

**INVESTMENT COOPERATION
BETWEEN KAZAKHSTAN AND
MIDDLE EASTERN COUNTRIES:
PROBLEMS AND PROSPECTS**

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ABSTRACT

In the early 1990s, Kazakhstan was faced with the dilemma of how to reform its economy. In this context, the republic began to build multilateral relations with many Middle Eastern countries, including the United Arab Emirates, Saudi Arabia, Egypt, as well as with Turkey and Iran. The first investments went into the key sectors of the economy: energy, transport and communications, and the agro-industrial complex. According to experts, Kazakhstan's economy in the 1990s received more than 80% of all direct investments in Central Asia. The necessary prerequisites for Kazakhstan's integration into global and regional economic processes were put in place, and priority areas for the development of a market economy were selected. Memorandums and agreements with Middle Eastern states and financial institutions signed since then provide the basis for long-term cooperation.

Countries in the region are interested in Kazakhstan's sustainable and progressive development through the establishment of financial institutions, creation of conditions for market transformation, and a larger economic and political presence in Central Asia. Kazakhstan, in turn, seeks to use the potential of the Middle Eastern countries to ensure its economic and foreign policy security and help it integrate into the world economy, particularly by developing transport

and pipeline routes, attracting investment, and gaining access to the latest technologies.

Agreements between the Republic of Kazakhstan and Middle Eastern countries in various sectors and contracts in transport and communications have enabled our country to modernize the economy, both national and regional. Middle Eastern business is represented in almost all sectors of Kazakhstan's economy. Companies from the Middle East are building modern production facilities and creating new jobs in the market.

Leaders of Middle Eastern countries, statesmen, and entrepreneurs think highly of Kazakhstan's policy in attracting investment. A number of oil and gas companies are working successfully in the Kazakhstan sector of the Caspian Sea, and contacts in the humanitarian, financial, transport, and other spheres are developing rapidly.

For more than 25 years now, Kazakhstan and Middle Eastern countries have been cooperating in virtually all key sectors of the economy: oil and gas, nuclear power, transport, and communications. Middle Eastern companies supply industrial and medical equipment, all kinds of goods, building materials, etc. Kazakhstan has an opportunity to draw on reform experience that consists in various forms of government regulation.

KEYWORDS: *Kazakhstan, Central Asia, Middle Eastern countries, investment cooperation, trade and economic relations, direct investment.*

Introduction

A study and analysis of the key areas of cooperation between Kazakhstan and Middle Eastern countries is relevant today in theoretical and practical terms, helping to understand the essence of multilateral relations in the trade, economic, and investment spheres within the system of international relations and to identify the differences in Kazakhstan's cooperation with individual countries in the region. This topic has become a subject of investigation for local and foreign researchers, who seek, first and foremost, to fill the existing gaps. This provides an opportunity to analyze the contacts between states emerging and developing as part of the complex process of global and regional interactions and to examine their differences and specific features.

Under its new industrial program, Kazakhstan has been working actively with Iran, Turkey, Saudi Arabia, and the United Arab Emirates (UAE), and this has made it possible to set up new production facilities, create jobs, reduce unemployment, and address social problems.

Kazakhstan's long-standing relations with Muslim countries are a key element of its foreign policy. The republic has cooperated with the Organization of Islamic Cooperation (OIC), the Islamic Development Bank (IDB), and the Muslim World League (MWL). Constructive ties with Islamic countries help to develop multilateral contacts in various spheres of society's life and to strengthen political and economic dialog.

The foreign policy priorities of Kazakhstan are consistent with the OIC's goals and objectives. Let us note that Kazakhstan is a multi-ethnic and multi-religious state that actively supports the global process aimed at promoting cooperation and understanding between nations and cultures, which serves the interests of the OIC. Kazakhstan's real and active participation in the activities of the OIC, along with other major regional and global organizations, is highly relevant in today's geo-political and geo-economic conditions.

