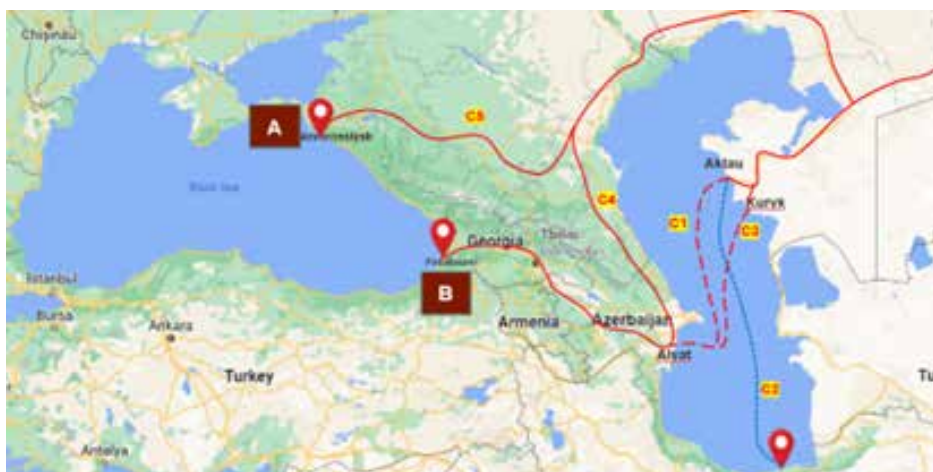
During the peak of the COVID-19 pandemic in 2020, many Kazakhstan producers of coal, iron ore, and steel sustained their operations through exports to China, though their profitability suffered. The infrastructure worked well during that period and provided sufficient opportunity for Kazakh producers to sustain their operations.

However, the situation dramatically changed after the pandemic hit China, causing significant logistical disruptions. Both the Alazhankol and Dostyk rail corridors leading to China became the major bottleneck. The biggest challenge is the change in the railway gauge at the border and the lack of infrastructure required to shift the goods or rail racks inside the Chinese border. Lack of resources is hindering the flow of material to the Chinese side.

Speaking from direct experience, even 30% of the demands could not be fulfilled in the 2nd quarter of this year when the Chinese market was critical to sustain Arcelor Mittal's operations.

The spillover of economic sanctions from Russia is impacting the steel and raw materials industry in multiple ways:

- Transit of goods through Russian ports is no longer acceptable to most export customers
- Loss of the Russian market has reduced demand and forced industry to explore new markets requiring new logistic options
- Sanctioned Russian producers seeking new avenues for their products are flooding local markets



A. Ports in Russia are not preferred by customers due to sanctions risk

B. Georgian ports (Poti/Batumi) are the next best alternative, but they currently can only handle small volumes and require multi-model cargo handling

Altogether it presents a very serious challenge for Kazakh producers. There is an immediate need for operators to look for new markets with higher margins that can compensate for higher logistics costs.

Option to Evacuate Product via the Middle Corridor By-Passing Russia

The **Middle Corridor (Aktau – Azerbaijan – Georgian Black Seaport)** is the best option for any manufacturer in Kazakhstan to reach Europe, Turkey, and the Middle East without a Russian port. There are seven stakeholders that need to be engaged here: 1) *Kazakhstan Railways*, 2) *Kuryk Port or Aktau Port*, 3) *AVSCO Ferry in Caspian or Cargo vessels from Aktau*, 4) *Aliyat Port*, 5) *Azerbaijan Railways*, 6) *Georgian Railways*, and 7) *Port of Batumi and Poti in Georgia* followed by preparation of vessels in the Black Sea to reach the final destinations.

It is important to note here that Batumi is a port under operations control of *KazMunaiGas* and its objective is to develop options for Kazakhstan customers. The coordination between all these stakeholders is difficult and the main reason for high cost and time. Current FOB cost via new ports is unviable. It is likely the highest in the world!

Moreover, delivery time increases from 3-7 days to a customer in Russia, to a total of 40 to 55 days when transiting via these ports. Lack of clear information on wagon dislocation also leads to poor estimation of arrival times. In a volatile market, it's important to deliver on time and fulfil contractual obligations, but the new ports make it challenging to do so.

New ports are also unable to handle increased traffic. They lack the infrastructure and skills to handle steel cargo. There are big issues related to storage, water ingress, and damage to coils during handling at ports in Georgia. Our experience showed that many goods were damaged leading to losses of millions of USD.

Key Experience and Difficulties Faced via the Middle Corridor after 3 Months

1. Multimodal route: Consist of multiple parties: KZ Rlys, Ferry from Kuryk port (KZ) to Alyat port (Az), AZ Rlys, GR Rlys and Ports of Poti\Batumi:

- **KZ Rlys:** the movement of wagons to Kuryk port is not always smooth due to the abandoning of wagons
- **Kuryk port:** Maximum monthly volume reached in Q2 '22

- **Kuryk-Alyat Ferries:** Ferry transportation is monopolized by AZ ferry company (ASCO), where qty on the route is regulated by them and based on return load from Az side. Currently, there are 8-12 ferries, which is not enough for all cargo flow from KZ

- **AZ and Geo Rlys:** The infrastructure is not adequate to meet demand and delivery time

- **Poti & Batumi Ports,** Limited experience in metals and minerals and are mainly occupied by fertilizers and other bulk cargo

2. Delivery time: Due to regular congestion at the different parties involved, delivery time is significantly higher than calculated. Export orders' *Letter of Credits (LC)* were not met due to increased delivery time. Final delivery to customers depends on logistics beyond Kazakhstan borders and delays at Georgian ports.

