

# U.S. Country Commercial Guides



Kazakhstan

2020

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## **Doing Business in Kazakhstan**

### **Market Overview**

Kazakhstan is the second-largest republic of the former Soviet Union, after Russia, and the ninth-largest country in the world in territory. The country has an abundance of natural resources - including oil, gas, coal, uranium and other mineral deposits - and has exploited these resources to build Central Asia's leading economy. Kazakhstan is also emerging as a major transport and logistics hub in the region, linking the large and fast-growing markets of China and South Asia to those of Russia and Western Europe by road, rail and a port on the Caspian Sea. Kazakhstan presents a trade gateway to a market of about 150 million consumers in Caspian Sea countries, 50 million in Central Asia and 300 million in Western China. In addition, Kazakhstan boasts significant agricultural potential for both grain and livestock production and U.S. companies are well positioned to help Kazakhstan diversify across this segment of the economy. With a growing middle class, Kazakhstan provides trade and investment prospects for U.S. firms seeking new opportunities in this growing, emerging market.

Since gaining independence in 1991, Kazakhstan has steadily worked to improve its business and investment climate. The government of Kazakhstan realizes the need to implement transformative economic reforms to boost productivity and growth. Implementation of reforms has been uneven, however, and challenges remain in addressing problems related to the country's competitiveness and economic diversification, its over-reliance on the extractive sector, continued corruption, inefficient bureaucracy, criminal liability for unintended tax infractions and arbitrary law enforcement, especially at the regional and municipal levels.

In 2019, the World Bank had put its forecast for Kazakhstan's economy to grow by 3.7% in 2020. This would be down from the slightly over 4% Kazakhstan logged in 2019. The COVID-19 pandemic, however, has given Kazakhstan the biggest shock to its economy in almost two decades and is already having a highly negative impact on growth. Kazakhstan's failure to diversify its economy away from the oil & gas industry means the road to economic recovery will largely depend on a recovery in the price of oil. Nevertheless, Kazakhstan's fast-growing agriculture sector and potential as a key transit hub in the region will help as the country works to regain its economic footing.

### ***Key Economic Indicators and Trade Statistics***

Kazakhstan has an export-oriented economy, highly dependent on shipments of oil and related products (73% of total exports). In addition to oil, its main export commodities include ferrous metals, copper, aluminum, zinc and uranium. It counts Italy, China, Netherlands, Russia and France as its main export destinations. Others include Switzerland, Ukraine and Canada. The United States account for 1.6% of Kazakh exports.

In 2019, total U.S.–Kazakhstan goods trade was USD 1.9 billion, with the United States holding a negative trade balance of USD 471 million. The main imports from Kazakhstan in 2019 were mineral fuel, oil (63%), iron and steel (13%) and inorganic chemicals (11%). The main U.S. exports to Kazakhstan in 2019 were heavy machinery (29%), aerospace equipment (26%) and electrical machinery (6%).

Kazakhstan's economy was in a relatively favorable position prior to the COVID-19 pandemic, with low unemployment (4.9%), with real GDP rising (4.1%) and relatively low public debt. However, structural challenges may constrain the government's ability to respond to the crisis. According to the [World Bank Economic Update](#), Kazakhstan's economy in 2020 is expected to contract by nearly 3.0% as commodity prices have dropped, trade has declined and COVID-19 preventive measures have slowed economic activity. Weak consumer demand and low oil prices, as well as the protracted pandemic, have exposed significant risks to Kazakhstan's economic outlook. Moderate GDP recovery is projected by 2.5% in 2021, though uncertainties about the trajectory of the pandemic skew risks to the downside.

Despite the ongoing global economic crisis resulting from the COVID-19 pandemic, Kazakhstan remains the largest economy in Central Asia and a country with much unfulfilled potential. In 2020, Kazakhstan further improved its standing in the [World Bank's Ease of Doing Business Report](#), where it ranked 25<sup>th</sup> out of 190 countries. The country has made recent significant improvements in starting a business, dealing with construction permits, registering property, getting credit and resolving insolvency, according to the Report.

The country remains the world's largest producer of uranium and possesses enormous deposits of a wide range of metals, including gold, iron, chrome, copper, zinc, vanadium and rare earths. Kazakhstan also has the second-largest oil reserves and the second-largest oil production after Russia among the former Soviet republics. The United States is among the largest investors in Kazakhstan, with the bulk of investment directed in the oil & gas industry.

Launched in 2018, the [Astana International Financing Center](#) offers special tax, visa and employment regimes for companies looking to invest in this middle-income market. The AIFC Court and International Arbitration Center (separate and independent from the Republic of Kazakhstan judicial system) provide a common law court system for the resolution of commercial disputes.

A growing middle class and a rise in real incomes have increased demand for quality products and brand names. Inexpensive Russian and Chinese goods flow across Kazakhstan's borders, but Western goods and expertise are also in demand. In some cases, consumers are willing to pay more for imported goods and services that offer higher quality and innovation. Customer service in Kazakhstan is sometimes lacking; providing customers with after-sales service could give businesses an edge in the market.

### ***New Opportunities Revealed by the COVID-19 Pandemic***

While upending the economy in 2020, the COVID-19 crisis has also revealed opportunities in Kazakhstan. In particular, the crisis has placed a renewed focus on logistics, digital technologies and the financial sector. According to KPMG's report on the [Impact of COVID-19 on Key Economic Sectors in Kazakhstan](#), among the most pressing needs are: use of e-platforms to deliver key public services (including remote education to rural areas); online trade solutions; cargo transportation; development of digital products in the financial sector; IT solutions to track productivity of remote work; modernization of telecommunications networks due to high workload; financing and investments in airports and capital-intensive projects in mining and agriculture among others.

## ***Other Considerations***

The government of Kazakhstan has endeavored to reform the investment climate, an effort that has succeeded in transforming some of the regulatory landscape, but much work remains. Kazakhstani authorities have implemented 43 reforms acknowledged by the World Bank Doing Business Report since 2008. However, the country still lags in transparency and other metrics critical to investors, ranking a mere 113 out of 180 countries in Transparency International's (TI) [2019 Corruption Perception Index](#). According to TI's Global Corruption Barometer, 17% of public service users in Kazakhstan paid a bribe in the previous 12 months. The government's efforts at improving the investment landscape are ongoing under the [Business Roadmap 2025](#) and extends beyond it with the [Kazakhstan 2050 Strategy](#), which aims to position the country among the 30 most developed nations by 2050.

The most recent report from the [Heritage Foundation's Index of Economic Freedom](#) rated the country as “moderately free” and ranked it 39<sup>th</sup> out of 180 countries, well above neighboring China (#103) and Russia (#94). Kazakhstan's overall score increased by 4.2 points over the previous year due to a large increase in the fiscal health score.

The country has much to build on: experienced leaders interested in taking Kazakhstan to the next level; an economy with unfulfilled potential that continues to deliver sustained growth, despite its failings; a developing civil society eager to assist in the reform process; and a young, dynamic and educated work force.

## **Market Challenges**

### ***Geographic***

Kazakhstan, as a landlocked country, has no direct access to West European markets, though it does enjoy proximity to two major markets: China and Russia. High transport costs in the final price of exported products hamper not only the country's competitiveness in the international market but also the expansion of investment in non-primary sectors of its economy. Much attention is given to the development of modern transport infrastructure to enable Kazakhstan's potential as a transit country for cargo flows. The government of Kazakhstan is trying to address these challenges by implementing several state programs and further accessing inland transport conventions and legal agreements and participating in projects such as the UNECE Euro-Asian Transport Links.

Competition is strong as Russia, China and EU countries vie for Kazakhstan's growing buying power. Inexpensive products from China and Russia are readily supplied across the borders.

The progress of Eurasian economic integration has been mixed. The project started with the Customs Union, launched by Russia, Kazakhstan and Belarus in 2010. It morphed into the Single Economic Space in 2012 and was superseded by the Eurasian Economic Union (EAEU) in 2015, when Kyrgyzstan and Armenia were added as members. Despite this, the EAEU has not significantly boosted Kazakhstan's trade with the other member countries. Importers are affected by a poorly planned implementation of the EAEU integration, non-standardized application of the common customs code and unclear documentation requirements.

### ***Systemic Issues***

According to the World Bank in Kazakhstan, ongoing structural and institutional reforms aim to reduce the role of the state in the economy and facilitate the development of a less regulated, transparent and market-driven business

environment. The economy's reliance on oil and its resulting vulnerability to external shocks remain the main challenges to achieving stable and sustainable development. External demand from China and the Russian Federation, Kazakhstan's main trading partners, as well as global oil demand and prices, will continue to be the key external factors affecting Kazakhstan's economic performance.

Despite Kazakhstan's slightly improving its [Corruption Perception Index](#) rank from 124 in 2018 to 113 in 2019, corruption remains a challenge: the judiciary, police, and customs are often cited as the source of problems.

Over the years the government of Kazakhstan has announced several measures to reform the economy, and remains engaged with U.S., UK, Canadian and EU leadership, the American Chamber of Commerce in Kazakhstan and other foreign investors in a public-private dialogue on how to improve the investment climate. Despite these efforts, there remain systemic issues of concern to foreign businesses and other stakeholders. They include the need to:

- *Rule of Law*: establish an independent judiciary;
- *Intellectual Property Protection*: actively promote and consistently enforce intellectual property rights;
- *Transparency in Rule Making*: adopt eGov principles to give notice of rule changes and provide stakeholders with meaningful opportunity to comment;
- *Interpretation of Laws*: ensure consistent interpretation of national laws by local officials, especially in the implementation of Kazakhstan's system of taxation, collection of revenues and customs procedures;
- *Standards & Regulations*: eliminate outdated Soviet-era regulations and adopt widely used international standards;
- *Tax Issues*: end criminal liability investigations for incidental tax violations.

For more information on barriers to doing business, see the American Chamber of Commerce in Kazakhstan's 2018 [White Paper on Improving Kazakhstan's Investment Climate](#).

### **Market Opportunities**

Kazakhstan ranks 25th on the [World Bank's Ease of Doing Business Report](#) updated in 2020. Of the various indicators used, Kazakhstan ranks higher than its overall score in Protecting Investors, Registering Property and Enforcing Contracts. This report, however, does not take into consideration vital business criteria such as corruption, labor skills or investment regulations. Potential investors should consult this report's Investment Climate Statement before pursuing investment in the Kazakhstani market.

Demand in this upper middle-income market goes beyond the few best prospect sectors detailed in this report (see [Leading Sectors for U.S. Exports and Investment](#)). Kazakhstan's strategic aspiration is to become a modern, diversified economy with a high value-added and high-tech component, and the government is cognizant of the need for foreign expertise to accomplish this goal. To this end, the government continues to develop international partnerships and has agreed to projects with U.S., China and EU countries worth billions of dollars.

Like other former Soviet republics, much of Kazakhstan's infrastructure is outdated and needs modernization. [The European Bank for Reconstruction and Development \(EBRD\) in Kazakhstan and Asian Development Bank \(ADB\) in Kazakhstan](#) both finance major infrastructure, financial, corporate and agricultural projects in the country. Priority

sectors under EBRD's portfolio in Kazakhstan include agribusiness, power and energy, financial services, information & communication technologies, municipal & environmental infrastructure, mining and transportation. Likewise, areas such as health and environment need an infusion of investment to reach global best practices.

The short-term situation in Kazakhstan is dominated by COVID-19 pandemic economic recovery measures and the recently introduced [Comprehensive Recovery Plan 2020](#). Along with a continuing focus on further improvements in the investment climate, the top prospective economic sectors remain agriculture, education, extractive industries, franchising, healthcare, ICT, infrastructure (hard and soft), power generation, transport & logistics, safety & security and tourism. U.S. companies that seize this moment to explore the country's business and investment opportunities have the potential to capture significant market share in this growing middle-income market.

### **Market Entry Strategy**

The COVID-19 pandemic has had an unprecedented impact on travel around the world, and Kazakhstan is no exception. Please consult the Business Travel section later in this report for the latest information on visiting the country. For those unable to visit in person, the Commercial Section at the U.S. Mission to Kazakhstan is positioned to help companies with virtual introductions to prospective partners and potential buyers in Kazakhstan. While face-to-face meetings are key to developing strong business relationships, virtual introductions can go a long way to positioning your company for success in the market. The Commercial Section can also assist firms to conduct due diligence on prospective partners. Firms can contact [office.almaty@trade.gov](mailto:office.almaty@trade.gov) for questions on services available to U.S. companies.

U.S. firms that meet one or more of the following criteria will have an edge in the Kazakhstani market:

- Export sales and emerging markets are an important part of your business;
- Your firm has experience in Eastern Europe, the Caucasus, Russia or Ukraine;
- You are willing to invest your time, effort, and resources for the long term;
- You work with local partners to develop opportunities in foreign markets.

Most exporters find using local distributors or product representatives an easy first step for entering the Kazakhstani market. A local distributor is typically responsible for handling customs clearance, dealing with established wholesalers/retailers, marketing the product directly to major corporations or the government, distribution and handling after-sales service, if required. It is not uncommon to partner with a firm that is involved in several unrelated sectors. Other useful advice includes:

- performing detailed market research to identify specific sector opportunities;
- conducting appropriate due diligence on potential partners;
- being cautious of exclusive distribution agreements with local partners. Keep in mind that Kazakhstan has a small population spread over a large landmass, and your distribution channels should be able to represent your needs countrywide;
- maintaining a long-term timeframe to implement plans and achieve positive results. Don't expect this to be an inexpensive market that can be entered quickly;



- supporting your local partner and as appropriate;
- assisting your buyers to obtain financing;
- translating sales and marketing materials into the Russian language; localized websites can also help reach potential partners/buyers in the market;
- consulting attorneys to draw up appropriate contracts and agreements and considering managing dispute settlement and/or arbitration in third countries.

## Leading Sectors for U.S. Exports and Investment

### Agricultural Sector

#### Overview

Agriculture plays an essential role in Kazakhstan's economic, social and environmental development. Once considered the breadbasket of the Soviet Union, Kazakhstan still suffers from the effects of agricultural and environmental mismanagement during the Soviet era. Over a third of Kazakhstanis' livelihoods depend directly or indirectly on the country's extensive rangelands for food, fodder, fuel and medicinal plants. Widespread stockbreeding reflects the country's nomadic tradition, with around 75 percent of all agricultural land used for grazing. While sheep breeding dominates the sector, cattle, pig, horse and camel rearing are important sources of food and income.