The second decade of the 21st century demonstrates an unprecedented volume of foreign economic activity, in which transnational companies operate as traders, investors, and promoters of the latest technologies, fueling international labor migration. They are in large part responsible for the dynamics, structure, and competitiveness of the global goods and services market, international capital movements, and technology transfer. Among the independent states of the Persian Gulf, there is a group of oil-rich states that have achieved significant economic results. In the past few decades, increasing globalization, transformation of economic ties, and the emergence of new dimensions in international relations have allowed the Persian Gulf monarchies (which hold 43.9% of the world's proven oil reserves and 15.5% of its natural gas reserves) to move in their development from the periphery of the region to the center of the world economy and Middle Eastern politics.

After the breakup of the Soviet Union and the formation of new sovereign states in 1991, the Muslim republics in Central Asia saw a significant increase in the number of Islamic financial institutions. Moreover, Islamic banks and finance were regarded by Islamic researchers as an innovative way for the former Soviet republics in the region to form an economic bloc with other Islamic countries outside Central Asia, which would ultimately give them a big market advantage in the competitive global economy.

One of the mechanisms that provide access to global markets is national and regional socio-economic development based on liberal economic reforms. The dominant Soviet legacy in these Muslim republics, especially the influence of the centrally planned economy, significantly impeded this development. But with the arrival of Islamic banking services and finance, the Muslim republics of Central Asia and the Southern Caucasus have already gained significant momentum in their socio-economic development.

Discussion

Investment Projects of Kazakhstan and Middle Eastern Countries

Turkey was one of the first countries to organize joint ventures and joint stock companies in Kazakhstan. Kazfen JV, established by Turkey's Tekfen, Kazakhstanneftegazstroj, and Japan's Mitsubishi, began the construction of a 765 km Kenkiyak-Kumkol oil pipeline. Another question being considered was Kazfen JV's participation in the reconstruction of the Astrakhan-Mangystau water pipeline and the Zhetybai-Uzen oil pipeline, as well as in the construction of bund walls in oil fields on the Caspian coast.

Among the companies successfully operating in Kazakhstan were Vesnet, a telecommunications equipment company established by Turkey's Netaş (with a stake of 51%) and Kazakhtelecom (with 49%); Coca-Cola Almaty Bottlers with a 50% stake held by Efes Yatirim and Anadolu Endüstri Holding; the construction firm Bechtel-ENKA with a 50% stake held by Turkey's largest construction company ENKA, and others.

In June 1993, a turnkey contract for the construction of a 954 MW combined cycle power plant in Aktyubinsk was signed in Astana by the KazakhstanEnerggo national power company and a German-American-Turkish consortium consisting of Siemens, Babcock, and BMB in the presence of the presidents of Kazakhstan and Turkey. It was planned to invest a total of about 800 million. But because of differences between three republican ministries (geology, energy, and oil and gas), there was no progress on the project for a number of years, and it was cancelled by the government at the end of July 1996.

One of Turkey's leading firms, Güriş İnşaat (Guris Construction), as part of another German-American-Turkish consortium, won a contract for the construction of a 2 x 140 MW power plant in Zhezkazgan and, jointly with Canada's SNC Lavalin, signed a contract for the construction of a metro system in Almaty.

These two projects, worth a total of \$1.2 billion, were to be funded by loans from international financial institutions. But in this case as well, the Kazakhstan side reviewed its obligations under the first project and suggested replacing it with a project for the construction of a 320 MW Balkhash Thermal Power Plant (TPP), valued at \$400 million. The construction of the Balkhash TPP was stalled because of lack of guarantees from the Kazakhstan Electricity Grid Operating Company (KEGOC) for the purchase of electricity to be generated by the plant. These and other examples of breach of our obligations could seriously damage the republic's image abroad.