Route and Best-case scenarios for transport	Days
Karaganda - Poti\Batumi	29
Incl:	
KZ Rly to Kuryk port	16
Ferry (Kuryk-Alyat)	2
Rlys Azerbaijan (Alyat-Gardabani)	4
Rlys Georgia (Gardabani – Poti\Batumi)	5
Karaganda – Afghanistan (Serhetabad)	18
Karaganda – Afghanistan (Galaba)	8
AMT – China (Dostyk\Alashankou) Border transit is indefinite and depends on Chinese railways	12-15

3. Cost of transport: The cost of port handling in *Poti* and *Batumi* is significantly higher than in main CIS and KZ ports. The cost of transit by ferry, *Az&Geo Rlys* is 35-40% of the total cost, however, the distance is much shorter than in KZ. Overall freight on the CFR basis is significantly higher than Russian ports.

4. Transport volume: The throughput was overestimated by all parties by about 30-50%. Condition and shortage of proper cranes and facilities to handle steel coils (cranes are limited with 20-21 tons capacity and are unable to load two vessels in parallel)

5. Turnaround time: Return of AMT platforms and half wagons takes more time leading to overall turnaround time

6. Cargo damage: Increased cargo damage by rain and handling

An Alternate Option is Transit to the Pacific Coast through China to Lianyungang Port

This port is also owned partly by the Kazakhstan government, which is a good strategic decision in principle, but it lacks an integrated solution to be effective. Some of the associated challenges are:

- *Frequent delays* at the Chinese border due to changing rail gauges (unloading and reloading)
- *No firm commitment* of transport schedules
- *Container options* by *Khorgos* – not a feasible option for bulk raw material and products like steel due to the high % of logistics cost vs margins
- *Logistics inside China* (*Dostyk* – *LYG* 4500 km in 7 days) is smooth and seamless and is a classic example of coordination and infrastructure development.

Key Difficulties on Routes to China

Multimodal routes consist of multiple parties: **KZ Riys** – reloading to Chinese wagons at **Alashankou border** – transit to **LYG**:

1. **KZ Riys:** planning confirmation of KTZ via Dostyk is unpredictable and not more than certain volume with regular bans for AMT steel due to congestion
2. **Dostyk - Alashankou:** waiting time at **Dostyk-Alashankou** is about 10-12 days to reload and wait for Chinese wagons and frames
3. **China Riys and LYG port:** once wagons are reloaded to Chinese wagons, the movement inside China is smooth
4. **Khorgos:** The ports are unprepared for steel handling in containers and the calculated overall cost is likely 2 times higher than the **Dostyk** route

Recommendation

1. **Strong coordination from the Kazakhstan government on logistics management**, Single window for Kazakhstan companies to ensure reliable deliveries across the world
2. **Global logistics management for the Middle Corridor with all stakeholders on one common platform.** This will help to identify the bottlenecks and removal
3. **Government-level engagement with Chinese railways** to ensure guaranteed volume
 - *Investing in facilities at **Dostyk** and **Alashankou** – to ease the gauge transfer*
 - *Extend the Chinese railway gauge within Kazakhstan (by a few kilometers) and facilitate the transfer in Kazakhstan itself*
 - *Reduce all handling of cargo in Kazakhstan*
4. **Improve containerization projects** to support products for China to avoid delays - cost and facilities optimization
5. **Optimization of logistics planning** to ensure smooth movement of cargo – a reduction from 25 days to 10 days
6. **Optimization of cost on the Middle Corridor.** Compared to Russian ports, Georgian ports today cost 2.5 times more.



THE IMPACT OF SANCTIONS SPILLOVER AND TRADE RESTRICTIONS ON CONSUMER-ORIENTED BUSINESSES

by **Juan Carlos Escobar**
Managing Director
Philip Morris International

It is well-known within the business community that business supply chains are fundamentally interconnected between Russia and Kazakhstan. For many years, international companies have effectively managed both businesses, in Russia and Kazakhstan, in an integrated manner when it comes to supply of products and inputs. For consumer goods companies, it means that there are many products coming from Russia that are important for the population and for tax revenues. This is the case for Philip Morris which exports products to Russia.

Due to the sanctions, as well as the reluctance of some suppliers to work with Russia even for unsanctioned products, Russian factories are facing problems. Not just international companies, but many Kazakhstani companies purchased raw materials and components from the West through distributors in Russia. This is now being disrupted.

Furthermore, Russia introduced a ban on exports of many categories of products. Although there is a cumbersome process to receive a permit that still allows the export of those categories to Kazakhstan, I personally know cases in which these permits have been denied.

The combination of all of this may lead to shortages in Kazakhstan and will definitively add to inflation and potentially to social discontent. I have discussed this with other consumer goods business leaders and these are not isolated problems. You are no doubt aware of shortages of quality sugar, limits through quotas, shortages of packaging materials, dependence on Russian factories for finished goods, and other obstacles.