According to the OECD, in 2019 the agricultural sector accounted for approximately 4.5% of Kazakhstan's economic production. Kazakhstan is a major producer and exporter of grain. However, growing demand for imported food products has led Kazakhstan to become a net importer of agricultural products since 2004.

Approximately 45% of the country's population lives in rural areas, and incomes of almost 30% of the economically active population are generated by employment in the agricultural sector. According to the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan, out of the total number of 8.5 million employed, 2 million people work in the agricultural sector.

The total value of Kazakhstan's agricultural output was approximately USD 12.7 billion in 2019. This was an increase of 1 percent over 2018, due to a 4 percent increase in cattle production and a 1.7 percent decrease in the grain crop affected with drought in 2019. Approximately 75% of the country's territory is suitable for agricultural production, but only about 30% of the land is currently under agricultural production. Farmers raise sheep and cattle, and livestock products include dairy goods, leather, meat and wool. The country's major crops are wheat, barley, cotton and rice, with wheat exports a major source of foreign currency. Kazakhstan is one of the top 10 grain exporters in the world, exporting to over 70 countries. [The International Grains Council](#) forecasts wheat and barley productions in Kazakhstan for 2020-2021 at 12.9 and 4 million tons respectively.

According to the [Ministry of Agriculture](#), as of September 2019, the total area under crops totaled 22.2 million hectares including 15.4 million hectares of grain crops, 2.9 million hectares of oilseeds, 3.3 million hectares of forage crops, 452,400 hectares of vegetables, melons and potatoes and 157,700 hectares of industrial crops (sugar beet, cotton, tobacco).

Nearly 90% of machinery currently in use in Kazakhstan is at the end of its lifecycle and needs to be replaced. Tractors in use for more than 10 years account for 94% of the entire fleet, while harvesting combines in similar condition make up 77%. Agricultural equipment imports are subsidized in Kazakhstan at 25% of the cost, at the same time financial leasing is provided at a 10 percent interest rate. The rate of machinery renewal over the past 5 years ranged from 3–4.9%, but this rate should reach 6–8% annually.

In 2019, the Kazakhstani agricultural machinery and equipment sector was roughly estimated at approximately USD 500 million, of which USD 300 million was imported. Russia is a market leader for agricultural machinery and

equipment with a 40% market share. Germany, Canada, the Netherlands, Belarus, Turkey and China are other large suppliers.

Local production of agricultural machinery and equipment is small but growing, owing much to Kazakhstan's entry into the Eurasian Economic Union. In recent years, Kazakhstan launched several assembly projects with firms from Russia, Ukraine and Belarus, which are now producing equipment for the market. Tractors and combines manufactured in Russia and Belarus are transported by train to Kazakhstan where tires and wheels are installed and a "Made in Kazakhstan" label applied. This "Made in Kazakhstan" distinction allows local producers to avoid customs and duties and enables local producers to receive special subsidies. Imported agricultural equipment face taxes and duties approaching 40%, making it difficult for western firms to compete with locally assembled equipment.

A new recycling tax on imported heavy agricultural equipment imposed by the government of Kazakhstan in 2020 will increase the costs to farmers interested in purchasing western made equipment. Designed to increase local production of agricultural equipment, this tax will have a negative impact on the development of Kazakhstan's agriculture market in the long-run and may impede investment in emerging sectors such as livestock production and meat processing.

### **Livestock Industry**

To increase livestock efficiency and strengthen the country's export potential, in 2018 Kazakhstan adopted new programs for beef and dairy cattle industries development. The program is designed to double lamb and beef production within ten years, with the aim of exporting to China, Iran, Saudi Arabia and Vietnam. In 2017 the Union of Poultry Farmers jointly with the Ministry of Agriculture of Kazakhstan, developed the [Sectoral Program for the Development of Poultry Farming](#) in Kazakhstan for 2018-2027.

In view of the economic decline brought on by the COVID-19 pandemic, additional measures will be taken in Kazakhstan in the short term to create conditions for the development of animal husbandry. Three modern meat processing plants and eight large poultry factories will be put into operation. There are also plans to build 25 industrial and 30 family dairy farms. In the meat processing sector, production facilities with a total capacity of 45 thousand tons will be commissioned.

Fish farming is also developing dynamically in Kazakhstan. Over the past 7 years, the volume of fish raised has increased 9 times, from 800 tons to more than 7 thousand tons. There are about 180 fish farms in the country.

### **Agricultural Sector Financing**

Kazakhstan has substantial untapped agricultural potential, yet its agricultural sector is underdeveloped and under-financed. Despite serving as the country's major employer, the agriculture sector in Kazakhstan comes in a distant second to the industrial sector in attracting government attention for investment and support.

State owned company [KazAgroFinance JSC](#) is a leading organization in the market, providing leasing and financing services to the agriculture sector. More than half of all agricultural machinery imported into Kazakhstan has been financially supported by KazAgroFinance. To increase cooperation and provide easy access to information on local and foreign producers of agricultural equipment, KazAgroFinance created the Electronic Supplier Base that serves as

a bridge between local agricultural sector and international equipment suppliers. The database includes more than 350 suppliers and more than 10,000 projects supported.

Two additional state-owned financial organizations in the agriculture sector are the Fund for Financial Support of Agriculture JSC that provides micro crediting for agriculture SMEs and rural populations, and the Kazakh Agrarian Credit Corporation, a financial institution providing loans and financial support to agricultural producers.

In June 2020, the World Bank (WB) approved a USD 500 million loan to Kazakhstan for a [Sustainable Livestock Development Program](#) which will be managed by the Ministry of Agriculture. The Program proposes to provide credit to 20 thousand farmers and to train 100 thousand farmers in sustainable livestock production. The project will provide farmers with financial support to develop infrastructure for free range animal husbandry and will create a traceable beef production system to produce beef in accordance with the requirements of countries importing Kazakhstani beef.

### **Leading Sub-Sectors**

- Agricultural chemical products and fertilizer applicators
- Grain farm machinery, grain storage and processing equipment, yield enhancement technologies
- Seeds and livestock genetics
- Innovative technologies in livestock and poultry industries, and veterinary products and services
- Food processing equipment
- Innovative water saving technologies in irrigation
- Precise agriculture equipment and technologies
- Technologies for weather monitoring and forecasting in agriculture
- Technologies for intensive aquaculture fish farming

### **Opportunities**

American products enjoy an excellent reputation in Kazakhstan. U.S. equipment exports to Kazakhstan consist mostly of grain harvesting combines, reapers, sprayers, tractors, seeders, cultivators and grain drying and cleaning equipment. Best prospects include: 100-150 horse power (hp) tractors and combines for the southern regions, tractors of greater than 250 hp and combines for the northern regions, pneumatic seeders, reapers, sprayers, grain drying and cleaning technologies, grain storage equipment and storage quality control systems, water-saving and irrigation technologies, engineering, design and veterinary services for cattle feed complexes and on-farm processing facilities.

There are also growing markets for U.S. food related imports, including beef, poultry, almonds, beverages (particularly beer, wine, and spirits), livestock genetics and planting seeds. Kazakhstan imports in this category consist mostly of cane sugar, black tea and poultry meat; however, if grouped together fresh fruits and vegetables, top all other agricultural imports at over 500 thousand tons, and most of those come from Uzbekistan or China.

## Resources

- Trade Show: [KazAgro/KazFarm 2020](#), [Kazakhstan International Agricultural Industry Exhibitions](#), October 21-23, 2020, Nur-Sultan, Kazakhstan
- Trade Show: [AGROWORLD QAZAQSTAN 2020](#), 15<sup>th</sup> Central Asian International Agriculture Exhibition, November 4-6, 2020, Almaty, Kazakhstan
- Trade Show: [AgriTek 2021](#), 16th International Exhibition for Agriculture, Horticulture, Animal Husbandry and Stock Breeding, March 10-12, 2021, Nur-Sultan, Kazakhstan

[KazAgro](#)

[KazAgroFinance](#)

[KazAgroMarketing](#)

[The Poultry Site - Kazakhstan](#)

[Ministry of Agriculture](#)

For more information on agriculture equipment and services, contact Commercial Specialist [Nurlan Zhangarin](#).

For agricultural commodities, contact Foreign Agriculture Service (FAS) Specialist [Zhamal Zharmagambetova](#).

## **Education Services and Technologies**

### **Overview**

- The population of students aged 15-24 is over 2,290,000 and under age 15 - 5,214,000.
- 604,345 students are enrolled in higher education institutions in Kazakhstan; over 160,000 high school students graduated in 2020.
- Over 84,000 students study abroad and 1,879 studied in the United States (2018-19).
- Fall 2020 secondary education will be conducted online at over 7,000 schools and over 350,000 teachers currently receive training in IT and ‘cyber-pedagogy.’
- There is a lack of curated digital learning material despite good connectivity, especially in light of COVID-19.
- The college-aged population will expand considerably thru 2030 and this is expected to fuel continued growth in the number of outbound students.
- Government education spending will increase to USD 27 billion thru 2025.

The COVID-19 pandemic has fueled adoption of technology in support of remote learning, distance education and online learning. In response to the pandemic, local governments struggled to transition schools to online learning platforms, largely due to inadequate technology. There were also challenges affecting internet access in rural areas. Despite 78% internet coverage across the country and access to cheap cellular data, some rural areas with no access relied on TV and radio to transmit material to students. Teacher training in cyber-pedagogy is a priority along with developing online digital learner content. Even prior to the pandemic, the government was keenly focused on increasing digital capabilities in schools in Kazakhstan, but there is much room for improvement.

### **Current COVID-19 challenges include:**

- overall network capacity and connectivity issues;
- limited access to devices for teachers, parents and learners;
- lack of curated, appropriate digital learning material;
- lack of material adapted for children with special learning needs;
- lack of IT and pedagogical skills;

According to Kazakhstan’s Committee on Statistics, there are 604,345 students enrolled in higher education institutions in 129 universities nationwide in Academic Year 2019-20, with the highest concentrations of students in Almaty, Shymkent, Karaganda and Aktobe. Additionally, slightly more than 70% of the students are self-funded and 27% are on state scholarships. The college-aged population will expand considerably over the rest of this decade and this is expected to fuel continued growth in outbound student numbers: the population of students aged 15-24 is over 2,290,000 and under 15 is 5,214,000.

### **Unified National Testing**

In 2020, over 160,000 students graduated from Kazakhstani high schools. Students interested in pursuing higher education in Kazakhstan must undertake Unified National Testing (UNT), a national college entrance proficiency

exam. Students obtaining a minimum of 50 points out of 140 are eligible for government grants for higher education. In 2020, 80,000 students passed the UNT and 53,785 students received grants to pursue higher education in Kazakhstan – leaving approximately 26,000 students to self-fund or seek scholarships for study abroad.

### **The Bolashak Scholarship**

The [Bolashak](#) is a prestigious national government scholarship program established in 1993. It aims to assist talented young people to pursue master or doctoral degrees abroad. The scholarship covers all costs related to education including tuition and fees, costs of travel and a living stipend. The program requires all Bolashak recipients to work for five years in Kazakhstan upon completing their education abroad. Since 1993 over 12,898 Kazakhstani students have received Bolashak Scholarships, with a capacity of 1,000 scholarship recipients per year. The most popular countries for study under Bolashak are the U.K., U.S., Germany and Russia. The Bolashak program currently has agreements with 33 countries and 83 educational institutions worldwide, of which 31 are in the United States.

### **Opportunities**

Although there is strong demand in Kazakhstan to study overseas at both undergraduate and graduate-levels, the total numbers of Kazakhstanis choosing to study in the U.S. has remained flat over the past five years (1,879 students in 2018-19 academic year). Unlike the rest of Central Asia, Kazakhstan’s per-capita GDP has increased significantly, creating a burgeoning number of middle- and upper-class youth eager to travel and study abroad. In addition, government policy encourages study abroad and has also dramatically increased English-language education nationwide over the past decade. The quality of students has been improving and with the introduction of new reforms and high-quality school technologies, student academic performance has improved by 15-20% since 2010.

Despite Government efforts to introduce English as the third official language and building education facilities that have English language curriculum, Kazakhstan still ranks low on [EF’s Global English Proficiency Index](#) at #93 out of 100 countries ranked.

### **Leading Sub-Sectors**

#### ***Education Technology***

The government will continue to seek digital learning content from sources abroad to be adapted to local standards. The process has accelerated due to the COVID-19 pandemic.

- Over 7,000 schools will be operating online in fall 2020.
- Lack of learning devices was cited as a key issue, especially in rural areas.
- Lack of technical skills and cyber-cyber-pedagogy is a potential opportunity for U.S. education training providers.
- [The World Bank’s Education Modernization Project](#) aims to support implementation of the Kazakhstan State Program for Education and Science Development. The country received a USD 60 million loan from the Bank to develop its education system.
- Nazarbayev Intellectual Schools are training their 3,500 teachers in English and could be a potential partner for U.S. education technology companies.

### ***U.S. Higher Education***

Government reform aimed at tightening licensing and qualification requirements of local universities in Kazakhstan has led some students to seek higher education abroad. Currently, fewer than 5% Kazakhstani students enrolled overseas are studying in the United States and out of 80,000 students studying overseas, 80% are self-funded.

### ***U.S. Community Colleges***

Vocational education is underdeveloped as many vocational colleges and technical training schools were closed or transferred to other uses in the 1990s. Vocational schools offer professional training for students who are not able or do not wish to pursue higher education. Community colleges offering associate degrees in the U.S. could be a good fit for this specific category of students.

### ***Degrees in Demand***

The labor market demand for certain qualifications does not match supply, mostly in technical professions. Major multinationals operating in the country since the mid-1990's have regularly noted a "skills gap" – an insufficient supply of up-to-date technicians, engineers, scientists and managers capable of filling increasing demand. There is growing interest among students in science and technical majors, including computer science and engineering, in addition to business and social sciences. Government focus on developing the country's abundant agricultural resources will also lead to increased demand for studies in agricultural business and economics, agronomy and crop science, animal sciences, water management and SMART agriculture.