Turkey's Okan Holding completed the construction of a five-star hotel in Astana with funding from the Exim banks of Turkey and the United States. Other Turkish companies, especially Entaş, Burch, Ahşel, Fintraco, ENKA, and Emsaş, were also active in Kazakhstan. Ties in agriculture and in the food and light industry developed rapidly. For example, 14 joint ventures for processing hides, skins, and leather waste for the subsequent manufacture of consumer goods were set up in the country.

The agriculture ministries of Kazakhstan and Turkey established close business contacts in the field of technical, scientific, and economic cooperation. The Turks were offered a list of top-priority investment projects in the agri-food sector and in the creation of joint ventures. Ties in the banking sector strengthened as well: Turkey's major banks, Ziraat Bankasi and Emlak Bankasi, set up joint venture banks in Almaty with Kazakhstan partners; the Kazakh-Turkish International Bank of Almaty (IBA) operated in the republic's financial market, etc. One of the main tasks was to fund Turkey's public and private sector investment projects in Kazakhstan in the absence of direct government guarantees.¹

¹ Archive of the President of the Republic of Kazakhstan (APRK), rec. gr. 5-N, inv. 6, f. 4540, sheet 68.

In the 1990s, an overwhelming majority of Turkish firms in Kazakhstan were small and medium-sized, while big capital took a wait-and-see attitude and was in no hurry to make large and long-term investments. This situation was due to lack of experience in coordinating and arranging systematic information work by ministries and departments to explain the specifics of Kazakhstan's investment climate and economic law. In this context, the coordinating role of the Kazakh-Turkish Inter-governmental Commission on Economic Cooperation came into sharp focus.

The new prospects of cooperation between Kazakhstan and Turkey in the 21st century are directly associated with the Turkish leadership's concept of creating an energy and transport corridor between the West and the Central Asian countries, which has the open and active support of the U.S. and other leading states of the world. This is particularly important as Kazakhstan is set to implement monumental projects in tapping its oil and gas wealth. In this context, it is time to elaborate our own concept and a long-term program for developing trade, economic, scientific, and technical cooperation with Turkey and focusing the government's efforts on its implementation.²

As of 2000, investments by Iranian companies in Kazakhstan were estimated at \$50 million and were connected with leather and footwear manufacturing in Taraz, kaolin production in Kokchetav [renamed Kokshetau in 1993] and the establishment of bread and pastry making centers in Almaty. Iranian companies also tried to enter the construction market in Kazakhstan.

Massive Iranian investments in our economy could hardly be expected, because Iran itself was badly in need of foreign capital inflows and was more of a competitor than a partner of our republic in this respect. In addition, legislative restrictions on funding projects outside the country constrained the foreign activities of Iranian companies. The fact that Kazakhstan had abandoned the practice of providing government guarantees was not conducive to Iranian investment either.

Nevertheless, there is significant untapped potential for trade and economic cooperation. According to the Tehran-based Economic Cooperation Organization (ECO), trade between the two countries could reach \$1 billion.

Among the priority areas of trade and economic cooperation between the Republic of Kazakhstan and the Islamic Republic of Iran one should include an exchange of crude oil and oil products. Despite serious financial and technical problems, there was a real prospect of resuming swap transactions. It was planned to begin implementing a new scheme for the delivery of Kazakhstan crude oil meant for exchange from the Kumkol oil field by pipeline to Chardzhou [renamed Turkmenabat in 1999] and then on by rail to the Tehran Oil Refinery. Negotiations on the project and on funding sources for the construction of a new oil pipeline (with a capacity of 320 thousand barrels per day) linking the Iranian port of Neka on the Caspian Sea with Tehran were virtually completed, and the only obstacle to the implementation of this very promising project was the problem of obtaining guaranteed minimum quantities of crude oil from Kazakhstan and Turkmenistan exporters.

The Iranian side showed an interest in acquiring oil fields in Kazakhstan so that the oil produced from these fields would later be refined at Iranian refineries in the north of the country. This was a promising area of cooperation, and today it continues to deserve serious attention.