Although supply chains can adapt and seek alternative non-Russian sources or localization of some inputs, this takes time and money. The result is that costs for companies are multiplying since many of those inputs may now need to be sourced from countries without trade agreements with Kazakhstan, resulting in import duties while globally the cost of logistics has skyrocketed following the Covid-19 pandemic.

Moreover, financing costs are increasing, and working capital costs have also significantly increased, given the necessity to build buffer stocks due to supply uncertainties. Adding to the disruption of export-import activities of products and inputs have been the



wild exchange rate fluctuations of the last 3 months (rate fluctuation of 22% on USD/KZT and 62% on RUB/KZT) which thankfully now is more stable.

This general context of uncertainty and disruption is in addition to the geopolitical uncertainty. This may logically result in the deceleration of business expansion initiatives and investments, not only due to supply chain problems and potential financing issues, but also because investors will embed a higher risk premium to evaluate investments. It should not be assumed that multinationals will simply relocate all their business operations and manufacturing from Russia to Kazakhstan.

What does this all mean? It is now more important than ever for investors and the Government to be closely aligned and in constant communication, as I am aware that the Government and the Prime Minister have been doing since the war in Ukraine started. In my opinion, it is essential for the Government to do everything in its power to now lend its support to businesses and investors.

In order to make Kazakhstan more resilient to external shocks, businesses need support in the short and medium term in the areas of alternative supply and trade route infrastructure and quality transportation. In addition, expanding the availability and access of low interest credit financing, more flexible quotas for some raw materials, and support in the discussions with the Russian government on easing some trade restrictions within the Eurasian Union are also necessary.

Finally and very critically, any new tax policy or regulatory measures currently under discussion should be gradual and commensurate to avoid further business disruption, to avoid exacerbating the huge problem of inflation, and to avoid damage to economic activity.

UNICEF PROTECTS AND SUPPORTS CHILDREN FLEEING THE WAR IN UKRAINE

by Arthur van Diesen
Representative in Kazakhstan
UN Children's Fund (UNICEF)

Five months of war in Ukraine have brought devastating consequences for children at a scale and speed not seen since World War II. Three million children inside Ukraine and over 2.2 million children in refugee-hosting countries are now in need of humanitarian assistance. Almost two out of every three children have been displaced by fighting.



For nearly two weeks, Tetiana and her family lived without access to water, food and medicines in Mariupol in eastern Ukraine. In eastern Ukraine, families suffer amid continuous shelling without access to basic necessities.

Based on reports verified by OHCHR, on average more than two children are killed and more than four injured each day in Ukraine – mostly in attacks using explosive weapons in populated areas. Civilian infrastructure on which children depend continues to be damaged or destroyed; this so far includes at least 256 health facilities and one in 6 UNICEF-supported 'Safe Schools' in the country's east. Hundreds of schools across the country have also been damaged. Conditions for children in eastern and southern Ukraine where fighting has intensified are increasingly desperate.

UNICEF is also warning that the war has caused an acute child protection crisis. Children fleeing violence are at significant risk of family separation, violence, abuse, and trafficking. Most have been exposed to deeply traumatic events. These children urgently need safety, stability, child protection services, and psychosocial support – especially those who are unaccompanied or have been separated from their families. More than anything, they need peace.

At the same time, the war and mass displacement are devastating livelihoods and economic opportunities, leaving many families without sufficient income to meet basic needs and unable to provide adequate support for their children.

UNICEF and its partners are on the ground in Ukraine and neighboring countries, working to provide children and their families with humanitarian assistance, including child protection, water and sanitation, health, nutrition and education services.

In Ukraine, UNICEF and partners have distributed life-saving health and medical supplies for nearly 2.1 million people in war-affected areas; enabled access to safe water for over 2.1 million people living in areas where networks have been damaged or destroyed; reached over 610,000 children and caregivers with mental health and psychosocial support; and provided learning supplies to nearly 290,000 children. Almost 300,000 vulnerable families have registered for a UNICEF- Ministry of Social Policy humanitarian cash assistance program.

18-month-old Sashko plays at UNICEF's "Spilno" Child Spot in Ternopil. Here, doctors vaccinate against COVID-19 and advise parents on routine childhood immunizations.

In refugee-hosting countries, UNICEF supports national, municipal and local systems that deliver essential services and protection, particularly for the most vulnerable children. Twenty-five UNICEF-UNHCR Blue Dots – one-stop safe havens that provide support and services for families on the move, have been established along major transit routes.

Thanks to the generosity of UNICEF supporters, children and families affected by the war in Ukraine have received critical support in complex and challenging times. But more support is needed, right now and in the months ahead.

This year, in partnership with government and civil society, UNICEF plans to reach at least 6.7 million people, including 2.8 million children, with a holistic, rights-based humanitarian response – with system support, service provision and supplies for health care, protection, education, clean water, sanitation and hygiene, nutrition, information and more.

You can join by making a contribution now through the QR-code. Your donation will make a difference.



UNHCR 'BLUE DOTS' - MAKING A DIFFERENCE FOR REFUGEES FLEEING UKRAINE

by Hans Friedrich Schodder
Representative for Central Asia
UN High Commissioner for Refugees (UNHCR)

Inflatable toys, interactive games, colorful pens and markers clutter the child-friendly space in the 'Blue Dot' hub in Warsaw, Poland – a painfully stark contrast to the rubble of the children's homes destroyed by explosive weapons back in Ukraine.