### **Resources**

[Ministry of Education and Science of the Republic of Kazakhstan](#)

[Bolashak Program](#)

[World Bank for Technical and Vocational Education Project](#)

[UNESCO International Students in Tertiary Education](#)

For more information contact Commercial Specialist, [Aliya Shaikhina](#)



## **Franchising**

### **Overview**

The COVID-19 pandemic has hit franchise businesses particularly hard in Kazakhstan due to government-imposed shutdowns, growing unemployment and a dramatic drop in consumer spending among other challenges. Clothing retail brand business closures are expected post-pandemic. Larger U.S. franchises have survived by optimizing their operational models. Food franchises have seen sales stabilize after resumed operations following government-imposed lockdowns.

Fueled by the consumer boom of the late 2000s, the franchising sector has demonstrated steady growth, particularly in the food and retail sectors (McDonald's, Starbucks, Burger King, Hard Rock Cafe, KFC, Lacoste, Marks & Spencer, Papa John's, Saks Fifth Avenue). In the past several years, spending patterns in Kazakhstan have begun to resemble those of the Western world, creating a demand for name brands and quality products. Kazakhstani companies have accumulated financial resources that, combined with a lack of available investment instruments, are also stimulating interest in franchising. Kazakhstan can serve as a gateway to the growing economies of the Central Asian countries.

Despite the rapid development of franchising generally in Kazakhstan, several negative factors continue to hinder its growth. They include weak intellectual property protection, limited access to capital and a lack of understanding of franchising as a business model. While the government sees franchising as a promising sector that helps diversify the economy and attracts brands with international quality standards, the government's ability to promote franchising is limited by its own poor understanding of the sector. Commercial banks are actively promoting financing of franchising projects.

### **Leading Sub-Sectors**

According to local experts, franchising is attractive for businesses engaged in sales of business support services (e.g., business consulting - audit and accounting services, advertising, HR related services and technical consulting), education services (tutoring, foreign language courses), leisure and entertainment, fast food, medical and cosmetic services and retail sales and other personal services (laundry, footwear and clothing repair, delivery services etc.)

Notwithstanding the COVID-19 pandemic, franchise opportunities continue to present opportunity in the following sectors:

- Fast-food and casual dining;
- Retail sales (clothing, footwear, furniture, sporting goods, supermarkets, gasoline stations);
- Auto repair and maintenance services, gasoline stations;
- Hotel chains for low- and medium-income travelers;
- Printing and copying services, photo-shops, etc.;
- Body/health care services (beauty salons, gyms, etc.)

The COVID-19 pandemic has seen an increase in local delivery franchise businesses. A Finnish food-delivery platform Wolt entered Kazakhstan in 2019 to compete with a local Glove franchise. During the pandemic, Yandex delivery also came into the market.

## **Opportunities**

The franchising market is expected to recover as the pandemic eases, consumer spending picks up and economic growth accelerates. Expect growing demand for education technology, community-building online platforms and delivery franchises. Franchises specializing in business education and training services will also see strong demand. Post-pandemic, fast food restaurants are expected to continue to be of great demand for U.S. franchise models.

According to the [Kazakhstan Franchising Association](#), health and fitness focused franchises are growing in popularity. On the downward trend are restaurant business and fast food models, according to the Association. Only a limited part of the Kazakh population - mostly young people and the urban upper middle class - is willing and able to dine in food courts and restaurants. Owing to household incomes and a change in consumption patterns, the expansion of the food services segment will be a marathon rather than a sprint.

Kazakhstan has a large young adult population, which makes up approximately a third of its total population in 2019. Furthermore, Kazakhstan has a growing number of households that fall into the middle-income segment with a household disposable income of USD 10,000 and above. Kazakhstan's share of middle-income households is expected to rise in the coming years, presenting opportunities for expansion of franchise businesses.

## **Resources**

Virtual Trade Show: [International Franchise Expo](#), October 15-30, 2020.

[Eurasian Kazakhstan Franchising Association](#)

For more information contact Commercial Specialist [Aliya Shaikhina](#)

## **Healthcare**

### **Overview**

Kazakhstan's healthcare sector accounted for roughly 3.9% of overall GDP in 2019. Government priorities in this sector include developing the country's primary healthcare networks, improving its public health administration system, providing expanded medical personnel training, enhancing mother and child health services and emphasizing preventive measures such as diagnostics, treatment of lifestyle diseases, patient rehabilitation and development of personalized medicine. Approximately USD 6.5 billion was allocated to Kazakhstan's healthcare sector from the 2019 budget.

In 2019, the government approved the State Program for the Development of Healthcare 2020-2025. Target indicators under the program include: increasing life expectancy to 75 years; reducing the risk of premature mortality of people 30 to 70 years of age due to cardiovascular, oncological, chronic respiratory diseases and diabetes; reduction of maternal mortality from 15.5 to 14.5 per 100 thousand live births and reduction of infant mortality from 9.0 to 8.3 per 1000 live births. The total budget of the program is estimated at USD 7.5 billion based on 2020 exchange rates.

### **Opportunities**

The market for medical equipment in Kazakhstan is roughly USD 1.3 billion. Domestic manufacturing of medical equipment is limited in Kazakhstan, with 90% of equipment imported. The bulk (85%) of medical equipment in Kazakhstan is purchased by the public sector. Most procurement for public healthcare institutions is done through government-related tenders. More than 37% of medical equipment currently in use is obsolete and the government recognizes the need to update equipment in use in the country's public hospitals.

Local producers of medical equipment are unable to fully supply the market with necessary equipment and there are no capabilities to develop a strong local industry in the near term. Currently, there are about 60 companies in Kazakhstan registered as medical equipment producers, most of which are small businesses with insignificant production volumes.

In December 2019, the Kazakhstani government and the European Bank for Reconstruction and Development (EBRD) signed a Memorandum of Understanding on the implementation of a Comprehensive Program for the Modernization of Healthcare Infrastructure in Kazakhstan. The program envisages the construction of up to 19 new hospitals to replace 40 outdated existing facilities and the upgrade of up to 50% of the hospital bed capacity in Kazakhstan as part of the State Health Care Development Program for 2020–2024. Hospital projects under the State Program will follow the facility management model and will be procured as Public Private Partnerships or utilize the Design, Build, Operate and Maintain approach. The hospitals included in this initial first phase of the program include: Kyzylorda, Kokshetau, Kostanai, Taraz, Pavlodar and Atyrau. In 2020, the EBRD issued a solicitation to identify a consultancy for the development of a comprehensive healthcare needs assessment and functional specifications for these hospitals.

### **Leading Sub-Sectors**

- electro-medical diagnostic and therapy equipment;

- diagnostic imaging with a special emphasis on X-ray equipment and supplies;
- equipment for cardiology and cardio surgery;
- chemotherapy, mammography, radiotherapy, and computed tomography equipment;
- neurosurgery equipment;
- diabetic supplies;
- laboratory equipment;
- healthcare digitalization and mobile health technologies.

## **Resources**

Trade Show: [KIHE 2021: Kazakhstan International Healthcare Exhibition](#), May 19-21, 2021, Almaty, Kazakhstan

Trade Show: [Astana Zdorovie: International Kazakhstan Exhibition on Healthcare](#), October 27-29, 2021, Nur-Sultan, Kazakhstan

Trade Show: [Medica 2020: World Forum for Medicine](#), November 16-19, Dusseldorf, Germany

[Ministry of Healthcare of the Republic of Kazakhstan](#)

[Kazakhstan Association of Laboratory Diagnostics](#)

For more information contact Commercial Specialist [Nurlan Zhangarin](#).

## **Information & Communication Technologies (ICT)**

### **Overview**

Kazakhstan continues to upgrade existing infrastructure and integrate ICT into projects implemented in different economic sectors. In 2017 the government launched the [Digital Kazakhstan 2018-2022 program](#) aimed at improving the country's digital infrastructure. The Program's budget is under one billion USD and shared equally between the public and private sectors. The program focuses on five key areas: digitization of economic sectors including energy, transportation, agriculture, e-commerce and financial sectors; transition to digital state including government services and smart cities; development of high-speed and secure communication networks and IT infrastructure across the country; increasing digital literacy in secondary, technical and vocational higher education; and, providing conditions for the development of technological entrepreneurship, the start-up environment and financing ecosystem.

The total Kazakhstani ICT market in 2019 is estimated at USD 5.3 billion, which represents 3.0% of GDP. Telecommunication and information technology markets make up 66% and 34% of respectively. In 2019, total revenue from telecommunication services totaled roughly USD 2.2 billion; Internet (36%), mobile communications (28%) and other telecommunication services (20%).

According to the International Telecommunication Union, in 2017 (the latest report available) Kazakhstan ranked 52<sup>nd</sup> out of 176 countries on the [ICT Development Index](#). Internet penetration in Kazakhstan is estimated as 80% (end of 2019). By the end of 2019, the number of fixed telephone lines amounted to approximately 3 million; mobile subscribers 24 million, of which almost 15 million have Internet access; and, 2.57 million fixed internet subscribers.

### **Leading Sub-Sectors**

- Digital technologies to be used for developing e-government services, smart transportation and city infrastructure and financial sector applications;
- Process automatization technologies for oil & gas, mining and agriculture industries;
- Upgrade and extension of existing fixed and mobile networks;
- Content-rich mobile value-added services;
- 5G mobile communications technologies;
- Mobile number portability (MNP) Technologies;
- Internet of Things (IoT) equipment and technologies;

### **Resources:**

[The Kazakh Ministry of Digital Development, Innovations, and Aerospace Industry:](#)

[Kazakhtelecom JSC](#)

[Digital Kazakhstan Program](#)

[Kazakhstani Association of IT Companies \(Russian only\)](#)

[Digital Kazakhstan Association, e commerce & trade \(Russian only\)](#)

Internet Association of Kazakhstan

For more information contact Commercial Specialist, [Nurlan Zhangarin](#)

## **Infrastructure**

### **Overview**

Under the government's Nurly Zhol initiative, the country is expected to invest USD 9 billion to develop and modernize the country's roads, railways, ports, airports and IT infrastructure. Kazakhstan is rapidly developing as a hub for transport and logistics in Central Asia, underpinned by the country's attractiveness as an overland freight transit hub linking China and Europe. Kazakhstan's transport sector is expected to drive growth over the next five years, with the rail sector outperforming on the back of elevated Chinese investment relating to the latter's One Belt, One Road initiative, which seeks to leverage Kazakhstan's strategic Central Asian location as a conduit for growing levels of East-West trade. The largest volume of investments in infrastructure was noted in the Atyrau, Nur Sultan city (capital of Kazakhstan) and Almaty regions.

### **Infrastructure Project Financing**

External funding from international financial institutions like the Asian Development Bank, the European Bank for Reconstruction & Development (EBRD) and the Islamic Development Bank (IDB) will drive growth in the construction and infrastructure industries of Kazakhstan over the next five years. Reflecting the country's status as Central Asia's largest infrastructure market, Kazakhstan has attracted and will continue to attract most of the development funding in absolute terms to date. International development institutions are currently financing 32 projects in Kazakhstan, a figure which accounts for 34% of all projects moving forward in the country and exceeds the combined number of projects in the other four Central Asian markets. EBRD is particularly active in financing projects in Kazakhstan, with the institution supporting 17 projects with a cumulative value of USD 2.7 billion.

### **Leading Sub-Sectors**

- *Architectural, Construction and Engineering Services:* Despite the slowdown of Kazakhstan's overall economy due to the COVID-19 pandemic, decreasing oil prices and slowdown of the real estate & construction sectors, there is still demand for building equipment and materials as well as for architectural, construction and engineering services.
- *Road Development:* The Republic of Kazakhstan has begun implementation of an ambitious program of sovereign roads investments aimed at improving the connectivity and quality of road transport across the country.
- *Railway Development:* Owing to China's Belt and Road Initiative (BRI) and other international rail development projects, Kazakhstan is emerging as a crucial global rail hub in Central Asia.
- *Port Development:* The Khorgos dry port in eastern Kazakhstan manages growing cargo demand for trains from China destined to Central Asia, Russia and Europe. In the west, Kazakhstan maintains three ports on the Caspian Sea: Aktau, Kuryk and Bautino.
- *Airport Development:* Kazakhstan's Nurly Zhol Development Strategy calls for an increase number of airports with automated control systems from 3 to 15 by 2025; an increase number of airports with ICAO certification from 16 to 19 by 2025; and general increase in passenger and cargo turnover by 2025.

## **Opportunities**

The government is interested in pursuing infrastructure development, including roads renovation and construction in the region. With government plans to invest more than USD 4 billion for four major road construction projects, manufacturers of heavy earth moving equipment and road construction equipment will find good opportunities in the market. Best Prospects for U.S. Firms in Kazakhstan infrastructure development include: design, architectural & structural engineering services; construction & project management services; safety and security products & services; advanced materials & energy efficiency technologies; road construction machinery and precision navigation equipment; and, process automation technologies.

## **Resources**

Trade Show: [AtyrauBuild 2020](#): 19th North Caspian Regional Building and Interiors Exhibition, 26-28 August 2020, Atyrau, Kazakhstan.

Trade Show: [KazBuild 2020](#): 27th Kazakhstan International Building & Interiors Exhibition, 4 - 6 September 2020. Almaty, Kazakhstan.

Trade Show: [AstanaBuild 2020](#): 22st Kazakhstan International Building & Interiors Exhibition, 4-6 November 2020, Nur-Sultan, Kazakhstan.

Trade Show: [ShymkentBuild 2021](#): 6th South Kazakhstan International Building & Interiors Exhibition, 10-12 March 2021, Shymkent, Kazakhstan.

[Ministry of Industry and Infrastructure Development](#)

[Kazakhstan Academy of Architecture and Construction](#)

[Kazakhstan Statistic Agency](#)

For more information contact Commercial Specialist [Azhar Kadrzhanova](#)



## **Mining Equipment & Services**

### **Overview**

Kazakhstan is endowed with abundant mineral resources including coal, ferrous and non-ferrous metals. More than 230 separate enterprises produce or process coal, iron and steel, copper, lead, zinc, manganese, gold, aluminum, titanium sponge, uranium and barites among others. The mining sector accounts for an estimated 14% of GDP and in 2019 hard minerals and metals made up approximately 16% of the country's exports by value. For example, last year the country earned USD 2.5 billion from exports of refined copper to non-EAEU countries, USD 792 million from zinc exports, USD 538 million from silver, USD 369 million from aluminum, USD 251 million from lead and USD 121 million from titanium. Kazakhstan is the world's leading producer of uranium.

The country has the world's 8th largest reserves of iron ore with 12.5 billion tons. The nation ranks second, globally, in manganese ore reserves, estimated at 600 million tons. The country's current reserves of copper are estimated at 36million tons. Kazakhstan also hosts 30% of the worldwide chromite ore deposits, as well as 95% of the total chromium reserves.