Kazakhstan has a solid position in the grain market. The task of increasing exports of wheat and barley to Iran so as to gain a foothold in its grain market and move on to long-term cooperation in this area is far from simple. For this purpose, Iran had to complete the construction of its grain-handling infrastructure, as well as grain storage facilities at its ports on the Caspian Sea. It was also necessary to step up negotiations on further improvements in tariff conditions, conclusion of futures contracts, and involvement of Iranian companies in long-term lease or privatization of grain farms, coupled with appropriate investment. Such an approach would help to make long-term forecasts of

² APRK, rec. gr. 5-N, inv. 6, f. 4540, sheets 70-71.

grain exports to Iran, stabilize the position of Kazakhstan's grain producers, and address social problems in rural areas.

The parties continued their efforts to develop transport infrastructure that links the two countries and to improve tariff conditions. From this perspective, they had to ensure full utilization of facilities at the renovated Aktau Port as goods from Kazakhstan were exported to Iran and through its territory, complete the construction of the Aktau grain terminal, and implement the agreement to establish a ferry service between the ports of the two countries. Work was also underway to improve tariff conditions for transit of goods by rail through the territories of Uzbekistan and Turkmenistan. As for Iran, a visit to Kazakhstan in March 2000 by Minister of Roads and Transport Mahmoud Hojjati showed that Iran was interested in taking part in the completion of the modernization of the Aktau Port and was willing to cooperate with Kazakhstan in negotiating tariffs with Uzbekistan and Turkmenistan.

The idea of establishing a freight forwarding office for shipping goods by rail has never been implemented, although Iran was obviously interested in this project. Kazakhstan and other potential participants in the project had to intensify their efforts in this direction.

The reconstruction of the Aktau Port with an increase in its cargo-handling capacity raised the question of establishing a shipping company to operate in the Caspian. Here, too, Iran could be an attractive partner with the necessary material and financial resources. The establishment of a joint shipping company within the ECO framework would enable Kazakhstan exporters of crude oil, oil products, metals, and metal products, as well as grain, to reduce transportation costs and maintain a regular shipping service between the Caspian ports of the two countries.

In the near future, joint projects for the construction of regional oil and gas pipelines could become one of the key areas of cooperation between the two countries. The Iranian direction is generally believed to be the shortest and most economical one. There is reason to expect that the developing trend towards a normalization of relations between the United States and Iran will eventually lead to the removal of political barriers to the construction of pipelines running in this direction. In view of this, the parties have continued joint work on feasibility studies for the construction of a pipeline from western Kazakhstan through Turkmenistan to northern Iran.

Iranian construction companies have wide experience and operate at world-class levels. Given the low cost and high quality of Iranian building materials and labor, they can effectively compete with other foreign companies in Kazakhstan, especially when it comes to tenders for the construction and renovation of roads. Their active participation in such tenders will allow Kazakhstan, among other things, to conclude contracts with other foreign companies on more favorable terms.

The solution of transport problems would provide new opportunities for trade and economic cooperation between the two countries. For example, there would be more opportunities for the Achisai Polymetallic Complex and Balkhashmys to establish mutually beneficial ties with Iranian companies, while Kazakhstan's chemical plants would be able to supply mineral fertilizers, borate ore, boron and its compounds, phosphorus products, chromium salts, calcium carbide, rubber tires, etc.

There are no political barriers to developing and expanding trade and economic cooperation between Kazakhstan and Iran. Moreover, the explicit political will of the leaders of both countries to promote the development of good neighborly and friendly relations and fill them with real content required active and purposeful work by appropriate agencies and departments to put this political will into practice.³

Let us note that Iranian companies have participated in tenders held by our republic. This includes:

³ APRK, rec. gr. 75-N, inv. 1, f. 6385, sheets 66-67.