Within just five months of the war, over six million refugees from Ukraine have been recorded across Europe. Together with humanitarian, government and private sector partners, *UNHCR*, the *UN Refugee Agency*, and *UNICEF* have set up 36 'Blue Dots' to provide key protection and social services to vulnerable groups.

Safe space hubs for social services and protection

With 90% of refugees from Ukraine being women and children, the risks of gender-based violence, sexual exploitation and abuse, psychological trauma and family separation are multiplied.

Spread across Bulgaria, Hungary, Italy, Moldova, Poland, Romania and Slovakia, 'Blue Dots' are safe space hubs where Ukrainian refugees who require extra care—including women and girls, unaccompanied children, minorities, older persons and people with disabilities – can access professional specialized services, including legal aid and counselling, and mental health and psycho-social support.

Blue Dot hubs have private rooms for mental health and legal aid consultations, and family friendly spaces where children and young refugees can rest and play, and parents can nurse or feed their babies. Other services may include hot meals and drinks, sleep areas, medical first-aid, and Wi-Fi and charging stations.

Blue Dots also serve the critical function of sharing reliable and updated information with new arrivals, including on services, documentation and family reunification. The information is provided in accessible and child-friendly formats, different languages, and in digital and offline formats.

In Poland alone, as of 25 July, over 25,000 people have been counselled through *Blue Dots*, with the largest number of queries relating to health and medical services, transport, child protection services, and mental health and psychosocial support.



Supporting government responses

The *Blue Dots* concept reinforces government efforts, building on national protection systems and linking to local referral pathways and services. Established in close coordination with national governments and local municipalities, *Blue Dots* are strategically set up along major crossing points and transit routes, including train stations and cash assistance enrollment centers, as well as in urban areas.

Comprehensive refugee emergency response

As the United Nations agency mandated to protect and serve people forced to flee, UNHCR is leading the *Regional Refugee Response Plan* to the Ukraine emergency, which includes protection – such as that provided through the *Blue Dots* – as well as health, education, water, sanitation and hygiene, logistics and cash assistance. The response plan brings together 142 partners across Hungary, Moldova, Poland, Romania and Slovakia, along with other countries in the region - Belarus, Bulgaria, the Czech Republic.

As of 27 July, UNHCR has reached more than 1.6 million people with assistance, including essential food and non-food items, like hygiene kits, winter clothes and shelter materials. UNHCR has also provided nearly half a million people with cash assistance to allow families to prioritize their own needs and regain a sense of normalcy in their lives. UNHCR is an entirely voluntarily funded organization. With the support of partners and contribution of donors, UNHCR aims to reach 4.3 million people.

In Kazakhstan, UNHCR is closely monitoring the evolving impact of the war, including applications for asylum by refugees from Ukraine. Through UNHCR email and phone 'hotlines' – maintained across Kazakhstan and neighboring countries for anyone in need of information or consultation on refugee and asylum issues – UNHCR and its partners are responding to enquiries about asylum procedures.

While the immediate future for Ukrainian refugees, and for their country, remains uncertain, through initiatives like the *Blue Dot* hubs, children and their families will be supported and protected.

AMCHAM U.S. INDEPENDENCE DAY CELEBRATION AT THE INTERCONTINENTAL ALMATY HOTEL- 3 JULY 2022

On a warm and beautiful Sunday evening, 3 July, AmCham celebrated U.S. Independence Day in its traditional fashion – just like Independence Day is celebrated across the United States with music, balloons, a barbecue, lottery, children's games, clowns, acrobats, hula-hoops (does anyone remember hula-hoops?), children's facepainting, and the final touch that everyone had been waiting for: a huge fireworks display (*salyut*) that lit up the nighttime sky. The InterContinental Hotel also presented its traditional gift to AmCham – a giant American flag cake large enough for everyone, children and adults alike.

More than 350 guests attended (100 of them children) demonstrating their enthusiasm for a summer holiday that had been awaited throughout the pandemic and could now be celebrated again on this joyous occasion. A warm Welcome was delivered by US General Consulate Press Officer Anand Krishna. A Lottery followed with winning tickets picked by children under

the watchful eye of Senior Commercial Officer Donald Townsend. Prizes included airline tickets to holiday destinations – *Air Astana* roundtrip tickets to London, *Qatar Airways* tickets to a European destination, and *Turkish Airlines* tickets to any destination in Turkey. Additional prizes included hotel dinners, brunches, spa days, and bottles of local Kazakhstani cider developed and marketed under the Apple City label by AmCham member Alex Thomas.

Live music was provided throughout the evening by the *Jazz Session Group* that performs at many AmCham events.

Independence Day had many generous sponsors eager to resume this pre-pandemic celebration for families, friends, and colleagues. We thank our sponsors who supported this wonderful event that launched a very welcome summer for AmCham members and the community in which we all live, always ready to celebrate a lively occasion.