The mining industry in Kazakhstan is mainly focused on exports to Russia, China and the EU. Much of the technology and management practices of this industry date from Soviet times, which has hampered development of the industry. Exports of mining equipment to Kazakhstan have been limited by a lack of investment in this sector. In the mid-1990's, many foreign investors entered the country and started exploration and development activities, but, with few exceptions, ceased their operations due to lack of transparency, poor financial incentives, unclear and arbitrary laws which favor local investors, inefficient bureaucracy and unclear land tenure laws.

Kazakhstan is focused on attracting investment to further develop its gold (ranked 10th globally) and uranium mining (25% of world reserves) industries as commodity prices rise. In 2018, Kazakhstan implemented new sub-soil usage legislation intended to encourage new investment in the mining sector.

### **Leading Sub-Sectors**

Kazakhstan remains an attractive market for U.S. mining equipment/machinery suppliers, particularly for manufacturers of bulldozers, drilling equipment, explosives, trucks, drill rigs, trams, cranes, crushing and pulverizing machinery, dredges, hydraulic excavators, quarrying machinery and equipment, elevators, compressors, hammer mills and specialized trucks among others.

Among the best sales prospects and services are diamond drilling contractors and service providers that perform geological, geochemical and geophysical surveying. Companies that provide goods and services that address erosion, formation of sinkholes, loss of biodiversity, contamination of groundwater and surface water as well as products that minimize harm towards the environment, will also enjoy significant demand in Kazakhstan.

### **Opportunities**

More than half of Kazakhstan's mining, processing, and smelting enterprises currently use outdated equipment that is often in need of repair. Almost all lack environmentally friendly technologies. Kazakhstan does not have its own

mining machinery industry and relies heavily on Russian imports. U.S. mining equipment firms should explore trade opportunities in used and refurbished equipment, as well as in turnkey project management services.

## Resources

Trade Show: [MinTech 2020 Pavlodar](#): MinTech International Exhibition of Equipment and Technologies for Mineral, Metallurgy & Coal Mining Industries. - Date: 9-11, September 2020, Pavlodar, Kazakhstan.

Trade Show: [Mining and Metals Central Asia 2020](#): 26<sup>th</sup> Central Asian International Mining Exploration & Mining Equipment Exhibition - Dates: 16-18 September 2020, Almaty, Kazakhstan.

Trade Show: [AMM 2020 \(Astana Mining and Metallurgy\)](#): 9th International Mining and Metallurgy Congress - Dates: 14-15 October 2020, Nur-Sultan, Kazakhstan.

Trade Show: [MinTech 2021 Ust-Kamenogorsk](#): MinTech International Exhibition of Equipment and Technologies for Mineral, Metallurgy & Coal Mining Industries. - Date: 20-22 May 2021, Ust'-Kamenogorsk, Kazakhstan.

Trade Show: [MinTek Kazakhstan](#): The 16th INTERNATIONAL EXHIBITION for MINING and EXPLORATION, MINERAL and COAL PROCESSING, and METALLURGICAL TECHNOLOGIES. June 22-24, 2021 in Karaganda. Kazakhstan.

[Eurasian Resources Group \(ERG\)](#)

[KazMinerals](#)

[KazAtomProm Corporation](#)

[KazakhMys](#)

[Tau-Ken Samruk](#)

[Republican Association of Extraction and Mining and Metallurgical Enterprises of Kazakhstan \(AEME\)](#)

For more information contact Commercial Specialist [Azhar Kadrzhanova](#).

## **Oil & Gas Equipment and Services**

### **Overview**

According to the Oil & Gas Journal, Kazakhstan had proven crude oil reserves of 30 billion barrels as of January 2018—the 2<sup>nd</sup> largest endowment in Eurasia after Russia, and the 12th—largest in the world, just behind the United States. Kazakhstan has the largest proven oil reserves in the Caspian Sea region. Kazakhstan's crude and condensate output in 2019 was 1.965 million barrels per day (bpd).

Tengizchevroil (TCO) develops the Tengiz and Korolyov oil and gas fields in the Atyrau Region (west Kazakhstan). [Tengizchevroil](#) is a joint venture between Chevron (50% share in the consortium), ExxonMobil (25% share), KazMunayGas (20% share) and LukArco (5% share). The joint venture was formed in April 1993, when the Kazakhstan government granted an exclusive 40-year right to Tengizchevroil LLP (TCO) to develop the Tengiz and Korolevskoye oil fields located in the north-eastern reaches of the Caspian Sea in Kazakhstan.

The national oil and gas company, KazMunaiGas (KMG), is largely responsible for arranging the licensing tenders for oil and gas blocks. KMG also plays a role in almost all contracts with foreign oil and gas companies. KMG holds stakes in 47 enterprises conducting petroleum operations in Kazakhstan, including Tengizchevroil, North Caspian Operating Company (NCOC) and the Caspian Pipeline Consortium (CPC).

### **Current Market Trends**

The COVID-19 pandemic resulted in a massive drop in global demand for downstream oil & gas products, precipitating the collapse of global crude prices. The crisis has had a significant impact on government revenue streams in Kazakhstan derived from crude production. The industry is critical to Kazakhstan's economic and national security, as nearly 44 percent of the state budget's revenues come from this sector. According to a report by the Asian Development Bank, the value of nearly 80 percent of Kazakhstan's exports was halved due to the pandemic. Under an agreement between the Organization of the Petroleum Exporting Countries (OPEC) and its allies, OPEC+, Kazakhstan has limited its oil production by 390,000 barrels per day. Crude production from Kazakhstan's highest-producing oil field, Tengiz, dropped 12% on the year in the second quarter of 2020 to 570,000 barrels per day, reflecting the country's adherence to the OPEC+ production cuts.

### **Leading Sub-Sectors**

Despite the challenges posed by the global slowdown in demand for oil & gas, opportunities continue to exist for U.S. companies across nearly every sub-sector associated with oil extraction, processing, and transportation in Kazakhstan. Best prospects include drilling, research and data management, laboratory studies, oil spill cleanup technologies and pipeline equipment and services. About 80% of the equipment used in the oil and gas sector is imported, with a majority produced in Russia and China.

### **Opportunities**

To date, Kazakhstan has limited technical expertise in offshore production and operations. This experience gap offers many opportunities for U.S. service companies in rig work, support infrastructure, and environmentally sensitive technologies. The Caspian Basin's oil-bearing formations are generally quite deep (15,000 feet), under considerable

pressure and often contain a high degree of sulfur and other contaminants, making U.S. technologically advanced drilling and processing equipment necessary.

The most promising sub-sectors include: offshore/onshore oil and gas drilling and production equipment; turbines, compressors and pumps for pipeline applications; valves; measurement and process control equipment for pipeline applications; industrial automation, control and monitoring systems for refineries, gas processing and petrochemical plants; seismic processing and interpretation; petroleum software development; sulfur removal and disposal technologies; well stimulation and field abandonment services; underwater repair equipment and oil spill containment equipment. There are also significant opportunities in the provision of related services.

### **Resources**

Trade Show: [Kazakhstan International Oil & Gas Exhibition and Conference \(KIOGE\) 2020](#) | September 30-October 2 | Almaty, Kazakhstan

Trade Show: [Global Oil & Gas Atyrau 2021](#) | 9 – 10 April | Atyrau, Kazakhstan|

[Ministry of Energy of the Republic of Kazakhstan](#)

[Kazakh Institute of Oil and Gas \(KING\)](#)

[KazEnergy Association](#)

[U.S. Energy Information Administration](#)

For more information contact Commercial Specialist [Azhar Kadrzhanova](#)

## **Power Generation**

### **Overview**

Eighty-seven percent of Kazakhstan's electricity is generated from fossil fuels, with hydropower accounting for 12 percent and less than one percent generation from solar and wind installations. Coal, produced in the northern regions, is used to power more than 70% of the country's electricity generation. Kazakhstan's only nuclear power plant, a BN-350 nuclear reactor at Aktau, was shut down in 1999. Kazakhstan has some of the largest uranium deposits in the world and is the world's largest uranium producer. Although plans have long existed to build additional nuclear power plants, little progress has been made on constructing these units. Kazakhstan's economy is highly energy-intensive and uses two to three times more energy than the average for OECD countries.

Electricity in Kazakhstan is generated by 155 power plants of various forms of ownership. As of January 2020, the total installed capacity of power plants in Kazakhstan was 22,937 MW and available capacity is 19,330 MW.

Kazakhstan's national grid is operated by the Kazakhstan's Electricity Grid Operating Company (KEGOC), a state-owned company responsible for electricity transmission and distribution network management. Several medium and small regional electricity companies handle distribution, some of which are privately owned. The electricity transmission and distribution sectors are considered to be natural monopolies and are regulated by the government. However, wholesale generation of power is generally considered a competitive market with most generation assets owned by private enterprises.

Needs are great in the power generation market as Kazakhstan seeks to replace aging plants and equipment. Approximately 65% of equipment in use at power generating facilities has been in use for more than 20 years, and about 31% for more than 30 years. Electricity transmission networks are inefficient, with estimated losses of 15% across transmission and distribution systems. The government of Kazakhstan has developed an action plan for electric power development through 2030, which includes a list of proposed power plants for modernization or reconstruction as well as the construction of new facilities.

U.S. companies must prepare to compete with Russian, German, Korean, and Chinese companies that have acquired strong positions in the market and are sometimes entitled to tax breaks and other preferential treatment (particularly when they qualify as investors and not only as importers). Attempts to sell equipment for the power generation sector are more likely to be successful if based on a strategic approach to the market and accompanied by appropriate training, servicing, and consulting programs.

### **Leading Subsectors**

#### ***Renewable Energy***

**Hydro Power:** Kazakhstan has abundant hydro resources, which are mainly concentrated in the eastern and southern parts of the country. Today, 15 large hydropower stations (>50 MW) with a total capacity of 2.25 GW account for up to 13 percent of the country's total generating capacity.

**Wind Power:** For the development of wind energy potential, the government of Kazakhstan, with the support of the United Nations Development Program, has developed a program of wind energy development thru 2030. The framework of this program provides for the implementation of wind farm construction with the introduction of 2000 MW by 2030.

**Solar Power:** The potential of solar energy in Kazakhstan is estimated at 2.5 billion kWh per year. Solar energy can be widely used in two-thirds of the territory of the Republic of Kazakhstan. The government aims to put 28 solar power plants into operation by the end of 2020.

**Biomass:** Key areas for bioenergy development include co-firing coal and biomass plants, use of biomass for production of heat for district heating and use of excess residues for liquid biofuel production.

### **Opportunities**

Despite significant wind, solar, hydro and biomass potential, these resources have not been sustainably captured and deployed due a range of technical, institutional, social and economic barriers. To spur development of renewable energy, the government of Kazakhstan in 2013 adopted the “National Concept for Transition to a Green Economy – 2050.” Under the Concept, the government has taken steps to attract greater investment into the renewable energy sector, such as the introduction of a 15-year feed-in-tariff mechanism. The country has recently introduced renewable auctions in place of fixed tariffs, an effort to spur investment in the sector. The European Bank for Reconstruction and Development (EBRD) also plans to invest approximately USD 244.2 million in Kazakhstan renewable energy sources.

Kazakhstan's electricity sector, both its generating and transmitting infrastructure, suffers from a high degree of physical depreciation. KEGOC, the national transmission grid operator, has plans to implement 15 projects valued at USD 3 billion to modernize or construct new power transmission lines and substations in the country by 2025. Meanwhile, the Chairman of Kazakhstan's national electricity generator, Samruk-Energo, has stated that Kazakhstan plans to install 14 GW of new power generating capacity by 2030. The Government plans that investments in the power sector should reach USD 63 billion over the next 18 years, including USD 37 billion in power generation, USD 9 billion in power distribution networks, and USD 17 billion in regional power distribution organizations. The following power plants are expected to be renovated over the next five years:

- Balkhash Coal-Fired Power Plant, Ulken
- Ekibastuz GRES-2 Unit 3 Power Plant, Pavlodar
- Karabatan Combined Cycle Power Plant, Atyrau

### **Resources**

Trade Show: [Power Astana 2020](#), November 4-6, 2020. Nur-Sultan, Kazakhstan

Trade Show: [KIOGE 2020](#): Kazakhstan International Oil & Gas Exhibition & Conference: 30 September – 2 October 2020, Almaty, Kazakhstan

Trade Show: [PowerExpo Almaty 2020](#): Kazakhstan International Energy, Electrical equipment and Machine

[U.S. Energy Information Administration](#)

Renewable Energy in Kazakhstan - EBRD

Samruk Energy

Kazakhstan Electricity Association

Kazakhstan Electricity Grid Operating Company (KEGOC)

Kazakhstan Operator of Electricity Market

KazAtomProm

For more information contact Commercial Specialist [Azhar Kadrzhanova](#).

## **Customs, Regulations and Standards**

### **Trade Barriers**

For comprehensive information on trade barriers in Kazakhstan, refer to the United States Trade Representative [2020 National Trade Estimates Report](#).

In 2019, the government of Kazakhstan added self-propelled agricultural equipment (e.g., tractors and combines) to its extensive list of goods subject to a recycling fee. According to the regulation, a recycling fee payment is required for all purchases of combines and tractors, both imported and domestically produced. However, government subsidies paid to local assemblers of agricultural equipment compensate them for their payments of recycling fees, effectively creating a non-tariff barrier to trade. Local farmers that recycle equipment are eligible to receive a rebate on the purchase of domestically produced equipment, a potential violation of WTO National Treatment rules.

For more information and help with trade barriers please contact the Commercial Section at the U.S. Embassy in Kazakhstan at [office.almaty@trade.gov](mailto:office.almaty@trade.gov).

### **Import Tariffs**

As part of its WTO accession in 2015, Kazakhstan agreed to lower 3,512 tariff rates gradually, to an average of 6.1 percent in 2020. Tariffs on agricultural products will see the largest reduction, from 16.7 percent to an average of 7.6%. In January 2016, Kazakhstan began applying lower tariff rates to certain food products, automobiles, airplanes, railway wagons, lumber, alcoholic beverages, pharmaceuticals, freezers and jewelry.