- the construction of a 166 km highway, Sormol company (prequalification stage);
- renovation of the Almaty-Astana road (215 km section), Iran Road Development Organization (prequalified tenderer);
- development of irrigation and drainage networks in the Akumski-Maktaaral districts, construction of two sections of the Almaty-Astana road, and reconstruction of irrigation systems;
- leasing of machinery under projects for the construction of a cigarette factory, Iran Sazman company;
- development of a project for drinking water supply in the Kyzylorda Region, Pars Kosulat company.

On 3 December, 2014, the presidents of Kazakhstan, Turkmenistan, and Iran attended the opening ceremony for the KTI railway, which has provided Kazakhstan with a direct overland route to the Persian Gulf countries.

Kazakhstan and Egypt have maintained wide-ranging relations in different areas for many years. Bahgat Group is Egypt's largest private manufacturer of electronics and household appliances under license from global leaders such as Grundig, Toshiba, Philips, and LG, manufacturing both under their brand names and under its own brand of Goldi. The company makes and assembles TV sets, video and audio equipment, refrigerators, gas stoves, air conditioners, and medical (diagnostic) equipment. It also makes furniture, manufactures plastics for TV sets and other products, and owns a marble factory and other production facilities.

The company was founded in 1985 by Ahmed Bahgat. Originally, it specialized in assembling TV sets and microwave ovens under a license from GoldStar (LG). As of July 2000, the company controlled 45-50% of Egypt's TV manufacturing market, producing about 500 thousand TV sets a year. Some of these produces were exported, particularly to the European market.⁴

In 1995, the company launched an urban development project called Dreamland with all necessary infrastructures, including apartment complexes, schools, hospitals, recreational facilities, a consumer services center, etc. It covers an area of more than 9 sq. km.

Arab countries have taken an active part in developing infrastructure in Kazakhstan, the country with the largest economic potential in the region. Saudi Arabia allocated more than \$15 million for the construction of the Senate building in the republic, \$12 million for the renovation of the Osakarovka-Vishnevka Highway, and \$2 million for the construction of a mosque in Petropavlovsk. Saudi investments in the economy of Kazakhstan have increased owing to Saudi Arabia's Central Asia Investment Company, which has operated successfully in our market since 1997. Prince Sultan bin Abdulaziz Al Saud funded the construction of a cardiac surgery center in Astana fitted out with state-of-the-art medical equipment. After its opening in 2006, it became the most modern and best-equipped medical facility in the whole of Central Asia.

Kazakhstan's trade and economic relations with the United Arab Emirates have developed dynamically, especially in the investment sphere. One of the first large-scale projects was the construction of the Abu Dhabi Plaza, a multifunctional complex in Astana, at a cost of \$1.1 billion. The Mubadala Investment Company from Abu Dhabi has made direct investments in the exploration of an offshore oil block in the Caspian Sea. Kazakhstan and the UAE have established a joint investment fund, the Falah Growth Fund, with committed capital of at least \$500 million. Al Hilal Bank (UAE) operates in Almaty, Astana [now Nur-Sultan], and Shymkent. An important event in Kazakhstan's banking sector was the purchase of a 28.5% stake in Kazkommertsbank (KKB), Kazakhstan's largest

⁴ APRK, rec. gr. 75-N, inv. 1, f. 6348, sheets 35-36.

commercial bank, by Alnair Capital Holding, owned by Sheikh Tahnoon Bin Zayed Al Nahyan, brother of the UAE president.

Overall, there are about 50 companies with UAE capital registered in Kazakhstan and operating in the sphere of tourism, transport, forwarding, and consumer services. In 2012, trade between the Emirates and Kazakhstan was around \$187 million, with Kazakhstan importing cars, building materials, and clothes while exporting mainly food and agricultural products.