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TENGIZCHEVROIL SPONSORS ATYRAU SUNDOWNER AT THE RENAISSANCE ATYRAU HOTEL ON FRIDAY, 24 JUNE

AmCham returned to the Caspian region with an Atyrau Sundowner sponsored by Tengizchevroil (TCO) on Friday evening, June 24, at the Renaissance Atyrau Hotel, a perennial favorite of the Caspian community for both AmCham members and guests. The turnout was large, as always filling the Hotel Ballroom.

The Renaissance new General Manager Wolfgang Koller warmly welcomed AmCham and the TCO guests headed by *TCO General Director Kevin Lyon*. The Renaissance Chef, an outstanding chef unchanged at the Hotel for years, prepared a sumptuous buffet dinner with drinks provided by Metro, Efes, and Coca-Cola.

Tengizchevroil, whose work on the giant Tengiz oilfield for a consortium of oil industry leaders headed by Chevron, was formed in 1993 and is the anchor of the Atyrau oilfield services community. TCO General Directors have served on the AmCham Board of Directors for many years. TCO has always been the first company to volunteer sponsorship for AmCham Sundowners and has always supported AmCham in every way.

TCO has won more awards for excellence than any other AmCham member – 3 *Executive of the Year Awards* (*Todd Levy, Tim Miller, Ted Etchison*),



Excellence in Innovation, Environmental Award, Innovative Training, Community Service, Women's Leadership, and the AmCham Service Award.

Kevin Lyon, the new TCO General Director, delivered a warm welcome to all the guests and introduced a video about TCO and its *Future Growth Project-Welhead Pressure Management Project (FGP-WPMP)*, two integrated projects that will increase Tengiz crude oil production capacity by 12 million tonnes per year (260,000 barrels per day). He then remained at the Sundowner chatting with the guests throughout the evening, a generous contribution of his time to meet the community that serves and supplies TCO year-round.

AmCham will return to the Caspian oil community in September when its next Sundowner will be held in Aktau at the Renaissance Aktau Hotel.



CITIBANK SPONSORS NUR-SULTAN SUNDOWNER AT THE MARRIOTT HOTEL – FRIDAY, 3 MAY 2022

AmCham continued its popular Friday evening Sundowners, begun last month in Almaty to welcome new Chevron CEO Derek Magness, with the first regional Sundowner in Nur-Sultan on 3 May. The location was the ever-popular Sky Lounge at the top of the Marriott Hotel with its spectacular nighttime panorama of the capital city. Attendance was strong with many Ambassadors and UN agencies among the guests. The Marriott provided a sumptuous buffet dinner and AmCham members – Efes, Metro, and Coca-Cola – contributed wine, beer, and soft drinks.

An official welcome was delivered to the guests by Citibank Chairperson Saule Zhakayeva, a member of the AmCham Board and successor to Andrey Kurilin, the former CEO who departed for Citigroup headquarters in New York last year. Since entering Kazakhstan in 1994, Citigroup has become one of the largest foreign investors in the country. Over the years, Citibank has helped its clients in the local market raise tens of billions of US dollars in debt and equity financing. Citibank Kazakhstan is one of the country's leading banks by volume of client transactions in the public and private sectors.



During the evening, UNICEF Head Artur van Diesen also delivered an overview of the situation for children caught up in the war in Ukraine and showed a short video presentation about the Ukrainian events and their impact on children. He stressed the need for UNICEF support, financial and otherwise, for UNICEF programs to alleviate children's suffering across Ukraine, both children in internally displaced families and children whose families had fled abroad. (Following the evening, UNICEF received generous donations from the AmCham and diplomatic communities to support their programs.)



ADVOCACY UPDATE

APRIL – JULY 2022

The final *AmCham-Prime Minister's Council to Improve the Investment Climate* before the traditional summer break was held on 17 June and devoted to a complex and sensitive topic: *Impact of the Spillover (Secondary) Sanctions on Kazakhstan's Business Operations and Investment Climate*.

Although Kazakhstan has had no role in the war and has not supported the war in any way, the traditionally close trade relations between Kazakhstan and Russia have been affected by the international sanctions, causing difficulties in many areas of business operations – logistics, cross-border transportation, banking, customs, and many other areas. Virtually all AmCham businesses have needed to handle these challenges in order to maintain their operations.

The Government of Kazakhstan has also needed to confront the economic restrictions arising from the spillover effect of the sanctions and Kazakhstan's full compliance with the sanctions. This has added to the weight of the country's preceding economic recovery plan: the post-pandemic economic recovery after two years of lockdowns and other restrictions, this year's economic and political turmoil in early January, and the Government's recent constitutional reform confirmed by the spring Referendum.

These weighty economic challenges – each unexpected – have not yet been successfully resolved. The invasion of Ukraine on February 24 entailing international sanctions for Russia have increased Kazakhstan's economic burden with a spillover effect impacting on Kazakhstan and its business environment. Thus the focus of the June AmCham Investment Council on the secondary sanctions was of equal importance to AmCham members and to the Government. Although both sides have committed to full compliance, solutions have not been easy to immediately identify or adopt.

Most importantly, logistics and transportation routes have created significant obstacles to cross-border trade. The *Middle Corridor* via Aktau, Baku, and Georgian ports, which has existed for some time but has not been fully utilized, is seen as a new route that may prove of particular benefit in the future, but further investment is needed. In addition, constant verification of sanctions compliance places an extra burden on cross-border formalities for the countries that are serving as new routes to international destinations.