In 2018, Kazakhstan's Most Favored Nation (MFN) applied tariff rate averaged 7.1 percent. Kazakhstan applies a zero percent rate on approximately 1,900 tariff lines, including livestock, pork, fish products, chemical and pharmaceutical products, cotton, textiles, machinery and equipment, medical vehicles, and some types of airplanes. Kazakhstan's simple average WTO bound tariff rate is 10.6 percent for agricultural products and 6.4 percent for non-agricultural products. Kazakhstan's maximum WTO bound tariff rate for industrial products is 19 percent, but not less than 0.68 Euros per cubic centimeter (approximately USD 0.77 per cubic centimeter), while its maximum WTO bound tariff rate for agricultural products is 50 percent, but not less than 0.75 Euros per kilo (approximately USD 0.85 per kilo).

In 2010, Kazakhstan established tariff-rate quotas (TRQs) on imports of poultry and beef to meet its obligations under the Russia-Kazakhstan-Belarus Customs Union (CU), which have continued under the Eurasian Economic Union (EAEU). In 2012, U.S. exporters raised concerns about the trade-limiting effects of these TRQs and the way they were calculated and allocated. In October 2017, Kazakhstan developed new rules for TRQ allocation that establish clear deadlines and delineate authorities among government agencies. The volume of TRQs is expected to remain unchanged, however. Pork is not subject to a TRQ, and the tariff rate on pork is expected to be lowered from the current 30 percent to 25 percent in 2020.

### **Import Requirements and Documentation**

All goods entering the customs territory of Kazakhstan are subject to declaration and customs clearance at approved customs clearance points. A full declaration of goods must be filed within thirty days of arrival, but a brief declaration



and notification on arrival of goods shall be submitted to the customs body within 24 hours after the goods cross the border and are placed at a temporary storage warehouse. With the exception of private persons permitted to transfer goods under a simplified procedure, a customs declaration must be filed by a Kazakhstani entity - that is, a business organization registered under Kazakhstani law or its affiliate or representative located in Kazakhstan, an individual entrepreneur registered in Kazakhstan, or a permanent resident of Kazakhstan. Foreign entities cannot deal directly with customs officials in Kazakhstan and are legally required to use services provided by licensed customs brokers having the right to operate in the country.

A party declaring commercial goods at a customs office in Kazakhstan for their release for free circulation is responsible for submitting the paper and electronic copies of customs declarations (one copy of each per shipment), as well as accompanying documents. The Customs Cargo Declaration (5 copies) must be completed in either the Kazakh or Russian language. Other documents may be submitted in a foreign language. A customs officer, however, has the authority to request a translation of such documents into Kazakh or Russian as well as a notarization of the translation. In addition to the Customs Cargo Declaration, a party declaring goods is required to submit a set of other documents including invoices, a contract for the supply of goods, an import/export transaction passport and shipping documents (e.g., bill of lading, airway bill, etc.). The passport of transaction is the primary tool used in the framework of the currency control system. The passport of transaction represents a cross-agency document filled out by the exporter/importer and reviewed by customs officials and representatives of the exporter/importer's bank.

From January 1, 2019, Kazakhstan imposed restrictions on the free of duty import of "personal" goods. The threshold of duty-free importation of goods for personal use of land and sea transport to the territory of the countries of the Eurasian Economic Union (EAEU) is reduced to 500 euros, and the total weight of such goods should not exceed 25 kilograms.

### **Labeling and Marking Requirements**

According to Kazakhstani legislation, most products imported into the country must be labeled in both the Kazakh and Russian languages. Product labels should include names, manufacturer, country of origin and information on date of production, period of validity, storage conditions, nutrition data and usage.

Product manufacturers or sellers obtaining a certificate of conformity have a right to use a mark of conformity established by the state system of technical regulation.

According to the Technical Regulations of the Eurasian Economic Union (EAEU), all products exporting into the EAEU - which are subject of the Mandatory Certification and Conformity Assessment under the regulations - should be labeled with the Eurasian Conformity Mark (EAC).

### **U.S. Export Controls**

The United States imposes export controls to protect national security interests and promote foreign policy objectives related to dual-use goods through implementation of the Export Administration Regulations (EAR). The Bureau of Industry and Security (BIS) is comprised of two elements: Export Administration (EA), which is responsible for processing license applications, counselling exporters, and drafting and publishing changes to the Export Administration Regulations; and Export Enforcement (EE), which is responsible for the enforcement

of the EAR. BIS works closely with U.S. embassies, foreign governments, industry, and trade associations to ensure that exports from the United States are secure and comply with the EAR. BIS officials conduct site visits, known as End-Use Checks (EUCs), globally with end-users, consignees, and/or other parties to transactions involving items subject to the EAR to verify compliance.

An EUC is an on-site verification of a non-U.S. party to a transaction to determine whether the party is a reliable recipient of U.S. items. EUCs are conducted as part of BIS's licensing process, as well as its compliance program, to determine if items were exported in accordance with a valid BIS authorization or otherwise consistent with the EAR. Specifically, an EUC verifies the *bona fides* of transactions subject to the EAR, to include: confirming the legitimacy and reliability of the end use and end user; monitoring compliance with license conditions; and ensuring items are used, re-exported or transferred (in-country) in accordance with the EAR. These checks might be completed prior to the export of items pursuant to a BIS export license in the form of a Pre-License Check (PLC), or following an export from the U.S. during a Post-Shipment Verification (PSV).

BIS officials rely on EUCs to safeguard items subject to the EAR from diversion to unauthorized end uses/users. The verification of a foreign party's reliability facilitates future trade, including pursuant to BIS license reviews. If BIS is unable to verify the reliability of the company or is prevented from accomplishing an EUC, the company may receive, for example, more regulatory scrutiny during license application reviews or be designated on BIS's Unverified List or Entity List, as applicable.

BIS has developed a list of "red flags", or warning signs, and compiled "Know Your Customer" guidance intended to aid exporters in identifying possible violations of the EAR. Both of these resources are publicly available, and their dissemination to industry members is highly encouraged to help promote EAR compliance.

BIS also provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two-day seminars that focus on the basics of exporting to coverage of more advanced, industry specific topics. Interested parties can check This is a best prospect industry sector for this country. Includes a market overview and trade data list of upcoming seminars and webinars or reference BIS provided online training.

BIS and the EAR regulate transactions involving the export of "dual-use" U.S. goods, services, and technologies. For advice and regulatory requirements, exporters should consult the other U.S. Government agencies which regulate more specialized items. For example, the U.S. Department of State's Directorate of Defense Trade Controls has authority over defense articles and services, or munitions. A list of other agencies involved in export control can be found on the BIS website or in Supplement No. 3 to Part 730 of the EAR.

The EAR is available on the BIS website and on the e-CFR (Electronic Code of Federal Regulations) and is updated as needed. The Consolidated Screening List (CSL) is a list of parties for which the United States Government maintains restrictions on certain exports, reexports or transfers of items. The CSL consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single data feed as an aid to industry in conducting electronic screens of parties to regulated transactions. Exporters are

encouraged to classify their items prior to export, as well as consult the CSL to determine if any parties to the transaction may be subject to specific license requirements.

### **Temporary Entry**

In April 2017, Kazakhstan became the 86th member to join the ATA Carnet system for the temporary, duty-free import of goods. The [Chamber of International Commerce of Kazakhstan \(CICK\)](#) implements the ATA Carnet system in Kazakhstan. The CICK is responsible for issuing, administering and guaranteeing Kazakhstan ATA Carnets. Kazakhstan will accept ATA Carnets for certain products imported temporarily; they include professional equipment, commercial samples and items for use at exhibitions and trade fairs. ATA carnet applicants who would like to ship goods to Kazakhstan should first contact an ATA Carnet Specialist to ensure smooth acceptance of the initial carnets in Kazakhstan.

### **Prohibited and Restricted Imports**

Certain items cannot be received, stored, shipped, imported to Kazakhstan due to regulatory, hazard, safety or other reasons. Transactions involving the following commodities are prohibited or have restricted entry into Kazakhstan, regardless of origin: antiques, oil products, fine artwork, batteries, hazardous biological products, chemicals, cosmetics, liquor, paints, perfume, tobacco, corrosives, credit cards and their blanks, dangerous goods as defined by the International Air Transport Association (IATA), devices for smoking opium or hashish and smoking mixtures, prescription drugs, fire extinguishers, flammables, furs, gambling devices, gases, graphite products, wet ice, infectious substances, magnetized materials, precious metals, military equipment, oxidizers, personal effects, poisons, political material, precious stones, psychotherapy substances, radioactive materials and tobacco products. For a complete list of prohibited and restricted imports, see:

[DHL import restrictions for Kazakhstan](#)

[FedEx import restrictions for Kazakhstan](#)

[UPS import restrictions for Kazakhstan](#)

### **Customs Regulations**

Kazakhstan has made significant improvements to its customs code regulations and procedures, moving from an overly complicated and, at times, nontransparent system to a more expeditious movement of goods. However, the country still ranks in the bottom half of countries (105 out of 190) on the World Bank's "Trading Across Borders" metric.

Kazakhstan's customs valuation rules largely conform to the World Trade Organization's (WTO) Customs Valuation Agreement, and the country has adopted the Harmonized Schedule (HS) as its tariff nomenclature. Kazakhstan joined WTO in 2015.

On January 1, 2010, Kazakhstan adopted the unified customs tariffs and non-tariff regulations of the Russia, Belarus, and Kazakhstan Customs Union (CU), a legal framework of Eurasian Economic Union (EAEU). Detailed information on legal agreements and the customs duties schedule can be found at the website of the [Eurasian Economic Commission](#).

The new Kazakhstan Customs Code and the Customs Code of the Eurasian Economic Union implemented several progressive provisions intended for simplification of customs procedures, integration of information technology (IT) initiatives, and reduction of 'red tape' issues in customs control procedures from January 2018. In April 2018, full-scale electronic declaration was launched for all customs procedures through Information System 'Astana - 1'. The Customs Code of the Eurasian Economic Union conceptually changed the definition of a 'customs declarant', which may significantly impact business models of supply chains and logistics. Finally, the new provisions allow an entity that is qualified as an 'authorized economic operator' to apply simplified customs procedures.

Customs duties apply to goods imported to the CU countries from third countries. Customs duties rates are established either based on a percentage (in general, ranging between 0% and 40%; higher rates exist for certain goods) of the customs value of goods or in absolute terms in Euros (EUR) or U.S. dollars. Goods of the CU countries should be generally exempt from Kazakhstan customs duties.

In case the owner is sure that the product will be used only on the territory of Kazakhstan, it is possible to clear goods at the WTO rates. If the goods will be exported from the territory of Kazakhstan to the Member States of the EAEU, it is necessary to clear goods at the rate of the CU.

In addition to membership in the CU, Kazakhstan concluded several bilateral and multilateral Free Trade Agreements with the Commonwealth of Independent States (CIS), which provide for exemption of goods circulated between the CIS member states from customs duties, provided certain conditions are met. The ATA Carnet temporary import system was recently launched in Kazakhstan, allowing the duty-free temporary import and export of goods for specific purposes.

Kazakhstan continues to maintain tariff-rate quotas (TRQs) on imports of poultry, beef, and pork, as part of its obligations within the CU. Precious metals and stones, encrypted technologies, documents from national archives, and items of cultural value are among the products now subject to export licensing.

The Law on Investments provides customs duty exemptions for imported equipment and spare parts, but only if Kazakhstani produced stocks are unavailable or not up to international standards. In addition, imported equipment and spare parts designated for priority investment projects under governmental industrialization programs are exempted from customs duties.

Other reforms allow foreign citizens to import and declare goods at a port of entry without utilizing domestic customs brokers. Previously, foreign citizens that wished to import goods into Kazakhstan were required to have a Kazakhstani partner. Notwithstanding this reform, foreign citizens may still be required to have domestic customs brokers in order to file electronic customs declarations, unless they have software compatible with the new CU computer system.

Foreign firms can import some items for their own use duty-free including equipment and spare parts imported to implement an investment project, if this equipment is unavailable on the territory of Kazakhstan. Generally, Customs requires that imported goods be placed in a temporary storage warehouse operated by a customs-licensee pending clearance - a procedure that importers claim can add significant costs and delays to customs processing. U.S. firms have noted that the need to present "transaction passports" ranging from document procurements to bank transfers in

order to clear their goods with Customs is a significant barrier to trade. Implementation of regulations allowing periodic declarations remains problematic.

Foreign entities cannot deal directly with customs officials in Kazakhstan and are legally required to use services provided by licensed customs brokers having the right to operate in Kazakhstan. A list of licensed customs brokers can be found on the website of the [Kazakhstan Association of Customs Brokers](#).

According to EAEU and Kazakhstan customs legislation, depending on the customs procedure applied, customs declaration involves payment of any of the following:

- customs fees set by the national legislation of the Republic of Kazakhstan (RK);
- import duties set by Eurasian Economic Commission resolutions;
- export duties on certain goods, including petroleum products set by national legislation of the RK;
- excise duties on certain type of goods according to Kazakhstan tax legislation;
- 12% import value-added tax (VAT).

In addition, EAEU law considers special, antidumping and protective duties on certain types of goods. Customs payments and taxes are payable to the state budget during customs declaration procedures.

## **Standards for Trade**

### **Overview**

Certification and/or conformity assessment procedures are part of the national system of technical regulation. To bring Kazakhstan standards more in line with international standards, in 2007 Kazakhstan adopted several laws and amendments to the existing Law on Technical Regulations including such laws as Safety of Chemical Products, Safety of Food Products, Safety of Toys, and Safety of Equipment and Machinery. The national file of standards now includes 72,500 rules and norms, including 35,347 representing international standards (International Organization for Standardization, European Standards, International Electrotechnical Commission, etc.) and 2,246 U.S. standards (American National Standards Institute). These standards are applied across all economic sectors.

Under current regulations, safety standards acquire the status of normative documents, mandatory for consideration, while quality standards will gradually become voluntary. The functions of governmental bodies will be limited to dealing with safety control issues. Technical regulations will acquire the status of laws and will be intended to ensure the safety of life and health of consumers. Other standards relating to quality of goods will be given a voluntary status, and manufacturers will no longer be forced to follow outdated requirements dictating a shape, or color of goods as it was under previous legislation.

### ***Standards***

The [Committee on Technical Regulation and Metrology](#) (Gosstandart) under the Ministry of Trade and Integration, is the national agency administrating technical regulation issues in Kazakhstan. Gosstandart is subdivided into three subordinate enterprises: the [Kazakhstan Institute of Standardization and Certification](#), the [Kazakh Institute of Metrology](#), and [National Center of Accreditation](#).

### ***Testing, Inspection and Certification***

The existing procedure of conformity assessment applied in Kazakhstan does not allow for 100% application of international standards due to legal and technical inconsistencies. Kazakhstan entered the International Laboratory Accreditation Cooperation (ILAC) in 2010 and joined the International Accreditation Forum (IAF) in 2013. Conformity Assessment is based on rules and procedures as established by the Eurasian Economic Union – EAEU (Russia, Kazakhstan and Belarus, Kyrgyzstan and Armenia).

Any goods imported into Kazakhstan and included on the mandatory list of goods are subject to the mandatory procedure of certification under national requirements. The list includes machines, cars, agricultural and telecommunication equipment, electro-technical equipment, construction materials and equipment, fuel, clothes, toys, food, medical and veterinary equipment as well as drugs. Contracts for goods delivery should be accompanied by the following documents: product description, country of origin certificate, name of producer, customs declaration, expiration date, storage requirements and user manuals printed in Kazakh and Russian. Foreign certificates, testing protocols and compliance indicators of imported products should correspond to appropriate international treaties.

In Kazakhstan, as well as in other CIS countries, mandatory requirements for goods are set out in standards and legal documents regulating sanitary, environmental, veterinary and other issues, thus requiring further harmonization efforts. The existing system of conformity assessment represents an onerous set of procedures that includes, among others: state control over conformity with mandatory standard requirements, mandatory certification and examination and registration.

Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. Notify U.S. ([www.nist.gov/notifyus](http://www.nist.gov/notifyus)) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country or countries and industry sector(s) of interest and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

### **Trade Agreements**

Kazakhstan became a WTO member on November 30, 2015. In addition, Kazakhstan officially entered a Customs Union with Russia and Belarus on July 1, 2010, eventually becoming a founding member of the Eurasian Economic Union (EAEU), which was created on May 29, 2014, between Kazakhstan, Belarus, and Russia. (The Kyrgyz Republic and Armenia joined in 2015.) Since that time, Kazakhstan's trade policy has been heavily influenced by EAEU regulations. For example, while Kazakhstan asserts that EAEU agreements comply with WTO standards, since joining the Customs Union, Kazakhstan has doubled its average import tariff and introduced annual tariff-rate quotas (TRQs) on poultry and beef.

How Kazakhstan will reconcile conflicting commitments under the WTO and EAEU is still unclear. More information about the EAEU is available at [www.eaunion.org](http://www.eaunion.org). Under its WTO commitments, Kazakhstan agreed to gradually lower 3,512 tariff rates to an average of 6.1 percent by 2020. In January 2016, the country began applying lower-than-CET tariff rates to certain food products, automobiles, airplanes, railway wagons, lumber, alcoholic beverages, pharmaceuticals, freezers, and jewelry. After December 2020, Kazakhstan will have a three-year break prior to starting tariff adjustment negotiations with its EAEU partners. Kazakhstan introduced administrative measures to prevent the re-export of goods released at these lower tariff rates to Armenia, Belarus, Kyrgyzstan, or Russia.

In response to criticism by U.S. exporters, Kazakhstan developed new rules for allocating TRQs that establish clear deadlines and delineate responsibility among government agencies.

Kazakhstan is a signatory of a Free Trade Agreement with CIS countries, available at the WTO's database of Regional Trade Agreements ([rtais.wto.org](http://rtais.wto.org)). In addition, as a member of the EAEU, Kazakhstan is party to a Free Trade Agreement between the EAEU and Vietnam. Earlier in 2019, Kazakhstan ratified an interim agreement on forming a free trade area between Iran and the EAEU.

### **Licensing Requirements for Professional Services**

Obtaining licenses is needed only for those types of activities that are directly stated in the law. Examples include health care services, notary services, telecommunications services and juridical services. Licensing procedures are often slow and non-transparent, though amendments are aimed at improving and simplifying the issuance of licenses.

To simplify procedures and as part of its e-Government strategy, Kazakhstan introduced e-licensing - an electronic license application. E-licensing allows the individual applying for a license to monitor the status of the application. One can find detailed information on [Kazakhstan's electronic licensing website](#). Here individual can apply for about 500 types of entrepreneurial activities in the field of industry, architecture and construction, export-import and others. The application is accepted and processed by the relevant state bodies.

## **Selling U.S. Products and Services**

### **Distribution & Sales Channels**

#### **Overview**

As distribution networks in Kazakhstan have been diversified and upgraded over the years, the major sales and distribution challenges for businesses have shifted from simply getting goods to market to more concern about legislative and regulatory issues. U.S. companies in Kazakhstan use a combination of marketing methods, including direct sales, working through a countrywide distributor or agent, working through more than one local-area distributor or agent and/or distributing or selling products directly from a warehouse. A recent development is the emergence of e-commerce (see section at the end of this chapter). Effective distribution channels require extensive training and after-market service, marketing support and project financing, such as leasing schemes for equipment.

Most of Kazakhstan's population is concentrated in two geographic areas: the southeast (Almaty, Turkistan, and Zhambyl Oblasts) and the north/northeast (Akmola, Karaganda, Kostanai, North Kazakhstan, Pavlodar, and eastern Kazakhstan oblasts). Average incomes are generally higher in these regions than in other parts of the country. The economic development of Kazakhstan's oil-rich western regions has expanded the economies of the largest towns there, principally Atyrau, Aktau, and Uralsk, where major international oil companies currently operate.

Companies are advised to pursue a long-term strategy, as well as careful business development and marketing approaches. Certain factors should be considered, such as the presence of less expensive products from Russia and China, price sensitivity, and local content requirements.

#### **Using an Agent or Distributor**

Personal relationships figure prominently in Kazakhstan's business culture. In an economy where rule of law is not yet firmly established, the quality and depth of business relationships are often your best protection against loss and your key to market access. Selection of a local partner (or partners) is one of the most important decisions your company will make as part of its market entry strategy. An on-the-ground presence is crucial for effective business development.

A good distributor/agent is the best way to solve a variety of problems including communication and providing after sales service. Many exporters designate a Kazakhstani-based trading company as their local sales agent responsible for handling customs clearance of imported goods, dealing with established wholesalers and/or retailers, marketing the product directly to major corporations or the government and handling after-sales service. In some cases, especially when selling to the government, a Kazakhstani distributor is vital.

U.S. companies are encouraged to work with the the U.S. Embassy's Commercial Section for assistance identifying pre-qualified distributors, product representatives and other local partners. For more information contact [office.almaty@trade.gov](mailto:office.almaty@trade.gov).

#### **Establishing an Office**

Registration is the first step that should be undertaken by a company wishing to operate with a physical presence in Kazakhstan. Depending on the type of business, a company has several options in terms of its legal entity in



Kazakhstan. The most typical is a branch office, limited liability partnership, or joint-stock company. Representative offices are also used as an initial step to enter the market but are not recognized as separate legal entities and cannot undertake commercial activities. There are a number of U.S. and local law firms operating in Kazakshtan that can help your firm establish a legal entity in Kazakshtan.

The government utilizes a “one-stop-shop” for registration and requires documents to be submitted to the local department of the Ministry of Justice. The latter sends all the required documents to the relevant statistical and tax committees via a computerized network. The process should take no more than ten days for registration, but according to the World Bank it takes five days on average.

The required package of documents includes, but is not limited to, application for registration, by-laws of the entity to be registered, by-laws of the foreign partner of the joint venture, application form and documents confirming the entity’s address. The registration process could be delayed due to submission of an incomplete package of registration materials or a subjective interpretation of the requirements. Submitting all mandatory documents at one time will help to facilitate timely processing. There is also a registration fee that varies depending on the type of organization being registered. It is recommended that experienced and well-established legal counsel be used to register a company in Kazakhstan.

### **Franchising**

Please see Franchising under the section on “Selling U.S. Products & Services.”

### **Direct Marketing**

Direct marketing is becoming more common in Kazakhstan, especially in larger cities such as Almaty and Nur-Sultan. Some popular forms of direct marketing include distribution of free samples at points of sale and major cultural events and visits to households to promote consumer products. Marketing by mail is less popular, as mail is not considered a reliable delivery instrument.

Personal computer penetration used to be limited to urban areas, but through the development of the state program Digital Kazakhstan more and more people and organizations are enjoying easier and high-quality Internet access. In 2019, the proportion of internet users reached 84.2% largely thanks to affordable mobile data provision 3G and 4G/LTE though various devices (smartphones, personal computers etc). The government of Kazakhstan is planning to continue this increasing tendency of digitalization, placing emphasis on rural areas where 40% of the population resides. Untapped demand is high and the potential for growth is significant, particularly because of the digital development of the country.

Direct sales and sales through catalogs are particularly popular in the cosmetics sector. Leading direct sales companies such as Avon, Mary Kay, Faberlic (Russia), and Oriflame founded the Direct Sales Association (DSA) of Kazakhstan in October 2010 to jointly defend the term of network marketing and protect the rights of their consumers and sellers. At present, the association consists of nine companies: Amway, Avon, Faberlic, Forever Living Products, Herbalife, LR Health & Beauty, Mary Kay, Oriflame and Tiens.

Kazakhstan ranks 15th on the [Global Retail Development Index](#) by Kearney in 2019. However, retail sales are expected to drop dramatically in 2020-2021 due to economic fallout stemming from the COVID-19 pandemic. Most direct sales companies have launched online shopping portals, providing the firms with an important avenue for sales during the pandemic.

### **Joint Ventures/Licensing**

Joint ventures between foreign and local companies and/or individual persons are quite common in Kazakhstan, although the term "joint venture" is not used in legislation. Joint ventures are typically established as limited liability partnership (LLP) or as a joint stock company (JSC). Another form of joint business activity between legal entities is the consortium, an unincorporated form of partnership, based on a contract for joint activity.

Generally, shareholders are not liable for JSC's obligations and bear the risk of losses associated with activity of the JSC within the value of owned shares. A company is formed on the basis of a charter. Initial capital is provided by contributions from shareholders and may take the form of cash, property and property rights assessed in monetary terms.

According to the [Statistics Committee](#) of the Republic of Kazakhstan, more than 10,000 joint ventures with foreign partner participation currently operate in Kazakhstan. Many joint ventures have been established in the oil and gas sector in Kazakhstan. Altogether, some 390 joint ventures with partners from 55 countries currently operate in the Atyrau oblast, the oil-rich region in Western Kazakhstan. Other successful joint ventures are operating in the mining, agribusiness, transportation and food processing sectors of the economy.

### **Express Delivery**

The international express delivery of documents, parcels, and freight is carried out by reliable express delivery firms, including international companies such as DHL, FedEx, UPS, USPS, Post Express, and several smaller international and domestic companies such as Ship Box, Nex, ShipW, CDEC, QSD, Asia Sky Express (ASE), Avis Logistics. The Kazakhstan national mail operator is Kazposhta, which has an extensive network and delivery fleet and is the only carrier able to deliver mail to the most remote corners of the country.

On average, international express delivery takes from two to ten days, depending on the type of dispatch, type of shipment, and destination. Kazakhstan does not have *de minimus value* below which no taxes and duties are charged; the entire invoice value is subject to taxes and/or duties.

### **Due Diligence**

Kazakhstan can be a challenging market fraught with obstacles for any company that does not take the time to learn about the business environment and choose local partners wisely. Taking shortcuts in evaluating business opportunities and selecting local partners is not advisable. Complicating these efforts is the fact that Kazakhstan is still transitioning to a more open, market-based economy. This means that basic business information about regulations, company ownership, and credit worthiness are not always easy to find.

In many cases, business in Kazakhstan is still based on family ties and personal connections. Knowing if your potential business partner can proactively negotiate these networks can help your firm better determine if this is the right relationship to take on. Finding a reliable, credit-worthy partner in Kazakhstan requires due diligence, caution and attention to a potential partner's achievements and reputation. U.S. firms are advised to verify trade references offered by potential partners, check banking records and correspondent account capability with Western banks and verify the personal bona fides of key company officers.

The Commercial Section at the U.S. Mission in Kazakhstan can provide due diligence background checks on potential local partners. There are many U.S. and local accounting, law, and other firms that also offer due diligence/company verification services. Contact [office.almaty@trade.gov](mailto:office.almaty@trade.gov) for more information.

### **eCommerce**

Online shops first emerged in Kazakhstan in the year 2000 but even after twenty years the industry is still underdeveloped. Based on recent reports, Internet use has grown quickly over the last year, from 70.5% in 2014 to 79% of the population in 2019 (according to the International Telecommunication Union). This provides excellent opportunities for growth in e-commerce. Kazakhstan has steadily rising incomes, low population density and vast land mass, making it an ideal candidate for a robust internet-generated, mail-order business sector. More than 2000 Internet shops and Business-to-Business (B2B) trade marketplaces exist in Kazakhstan's domain. Products sold online include prepaid phone and Internet cards, multi-media, books, computer hardware, computer peripherals and accessories, software, cosmetics, apparel, and more recently, consumer electronics and airline tickets. The most progressive types of e-commerce in Kazakhstan include online airline and railway tickets and online payments for mobile services and public utilities.

B2B commerce is starting to grow, as many Kazakhstani companies begin to realize that having web pages and social media accounts are a must for developing a strong brand reputation. Some firms now include product catalogs on their websites. Most companies, however, use their websites simply to represent products and services offered and cannot provide functions of online payment and shipping. In 2004, Kazkommertsbank, the leading local bank in Kazakhstan (merged into Halyk Bank in 2017), and Commerce One, with the support of IBM, activated the first Electronic Trade Ground (ETG) in Kazakhstan to conduct sales and tenders through the Internet. By July 2020, the ETG had registered approximately 59,000 members and logged more than 100,000 completed tenders.

Experts estimate the sector is currently growing at 25% per year, a rate likely to continue for at least the next three years. At the same time, according to the Ministry of National Economy, in 2019 the e-commerce market in Kazakhstan increased by 1.8 times year over year and is valued at USD 1.3 billion. Forecasts from local experts indicate that e-commerce in Kazakhstan could be worth USD 1.5 billion by the end of 2020.

The leaders among foreign e-commerce companies in Kazakhstan are AliExpres, Amazon, and eBay. On-line shopping amounted to only 10-12% of all Internet services provided in Kazakhstan in 2019. Most international courier services have representation in Kazakhstan and use online sites to support delivery. From January 1, 2019, a limit of Euro 500.00 and 31 kilograms was set for goods bought at foreign internet shops and since January 1, 2020, the limit has dropped to 200 Euros, with weight not exceeding 31 kg.