Banking has been fraught with initial problems arising from the sharp devaluation of the tenge in mid-March and policy rate hikes that have increased the cost of funding and interest rates. Russian banks operating in Kazakhstan – *Sberbank*, *Alfa Bank*, *VTB* – elevate the risk of secondary sanctions and entail additional compliance and governance measures. Inflation has proven a serious problem across the board, in particular for food products.

Virtually all companies operating in Kazakhstan have encountered major obstacles to their daily operations in one area or another. Due to the sanctions and reluctance of some suppliers to work with Russia even for unsanctioned products, Russia factories are facing problems. Not only international companies, but many Kazakhstani companies purchased raw materials and components through distributors from Russia, but this is now disrupted. In addition, Russia has banned exports of many categories of products.

This may lead to shortages in Kazakhstan entailing inflation, as is already widely seen. Costs for companies are multiplying and globally the cost of logistics has skyrocketed. Exchange rates continue to fluctuate significantly from day to day.

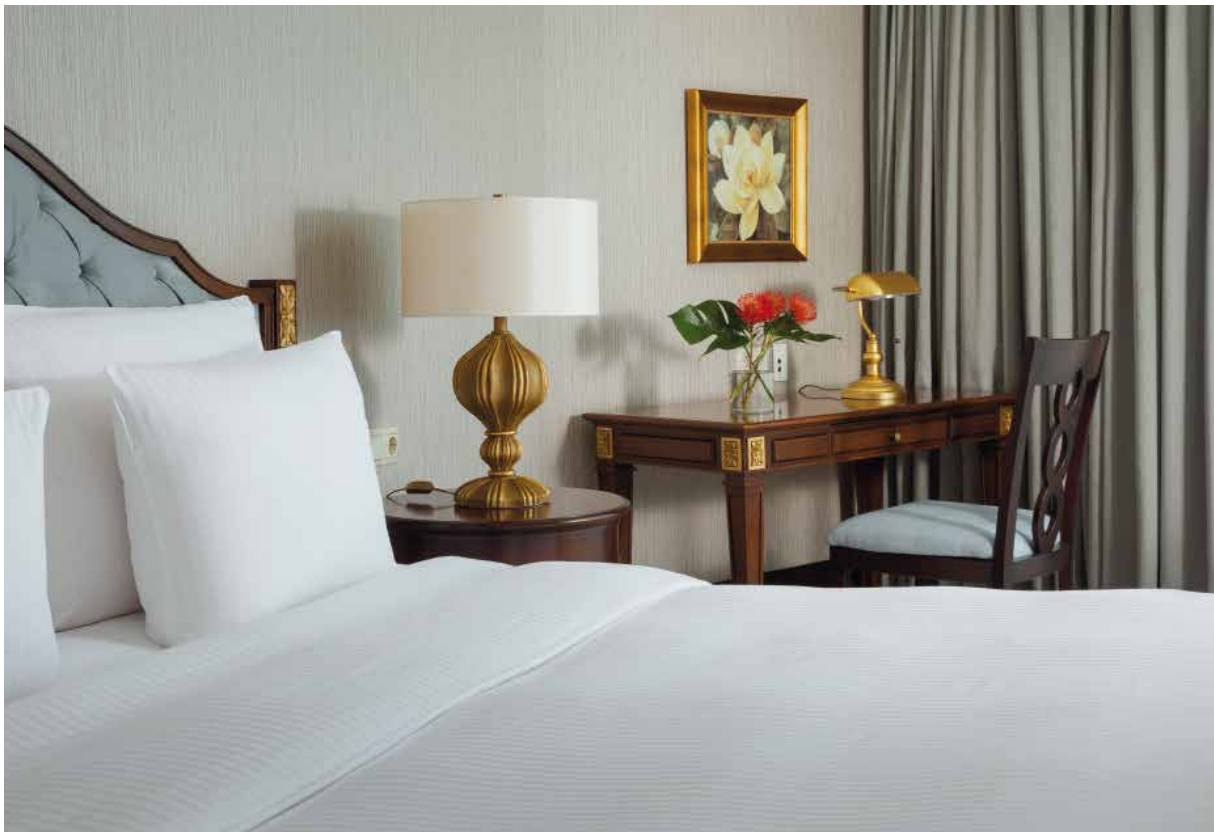
This general context of uncertainty and disruption compounds the geopolitical uncertainty. It is now more important than ever for investors and the Government to be closely aligned, in constant communication, and for the Government to support businesses and investors.

There are potential benefits if the Government provides a supportive environment for investors and does not seek to only create advantages for itself, primarily through tax increases. As a net energy exporter and a major producer of metals and cereals, Kazakhstan could benefit from crisis-induced increases in commodity prices if efficient transportation can take place along new routes. Moreover, the arrival of international businesses and highly educated specialists from Russia, Ukraine, and Belarus relocating to Kazakhstan can be beneficial to Kazakhstan's knowledge-intensive industries.

Kazakhstan may consider taking the lead in pressing for trade liberalization across Central Asia. A regional trade zone with harmonized rules and standards and close coordination of trade policies and practices would not only increase intra-regional trade but also strengthen Central Asia's position with respect to both Europe and China.