Imperfect and insecure systems of Internet payments and goods delivery combined with weak consumer confidence in e-shopping remain the main obstacles for e-commerce development in Kazakhstan. Payments for orders over the Internet from Kazakhstan online retailers are mostly done by cash-on-delivery or bank transfer and rarely by credit/debit cards, though this trend is beginning to change. Most industry experts attribute the sector's weak development to a lack of critical mass of internet users, as well as poor management of existing e-commerce shops, most of which were opened in Kazakhstan by technical specialists with little or no experience in this specific business.

## **Selling Factors & Techniques**

### **Overview**

Transportation costs, product pricing, trade and project financing and customer service are all important considerations for U.S. companies doing business in the market. Kazakhstan's major cities (e.g., Almaty, Nur-Sultan, Shymkent, Kyzylorda, Atyrau) should be considered first as potential markets for consumer products, since they are well connected to the country's transportation system and their populations generally have greater purchasing power. U.S. products have a good reputation in Kazakhstan, but competition is growing. U.S. firms must provide reliable customer support and a reliable supply of products to their distributors. Distribution networks within Kazakhstan cover great distances because of the country's vast size. Transportation costs and delivery times from the U.S. are significant which obviously affects the price competitiveness of U.S.-produced products.

### **Trade Promotion and Advertising**

The advertising industry is regulated by the Law on Advertising which prohibits advertising alcoholic products, baby formula, tobacco, medical treatments and drugs. Advertising should be presented in both Russian and Kazakh languages.

There are many local and Western advertising agencies operating in Kazakhstan, including some globally recognized public relations firms such as McCann Erickson and Ogilvy & Brothers. Television, outdoor advertising, social media and general-interest publications represent the primary advertising channels for consumer goods.

Unlike traditional advertising platforms, the online advertising market is growing rapidly as more people gain access to the internet and smart mobile devices. Those clients are switching to YouTube, Instagram and other social media sites, which offer many tools, analytics and capabilities to firms. As such, advertisers in Kazakhstan have begun reducing their budgets for traditional media.

Kazakhstan's advertising industry is also benefiting from the penetration of high-speed internet and its potential in advertising has not been fully exploited. QR-code technology is popular and used widely for domestic money transfers and payments. But major brands are also using QR technology for communicating directly with consumers.

### **Pricing**

Key pricing components that should be considered include transport costs, duties associated with import (customs duties and fees, certification payments, etc.), 12% VAT and high expectations of profits by importers/distributors, which tend to charge much higher margins than in other countries.

Another factor affecting price and competitiveness of imported products is application of the value-added tax, which must be paid on top of all customs duties and excise taxes at the time of customs clearance. Considering the challenges associated with customs clearance procedures in Kazakhstan, U.S. firms selling into the market are advised to use the services of a licensed customs broker.

Conditions demand that U.S. companies take into account strong competition from Russian, Chinese, Southeast Asian and European producers. Consumers in Kazakhstan are very sensitive to prices and quality of the goods supplied, though most consumers are willing to pay premiums for uniqueness or higher quality. Higher-than-average prices, however, should be justified by recognizable branding, marketing, warranties or other special features.

### **Sales Service/Customer Support**

Strong customer support and service add significant value in Kazakhstan. In a country where the practice of customer service is developing but still leaves much to be desired, providing after-sales service – either directly or through a trained local representative – will give your company an edge in the market. U.S. companies should be prepared to commit resources to customer-service training for local staff. Local companies starting business with foreign partners are becoming increasingly concerned about after-sales service and customer support, and distributors in Kazakhstan expect that equipment/technologies will come with some type of guarantee.

U.S. companies entering the market are recommended to have pre-arranged agreements with certified maintenance centers. This is extremely important when selling vehicles, construction equipment, electronics, medical devices and other heavy equipment. Due to the considerable time difference between Kazakhstan and the United States, companies should consider using 24-hour help lines, or existing customer support centers in Asia, Russia, or Europe, when support centers in Kazakhstan are not economically justified. In some sectors like healthcare and agriculture, timely and fast delivery of spare parts and components plays a major role in supporting business commitments and brand reputation.

### **Local Professional Services**

There are several Western firms providing legal, accounting and consultancy services in Kazakhstan. The Commercial Section at the U.S. Mission to Kazakhstan maintains a list of local and international service providers supporting the international business community. Contact [office.almaty@trade.gov](mailto:office.almaty@trade.gov) for more information.

### **Principal Business Associations**

There are three principle business associations operating in Kazakhstan and the United States that work to facilitate business and investment between the two markets. They include:

[The American Chamber of Commerce \(AmCham\) in Kazakhstan](#)

[U.S.-Kazakhstan Business Council](#)

[Business Council for International Understanding \(BCIU\)](#)

These organizations engage the Government of Kazakhstan to advocate for improvements in the business and investment climate and most major U.S. companies operating in the market maintain membership in at least one or more organizations.

In March 2012, the government of Kazakhstan, working with AmCham Kazakhstan, formed the Prime Minister's Council to Improve the Investment Climate. Chaired by the Prime Minister, the Council is now the centerpiece of AmCham policy engagement on commercial issues. Meetings of the Council bring together government ministers, ambassadors from the U.S., UK, EU and Canada and representatives from the private sector for frank discussions on rotating topics of interest to the government and the investment community.

Major local business associations include:

### **National Chamber of Entrepreneurs Atameken**

### **Limitations on Selling U.S. Products and Services**

See "Prohibited and Restricted Imports" under the chapter on Customs, Regulations and Standards.

## **Trade Financing**

### **Methods of Payment**

As in other markets, payment methods and terms vary depending upon the company's business model and relationship with its trading partners. For companies that are new to this market, requesting advance payment for goods and services from a Kazakhstani customer may be prudent until both parties establish a positive record of payment. Exporters should also keep in mind that Kazakhstani firms may have difficulties in securing financing from local banks due to high interest rates and stringent lending requirements.

The safest method to receive payment for a U.S. exporter is through an irrevocable letter of credit (L/C) confirmed by a major Western bank. In general, importers must deposit enough funds to cover payment, provide collateral or obtain a credit line from the issuing bank before applying for a letter of credit. U.S. companies are strongly advised to reconfirm payment arrangements with the importer prior to shipping goods. Several U.S. banks accept letters of credit from some of the largest Kazakhstani banks, especially those approved by the U.S. Export-Import Bank. Once a U.S. firm has established a strong relationship with a local trading partner, it may wish to consider extending short- and eventually longer-term credit to bolster sales volume. This should be done with caution and only after careful evaluation and the establishment of successful payments.

Kazakhstan made the use of International Bank Account Numbers (IBANs) and Bank Identification Codes (BICs) mandatory in June 2010. If a U.S. company pays a beneficiary in Kazakhstan or initiates payment from an account in Kazakhstan, it must provide the beneficiary's IBAN and beneficiary bank's SWIFT BIC in the payment instructions. Failure to provide an IBAN may result in payment rejection, delay, or additional charges.

For more information about methods of payment or other trade finance options, please reference this [Trade Finance Guide](#) made available by the U.S. Department of Commerce.

For more information about the methods of payment or other trade finance options, please read the Trade Finance Guide available at <https://www.trade.gov/trade-finance-guide-quick-reference-us-exporters>.

## **Banking Systems**

Kazakhstan has a central bank system, led by the National Bank of Kazakhstan (NBK). In January 2020, the parliament established the [Agency for Regulation and Development after Financial Market \(AFR\)](#), which assumed the NBK's role as the main financial regulator overseeing banks, insurance companies, stock market, microcredit organizations, debt collection agencies and credit bureaus. The National Bank of Kazakhstan (NBK) retains its core central bank functions as well as management of the country's sovereign wealth fund and pension system assets. The NBK and AFR as its successor is committed to move gradually to the Basel III regulatory standard. As of May 2020, Basel III methodology applies to capital and liquidity calculation with required regulatory ratios gradually changing to match the standard.

As of July, 2020, Kazakhstan has 27 commercial banks. The sector is highly concentrated, with the five largest banks accounting for over 60 percent of total banking sector assets. The sector remains impaired by legacy non-performing loans, poor risk management, weak corporate governance practices at some banks and significant related-party exposures. The authorities have undertaken several measures to strengthen the sector, including capital injections, enhanced oversight and expanded regulatory authorities.

Currently, foreign banks are allowed to operate in the country through their local subsidiaries, joint ventures and representative offices. As of April 2020, there were 14 banks with foreign ownership in the country, of which 12 are subsidiaries of foreign banks, and 19 representative offices of foreign banks. Starting December 16, 2020, as a part of Kazakhstan's WTO commitments, foreign banks will be allowed to operate via branches in compliance with regulatory norms prescribed by the NBK and AFR. Legislation mandates equal treatment for foreign and Kazakhstani investors, a position reinforced in 2005 by legislative amendments that lifted restrictions on the participation of foreign capital in the banking sector. No individual or legal entity may own more than 10% of a bank's shares without permission from the authorized body (unless they own it indirectly via another entity which owns ten percent or more in bank's shares).

Foreigners may open bank accounts in local banks if they have a local tax registration number.

## **Foreign Exchange Controls**

Kazakhstan is bound by Article 8 of the International Monetary Fund's Articles of Agreement, adopted in 1996, which prohibits government restrictions on currency conversions or the repatriation of investment profits. Funds associated with any form of investment may be freely converted from the national currency, the Tenge, into any world currency, though local markets may be limited to major world currencies. In 2015, Kazakhstan abandoned its currency peg in favor of a free-floating exchange rate, although the National Bank sometimes intervenes in foreign exchange markets citing the need to combat excess volatility.

Local currency legislation permits non-residents to freely receive and transfer dividends, interest and other income on deposits, securities, loans, and other currency transactions with residents. However, it also requires that a currency

contract must be presented to the servicing bank if the transfer exceeds USD 10,000. Money transfers over USD 50,000 require the servicing bank to notify the transaction to the authorities, so the transferring bank may require the transferring parties, whether resident or non-resident, to provide information for that notification. Residents seeking to transfer property or money to a non-resident in excess of USD 500,000 are required to register the contract with the NBK. There are no time limitations on remittances; and timelines to remit investment returns depend on internal procedures of the servicing bank.

While there are no restrictions on settling accounts in foreign currencies between non-residents and residents, such transactions between residents are prohibited. A new law on currency regulation, which came into force in July 2019, treats local branches of foreign companies as residents, except for branches of foreign banks and insurance companies, and treats non-financial organizations as non-residents based on special agreements with Kazakhstan. Local branches of foreign banks and insurance companies will be treated as residents beginning in December 2020. Prior to this new law, foreign company branches were treated as non-residents. Foreign investors claim the new law creates onerous reporting requirements and increases the cost of doing business. Companies registered with the [Astana International Financial Center](#) are not subject to currency and settlement restrictions.

### **U.S. Banks & Local Correspondent Banks**

Citibank is the only U.S. bank subsidiary in Kazakhstan servicing corporate clients.

#### **[CitiBank Kazakhstan](#)**

41A, Kazybek Bi St, 2<sup>nd</sup> floor  
050010 Almaty, Kazakhstan  
Tel: 7 (727) 298-0400

U.S. banks with correspondent relations with local banks include, but not limited to, Bank of New York, Citibank, and JP Morgan Chase Bank.

### **Protecting Intellectual Property**

Kazakhstan was removed from the United States Trade Representative Watch List in 2006 due to its commitments to improve the IPR legislation and enforcement. Since 2006 Kazakhstan has continued to develop the IPR legislation and regulation; however, enforcement remains weak, as evidenced by the wide availability of pirated and counterfeit goods in Kazakhstan. In addition to concerns about enforcement and customs controls, the judiciary's lack of technical expertise, particularly with regard to patent enforcement, also continues to hinder adequate and effective protection of IPR.

In any foreign market companies should consider several general principles for effective protection of their intellectual property. For background, link to this article on [Protecting Intellectual Property](#) and [Stopfakes.gov](#) for more resources.

The IP Attaché for Kazakhstan, Dorian Mazurkevich, is based in Kyiv, Ukraine. His contact information is available at: <https://www.uspto.gov/ip-policy/ip-attach-program/regions/ukraine>



## **Selling to the Public Sector**

### **Selling to the Government**

State procurement is regulated by the 2015 Law on State Procurement and several amendments, and applies to ministries, state agencies and companies and enterprises in which the state holds more than 50% of the shares. In 2014 the law was amended to allow vendors from member countries of the Eurasian Economic Union to participate in public procurement tenders on equal terms with domestic suppliers. Kazakhstan has not acceded to the WTO's Agreement on Government Procurement, though the Government of Kazakhstan did notify the WTO in November 2019 of its intent to begin negotiations to accede to the Agreement.

The latest amendments to the law include a clear definition of "dumping price" to avoid underpricing, introduction of a complaints' register, requirements to exclude non-financially sound suppliers and offshore zone registered companies, measures to prevent unfair advantage by obtaining access to competitor information and changes to the principles for making single source procurements.

The procurement system in Kazakhstan is highly decentralized with different government agencies and companies managing specific procurement projects. The Ministry of Finance develops procurement policies and the Committee for Public Procurement is responsible for enforcing the laws and regulations on public procurement. The state procurement process is implemented through mandatory tenders announced by government agencies. Newspapers designated by the Committee for Public Procurement publish the tender opportunities.

To facilitate the procurement process, the government created an [e-procurement portal](#). The [State procurement website](#) (only in Kazakh and Russian) was launched in 2008 and the [E-finance Center](#) (website is in Kazakh, Russian and English) was assigned as the sole operator in electronic state procurement. According to the latest changes in Law on State Procurement, from 2019 the E-finance Center provides services for accessing the portal on a paid basis and from 2020 a new concept of "e-wallet" will be introduced for potential suppliers to make payments to guarantee bids.

Kazakhstan's state procurement regulations seek to provide international standards of transparency and public accountability. However, what appears in print and what happens in practice can be very different. Short deadlines for tenders (suggesting a preselected supplier), lack of transparency in business dealings and nonpayment issues remain a challenge. The regulations often favor domestic suppliers over foreign companies. Lucrative opportunities do exist, however, and American companies have had success bidding on projects in Kazakhstan. U.S. companies are advised to approach any government tender deliberately. Companies are advised to seek payment guarantees and be wary of payment-after-service arrangements.

U.S. companies bidding on Government tenders may also qualify for U.S. Government advocacy. A unit of the U.S. Commerce Department's International Trade Administration, the Advocacy Center coordinates U.S. Government interagency advocacy efforts on behalf of U.S. exporters bidding on public sector contracts with international governments and government agencies. The Advocacy Center works closely with our network of the U.S. Commercial Service worldwide and inter-agency partners to ensure that exporters of U.S. products and services have the best possible chance of winning government contracts. Advocacy assistance can take many forms but often involves the

U.S. Embassy or other U.S. Government agencies expressing support for the U.S. bidders directly to the foreign government. Consult Advocacy Center for Foreign Government Contracts and for additional information.

### **Financing of Projects**

Large infrastructure projects in Kazakhstan are often financed through multilateral development banks such as Asian Development Bank, [European Bank for Reconstruction and Development \(EBRD\)](#) and the World Bank, as well as through the Development Bank of Kazakhstan. Commercial financing, such as bank loans and private equity, is also used. For example, the Big Almaty Ring Road, a highway project, is being financed by a consortium of development banks, including EBRD, the Eurasian Development Bank and the Islamic Development Bank. In another example, the construction of a new terminal at the Shymkent airport is being financed by private airline SCAT.

**Multilateral Development Banks and Financing Government Sales:** Price, payment terms, and financing can be a significant factor in winning a government contract. Many governments finance public works projects through borrowing from the Multilateral Development Banks (MDB). A helpful guide for working with the MDBs is the [Guide to Doing Business with the Multilateral Development Banks](#). The U.S. Department of Commerce's (USDOC) International Trade Administration (ITA) has a Foreign Commercial Service Officer stationed at each of the three different Multilateral Development Banks (MDBs) operating in Kazakhstan. Learn more by contacting [Advocacy Liaisons to Multilateral Development Banks](#).

The [U.S. Trade and Development Agency \(USTDA\)](#) has extensive experience in transitional economies, and the agency moved quickly to establish programs when Kazakhstan became independent in 1991. As of year-end 2019, USTDA provided approximately USD 13 million in funds to benefit Kazakhstan and has financed feasibility studies and technical assistance, as well as sponsoring reverse trade missions to the United States for major projects in key sectors such as oil and gas, railway transportation, information technology, health care and electric power. Since 2017, USTDA has steadily reduced its portfolio in Kazakhstan due to poor performance and lack of follow-on export opportunities for U.S. firms. Nevertheless, the agency is still open to supporting feasibility studies in Kazakhstan in targeted sectors.

In addition to USTDA, the [Export-Import Bank of the United States \(EXIM\)](#) and [U.S. International Development Finance Corporation \(DFC\)](#) provide trade and investment finance in the Kazakhstan market.

## **Business Travel**

### **Business Customs**

Kazakhstan draws on a combination of Russian and Central Asian cultural influences, and customs may depend on the ethnicity of the person with whom you are meeting. It is customary to shake hands and call people by their first name and patronymic (adaptation of the father's first name) at business meetings and at informal gatherings, though use of just the first name is also acceptable. Business attire is generally a suit and tie for men, and a suit or business dress for women. Refreshments are usually served at business meetings - coffee, tea and water are the norms. Small gifts (pens, company logo pins, portfolios, books, etc.) are frequently given at the end of an initial meeting as a token of appreciation. Business cards are the norm, often printed in both English and Russian, and sometimes in Kazakh.

Scheduling meetings can be challenging, and sometimes it can take weeks to get a response to an email or a telephone message. Once contact has been established, patience is still required to confirm a date and time to meet. It is not uncommon for meetings to be cancelled with no explanation. Since traffic is a problem in Almaty and Nur-Sultan, company representatives appreciate meeting at their office locations, but are not averse to accepting an invitation for a lunch meeting. Due to the COVID-19 pandemic and limitations on travel and in-person meetings, most Kazakhstani businesspeople are open to virtual meetings or introductions.

Kazakhstanis are generally less direct than Americans in business communications. What can be accomplished in a few meetings among American businesspeople might take more time in Kazakhstan. An experienced and competent interpreter can be invaluable to your business meetings.

Though the majority of Kazakhstanis are Muslim, business travelers with experience in Islamic countries will find the country to be very secular, and many practices that exist elsewhere are not widely observed here, although this is slowly changing. It is quite common for ethnic Kazakhs and Uighurs (and other Turkic ethnicities) to consume alcohol at dinner functions or receptions.

### **Travel Advisory**

[Please see the U.S. Department of State Travel Advisory for Kazakhstan.](#)

### **Visa Requirements**

A valid passport is required. The Embassy of Kazakhstan in Washington, D.C., and the Consulates of Kazakhstan in New York and San Francisco issue visas.

#### **The Embassy of Kazakhstan**

1401 16th Street NW  
Washington, DC 20036  
Telephone (202) 232-5488 ext. 122

[Consuldc16@gmail.com](mailto:Consuldc16@gmail.com)

#### **The Kazakhstani Consulate in New York**

866 United Nations Plaza; Suite 586 A  
New York, NY 10017

(929) 310-7494

[kzconsulny@gmail.com](mailto:kzconsulny@gmail.com); [consul.newyork@mfa.kz](mailto:consul.newyork@mfa.kz)

**The Kazakhstani Consulate in San Francisco**

580 California Street, Office 1220

San Francisco, CA 94104

(628) 502-3741

[qazconsulsf@gmail.com](mailto:qazconsulsf@gmail.com)

On January 1, 2017, the Kazakhstani government implemented a visa waiver program that allows U.S. citizen travelers to enter Kazakhstan for most purposes of travel (excluding employment and engaging in religious activities) without a visa for stays up to 30 days. During this period, business travelers may extend their stays for one month and investors may extend their stays for up to three years respectively without leaving Kazakhstan under certain circumstances. U.S. citizens wishing to visit Kazakhstan for longer than 30 days will be required to obtain a visa. In order to prevent the spread of COVID-19, the government of Kazakhstan has temporarily suspended its unilateral visa-free regime for citizens of 57 states, including the United States, starting from April 17, 2020 until November 01, 2020. During this period, all U.S. citizens are required to obtain a visa, regardless of purpose of travel, before entering the country.

Since December 27, 2016, the U.S. and Kazakhstan has issued ten-year multiple-entry visas on a reciprocal basis to applicants traveling for tourism, business, diplomatic and official travel, education/participation in exchange programs and journalism. An invitation is no longer required for business and tourist visas. The U.S. Embassy in Nur-Sultan and the U.S. Consulate General in Almaty cannot provide any visa assistance to those interested in private travel to Kazakhstan. Travelers may be asked to provide proof at the border of their subsequent travel arrangements. Travelers should be aware that those overstaying the validity period of a visa or the visa waiver pilot program's 30-day limit may face possible fines and delays upon exit.

Most visa categories cannot be extended in Kazakhstan. Exceptions to this rule are student visas, visas for medical treatment, visas for permanent residents of Kazakhstan, and work visas, which can be extended in Kazakhstan up to the expiration date of the holder's work permit, a separate document issued only in Kazakhstan. Business visas can be extended domestically if the traveler is in Kazakhstan at the invitation of the Government of Kazakhstan, a diplomatic mission or international organization in Kazakhstan.

As of January 11, 2020, registration is no longer required for travelers to Kazakhstan. It is the responsibility of the Kazakhstani host or inviting party (hotel, landlord, employer, school, individual, etc.) to report foreigners' arrival within three working days. Notification can be done online or in person at a local Migration Police office. If foreigners substantially change their location by traveling and staying in a different city or residing in a different jurisdiction, their host should report the new location to the local Migration Police.

Some HIV/AIDS restrictions exist for visitors to and foreign residents of Kazakhstan. Visitors applying for a work or residency permit, required for U.S. citizens who wish to spend more than 6 months in Kazakhstan, must submit negative HIV test results with their application to the Migration Police in the city where they intend to work or reside. The results must be less than three months old. The city HIV clinic in the place of registration can conduct

the test or may certify test results performed abroad. If the original test results are in a language other than Russian or Kazakh, they must be accompanied by an official translation. If a foreigner tests positive for HIV in Kazakhstan, he or she must depart the country.

### ***Inviting Your Business Contacts to the United States***

The Embassy supports business travel to the United States by making the U.S. visa process as efficient and transparent as possible. We encourage travelers to apply for U.S. visas 4-6 weeks before their planned departure to allow time for any special processing requirements or seasonal delays. Kazakhstani citizens wishing to renew a business or tourist visa may be eligible to apply without a new interview. U.S. Companies that require travel of foreign businesspersons to the United States are advised that security evaluations are handled via an interagency process. For more information on U.S. visa requirements and validity, please consult either the [State Department Visa Website](#) or the U.S. Embassy website.

#### **U.S. Embassy in Nur-Sultan**

Raqymjan Qoshqarbayev Avenue 3,  
Nur-Sultan 010000, Kazakhstan  
Phone: +7 (7172) 70-21-00  
<https://kz.usembassy.gov/>

#### **U.S. Consulate in Almaty**

Samal-2, 97 Zholdasbekov Street,  
Almaty, 050051, Kazakhstan,  
Phone: +7 (727) 250-76-12/17  
<https://kz.usembassy.gov/>

### **Currency**

The currency of the Republic of Kazakhstan is Tenge (KZT). There is a currency exchange kiosk located at Nur-Sultan and Almaty airports and in many places across the city. Most banks are open from 09:00 AM to 6:00 PM from Monday to Friday. Major international debit/credit cards including Visa and MasterCard are accepted in most hotels, major department stores, restaurants and supermarkets. Small businesses and family-run stores may not accept bank cards, so it is useful to keep a moderate amount of cash on hand.

Exchange rate (September 23, 2020)

1 USD = 425.59 KZT

### **Telecommunications/Electronics**

Telephone coverage in Kazakhstan remains less than universal and Internet connections are not ideal especially in remote areas, but there is significant progress in providing high speed internet in the largest cities of the country. Kazakhstan has a well-developed mobile network infrastructure. There are three mobile operators (Kcell, Beeline, Tele2) in Kazakhstan providing services in GSM standard. Most business travelers with roaming capabilities will have no problem using mobile phones in Kazakhstan. Both land line and cellular rates in Kazakhstan are higher than

in Europe, especially for domestic long distance and international calls. Use of VoIP services such as Skype, WhatsApp, and Viber has become popular in recent years.

Business travelers can obtain Internet access via most hotels, but at a price. Wi-Fi at cafes and restaurants is more and more common in Almaty, including at shopping and entertainment facilities and at the Almaty airport. However, many expatriates living in larger cities still find it difficult to get high-speed Internet access.

### **Transportation**

Though Kazakhstan's capital moved to Astana (now Nur-Sultan) in 1997, Almaty remains the country's business hub. Travelers from the United States tend to arrive into Almaty via Frankfurt, London or Istanbul, though there are several other international connections. Kazakhstan's national airline, Air Astana, has a modern fleet of Airbus and Boeing aircraft along with direct flights from major European cities. It is roughly a 5-7-hour flight from Europe to Kazakhstan.

In-country travel is accomplished by utilizing the national airline, Air Astana. Some smaller scale companies also offer limited services within Kazakhstan. There is also a high-speed, overnight train between Almaty and Nur-Sultan.

For inner-city transportation, companies are strongly advised to use licensed taxi services. Popular mobile phone applications such as Yandex Taxi are also widely used in Kazakhstan. Companies can also hire private drivers at a reasonable cost. Businesspersons are advised to avoid hitchhiking in what are known as "gypsy taxis," a privately-owned vehicle and common form of transportation for locals.

### **Language**

Despite a national movement to encourage the use of the Kazakh language, Russian is still widely used, especially in business. Both Kazakh and Russian languages appear on road signs, at stores and on product packaging. In accordance with the adopted "Kazakhstan Development Strategy 2050," a policy of trilingualism is actively pursued, aimed at developing not only Kazakh, but Russian and English languages by the people of Kazakhstan. Today English is one of Kazakhstan's three official languages and occasionally appears on some signs. Travelers will also find that English skills are quite strong in the service industries. Though good interpreters demand a premium price, business travelers are well advised to ensure they have a qualified interpreter in business meetings.

In 2017, Kazakhstan started a phased transition from the Cyrillic alphabet to the Latin alphabet. The Kazakh government drafted a seven-year process for implementation of the new alphabet.

### **Health**

Current health information for travelers to Kazakhstan can be found on the [CDC website](#).

### **Local Time, Business Hours and Holidays**

Eastern Kazakhstan (which includes Almaty and Nur-Sultan) is 10 or 11 hours ahead of Eastern Standard Time (EST), depending on the time of year (Kazakhstan does not practice daylight savings). Business hours are normally 9:00 a.m. – 6:00 p.m.

Local holidays can be found on the [U.S. Embassy's website](#) but travelers are also advised to confirm dates with contacts in Kazakhstan. If a holiday falls on a Tuesday or Thursday, the Government of Kazakhstan may elect to make the preceding Monday or following Friday a holiday as well, thereby linking the holiday to the weekend.

### **Temporary Entry of Materials or Personal Belongings**

The ATA Carnet temporary import system was recently launched in Kazakhstan; it allows the duty-free temporary import and export of goods for specific purposes. Kazakhstan will accept ATA Carnets for the intended uses of:

- professional equipment;
- commercial samples;
- exhibitions and fairs.

A firm importing goods for a temporary period should provide Customs with documents containing the description and value of the goods and a written confirmation stating that the goods will be sent out of Kazakhstan after a defined period.

## **Investment Climate Statement (ICS)**

The U.S. Department of State's Investment Climate Statements provide information on the business climates of more than 170 economies and are prepared by economic officers stationed in embassies and posts around the world. They analyze a variety of economies that are or could be markets for U.S. businesses.

Topics include Openness to Investment, Legal and Regulatory systems, Dispute Resolution, Intellectual Property Rights, Transparency, Performance Requirements, State-Owned Enterprises, Responsible Business Conduct, and Corruption.

These statements highlight persistent barriers to further U.S. investment. Addressing these barriers would expand high-quality, private sector-led investment in infrastructure, further women's economic empowerment, and facilitate a healthy business environment for the digital economy. To access the ICS, visit the U.S. Department of State's [Investment Climate Statement](#) website.



## **Political Environment**

For background information on the political and economic environment of the country, please click on the link to the U.S. Department of State Countries & Areas website.