AmCham will continue to closely monitor Kazakhstan's economy status and the Government's economic decisions as the geopolitical situation continues to evolve. It is not expected that the war in Ukraine will end soon, and so all the players must identify or create the best solutions for their specific operations. Benefits and drawback must be clearly seen and successfully addressed in an unstable environment.

In the autumn, monthly sessions of the *AmCham-Prime Minister's Council to Improve the Investment Climate* will resume, will continue to evaluate the business environment, and will address new topics focused on Kazakhstan's need for economic, legal, and social reform.



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WORKING GROUPS UPDATE

APRIL – JULY 2022

Almaty Technology/ Innovation Working Group, April 26, 2022

The *Almaty Technology and Innovation Working Group* met on April 26, chaired by Sergey Leschenko, Microsoft Country Manager. The Guest Speaker was Mikhail Erchenkov, Microsoft Senior Industry Executive, Central & Eastern Europe, and the agenda was focused on Oil & Gas Innovations and Cloud Technologies.

The Microsoft Global Mission is ‘to empower every person and every organization on the planet to achieve more’, which it applies to the oil and gas industry’s technological and digital transformation. The company develops specialized IT services for the industry and supports the transition to cloud computing, a necessary condition for moving towards qualitatively new principles of activity — safety, environmental friendliness, and efficiency.

Microsoft targets the following priorities to achieve a sustainable future: *operating for the future, transition to clean operations, re-imagine energy, and transforming the workforce.*

- *Operating for the future* - Enhance energy conservation and efficiency, increase reliability and energy conversion, reduce variability of operations, and increase environmental impact while generating value for stakeholders.
- *Transition to clean operations* - Achieve net-zero commitments through emissions reductions and decarbonization
- *Transform your workforce* - Attract, train, and retain employees for the next-generation workforce
- *Re-imagine energy* - Capitalize on and expand your market positioning, growth opportunities, and new business models

Microsoft has been carbon neutral across the world since 2012 and commits to being carbon negative by 2030. The company’s goal is to promote sustainable development and low-carbon business practices globally through sustainable business practices and cloud-enabled technologies.

Intellectual Property Rights Inter-Ministerial Working Group, May 17, 2022

The *IP (Pharmaceuticals) Inter-Ministerial Working Group* met on May 17 chaired by Adilet Nazarbayev, CIS Cluster Lead, Johnson & Johnson, with Group Advisor Donald Townsend, U.S. Embassy Senior Commercial Officer.



The meeting was held in the AmCham Office Boardroom where discussion centered on determining priorities for 2022. Recent developments in Kazakhstan’s healthcare system were reviewed after which initial priorities for discussion with the *Health Minister, Deputy Minister, and SK Pharmacia* were identified:

- *availability, accessibility and registration of new drugs to speed their approval for usage in the Kazakhstan medical system*
- *data exclusivity issues*

A letter from AmCham and the WG leaders will be sent to the Minister outlining the above priorities with a request to re-launch the Working Group, founded six years ago under Don Townsend’s leadership from the US Embassy in Moscow with the support of the Prime Minister.

Almaty Technology/ Innovation Working Group, May 31, 2022

The Almaty Technology and Innovation Working Group met on May 31 chaired by Sergey Leschenko, Microsoft Country Manager. The invited speakers were Dinara Tanasheva, Partner, EY Tax & Law Services Leader for Kazakhstan and Central Asia, and Nargiz Suleimenova, Senior Associate, EY Tax & Law. The agenda topic was ‘Regulatory Requirements for Cloud Services and Recommendations to Develop Kazakhstan’s Legislation’.

EY Partner Dinara Tanasheva with Senior Associate Nargiz Suleimenova delivered an overview of current regulatory requirements for cloud services. The Group discussed the meeting, in particular issues of

personal data storage, with officials of the Ministry of *Digital Development and Innovation*. Personal document storage must be carried out in Kazakhstan by an organization providing electronic document management services or by the operator himself, the owner of the database containing personal data.

Parallel electronic storage of information containing personal data on servers both inside and outside Kazakhstan is lawful, provided that the information will not differ from the information stored on servers in Kazakhstan. The country's legislation does not create a clear distinction for the form of personal data storage and parallel storage of documents containing personal data on paper in Kazakhstan and electronic copies on servers outside Kazakhstan, although this is allowed provided that the content of personal data is consistent.

The Group members agreed to work together to create recommendations for amendments/ additions to some legislative acts, for instance a draft document on cloud storage.

Intellectual Property Rights Inter-Ministerial Working Group, 28 June 2022

The *IP Rights (Pharmaceuticals) Inter-Ministerial Working Group* met on June 28 chaired by *Adilet Nazarbayev, CIS Cluster Lead, Johnson & Johnson*, with *Group Advisor Donald Townsend, U.S. Embassy Senior Commercial Officer*. The meeting was held at the Ministry of Health, where the Deputy Minister participated in the meeting. The agenda contained two topics for discussion:

- *Difficulties in the lengthy and complex processes of launching advanced and innovative medicines*
- *Infringement of intellectual property rights*

International practice establishes that patents are granted for a period of 20 years from the date of the patent application. The development of a pharmaceutical drug goes through many stages before the manufacturer is allowed to launch it. Innovation is always associated with high costs and manufacturers reinvest profits into innovative therapeutics and vaccines for a wide range of diseases.



WELCOME ADDITIONS TO THE CHAMBER



QATAR AIRWAYS

CORPORATE A

Akbar al Baker
Global CEO
Doha, Qatar

Huda Dawood
Country Manager UAE,
Caucasus, Kazakhstan,
Uzbekistan

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Website: www.qatarairways.com

Qatar Airways is the state-owned flag carrier airline of Qatar. Headquartered in the Qatar Airways Tower in Doha, the airline operates a hub-and-spoke network, flying to over 150 international destinations across Africa, Asia, Europe, the Americas, and Oceania from its base at Hamad International Airport, using a fleet of more than 200 aircraft flying to over 173 destinations. Qatar Airways Group employs more than 43,000 people. The carrier has been a member of the *Oneworld* alliance since October 2013.

Since its founding in 1997, Qatar Airways has earned numerous awards and has been included in the circle of elite global airlines that have received a five-star rating according to Skytrax. Qatar Airways became the 'Best Airline in the World' according to Skytrax in 2011, 2012, 2015, 2017, 2019 and 2021. In addition to First Class and Business Class, Qatar Airways offers Economy Class and was named 'Best in the World' in the 2009 and 2010 Skytrax Awards. It also operates a corporate jet service.



VALMONT INDUSTRIES

CORPORATE A

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Global President and CEO

Kevin Meusch
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Website: www.valmont.com

Valmont Industries is an agricultural company founded in 1946 in Omaha, Nebraska, where its corporate office and main plant continue to be based today. It is a large, publicly held manufacturer of irrigation equipment, windmill support structures, lighting and traffic poles and steel utility poles. Valmont's worldwide locations include Europe, China and India with an office and operations in Kazakhstan.

Valmont is a publicly traded company on the New York Stock Exchange (NYSE) under the symbol VMI. It is a component of the S&P 400 and employs 9,800 staff.

In April 2010, the Valmont charitable foundation committed \$50 million to the University of Nebraska to establish the *Global Water for Food Institute*. The Institute's multi-campus center for research, education and policy analysis facilitates solutions to the challenges of hunger, poverty, farm productivity and water management.



GSA GROUP

CORPORATE C

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GSA Group was founded in 2004 as a Kazakhstan-based renewable energy project developer and an EPC contractor. The company specializes in renewable and green energy (solar, wind, hydro, hydrogen), power generation and transmission. It performs development projects, turn-key solutions and construction, EPC, B2B, and provides expertise.

Since 2014 the GSA Group participated in over 18 projects totaling 500MW+ installed capacity. It currently operates as a reliable partner in renewable energy projects in Kazakhstan, Uzbekistan, Poland, Kyrgyzstan and Equatorial Guinea.

GSA partners and clients include Siemens, Huawei, BI Group, ACWA Power, LONGi Solar, Jinko Solar, CGGC, Power China, Dong Fang Electric, and Tekum Puk. It is a member of AREK (*Kazakhstan Renewable Energy Association*) and the *ULE Association (RES of Kyrgyzstan)*, and it has overseas offices in Poland, Uzbekistan, Ukraine, Kyrgyzstan, and Africa.





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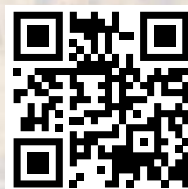


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AMCHAM WORKING GROUPS

Working Groups made up of representatives from Amcham member companies provide comment, discussion and submission of positions and represent the united interests of the business community in Kazakhstan by identifying challenges faced by investors and proactively addressing them. Each group meets regularly, providing a forum for networking and the exchange of information. Groups are formed on an as-needed basis at the request of the AmCham membership.

GOVERNANCE

The AmCham is governed by a Board of Directors elected annually from and by the membership. Directors currently and in the past have included individuals from the following company members:

AES	Halliburton
AIG Insurance	Honeywell
Baker & McKenzie	HSBC
BASF Central Asia	Hyatt Hotel
Beeline	Intercontinental Hotel
BG Group	KIMEP
Bracewell and Giuliani	KPMG
Chevron	LeBoeuf, Lamb, Greene
Citibank	Nestle
Conoco Phillips	Philip Morris Kazakhstan
Coca-Cola	Philips Kazakhstan
Dechert	PricewaterhouseCoopers
Deloitte	Procter & Gamble
EBRD	Raytheon
Ernst & Young	Tengizchevroil
GE International	Visor Capital
	White & Case

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MEMBERSHIP CATEGORIES AND ANNUAL FEES

Corporate A	(Worldwide revenues in excess of 100 million USD)	\$5,000 USD
Corporate B	(Worldwide revenues between 2-100 million USD)	\$3,800 USD
Corporate C	(Worldwide revenues not exceeding 2 million USD)	\$2,700 USD
Non-Profit		\$1,500 USD
Individual**		\$500 USD

***Individual memberships are available only under special circumstances for persons not associated with a company.*

Corporate membership entitles a company to delegate 3 individuals as AmCham voting members. The number of persons from each company participating in working groups, forums, and business roundtables is usually not limited.

All applications for membership must be approved by the Board of Directors of the American Chamber of Commerce in Kazakhstan. For further information about membership benefits, the application process, or Investors' Voice magazine, please contact: info@amcham.kz



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