Kazakhstan can be involved in addressing problems related to the development of rail transport, including the following:

- participation of the National Company Kazakhstan Temir Zholy in the international tender for the construction of a 406 km single-track railway with a standard (1,435 mm) gauge that will link the developing cities and industrial zones of Abu Dhabi and Dubai with the Saudi Arabian border. Subsequently, the UAE railway network will be connected with the proposed Gulf Railway network covering all six Gulf Cooperation Council (GCC) countries (UAE, Saudi Arabia, Bahrain, Kuwait, Oman, and Qatar);
- assistance to the Emirates in importing Kazakhstan grain and other food products into the UAE and other Middle Eastern countries, including under humanitarian programs;
- promotion of domestic products and assistance to Kazakhstan exporters in access to sales channels for high value added products;
- search for opportunities to adopt advanced technologies and acquire business competencies, particularly based on the models used to develop the Dubai International Financial Center, Islamic banking and financial institutions.

This can help to synchronize transport and logistics planning with assistance to Kazakhstan exporters in access to distribution channels in Middle Eastern target markets.⁵

Of particular interest from the perspective of establishing a Kazakhstan House in the Emirates in the medium and long term is probably Dubai, which should be seen as a special partner in external economic relations, considering its investment and financial potential in the UAE. Today, the Emirates has a well-functioning network of 7 industrial zones, 1 business park, 3 specialized free economic zones, and 2 world-class seaports. A number of companies included in the Global 2000 ranking have their headquarters and representative offices in the region. In addition, Dubai is preparing to host the world exhibition EXPO 2020 (postponed to 2021 because of the ongoing COVID-19 pandemic), creating attractive conditions for foreign direct investment.

Trade and economic relations between Kazakhstan and the Persian Gulf countries have developed successfully. For example, at a meeting in Kuwait City on 30 October, 1999, the Kazakhstan Ambassador to Kuwait and the Acting Director General of the Kuwait Fund for Arab Economic Development (KFAED) signed an agreement between the Republic of Kazakhstan and KFAED on a grant for the construction of a new government building in Kazakhstan.

In early November 1999, KFAED launched a tender to select a consulting company to design a new building for the Akimat (city administration) of Astana (now Nur-Sultan). The successful bidder—PACE/VL, a joint venture between Kazakhstan and Kuwait—planned to sign a contract to that effect with KFAED.

At a meeting in Riyadh on 8 November, 1999, Kazakhstan Ambassador Baghdad Amreyev and Saudi Arabia's Deputy Finance Minister Hamad Al Bazai signed a memorandum of understanding between the government of the Republic of Kazakhstan and the Government of the Kingdom of Saudi Arabia on the construction of a new parliament building in Astana.

⁵ See: K. Lama Sharif, "Kazakhstan i OAE: narashchivanie shirokoformatnogo partnerstva," available at [<http://mfa.gov.kz/ru/content-view/kajrat-lama-sarif-kazakhstan-i-oae-narashchivanie-sirokoformatnogo-partnerstva>], 14 January, 2017.

By that time, the Saudi Engineering Consulting Company, selected by the Saudi Ministry of Finance to design the parliament building, was completing its work, whereupon the ministry and the company planned to invite bids from Kazakhstan and Saudi companies for the construction of the building.

At about the same time, a project for the construction of an Islamic Center in the capital of Kazakhstan with the participation of Qatar was in the phase of preliminary design and cost estimation (up to \$15-20 million). Since the site selected for this purpose by the Kazakhstan government was located in a new part of the city, the necessary infrastructure had to be built from scratch. The Qatari side requested its partners to inform it about their plans on this issue.

In October 1999, Ambassador Amreyev met with Sheikh Hamdan bin Zayed, UAE Deputy Prime Minister and Minister of State for Foreign Affairs, and Sheikh Suroor bin Mohammed, Chamberlain of the Presidential Court, who pledged to allocate \$50-60 million for the construction of the Presidential Palace in Astana. The Emirati side determined the source of financing based on three options: the UAE government, the Abu Dhabi Fund, and the treasury of the UAE president.⁶

On 6 October, 2014, Chief Executive Officer of the Qatar Investment Authority (QIA) Ahmad Mohammed Al Sayed took part in an international forum on the transformation of JSC National Welfare Fund (NWF) Samruk-Kazyna (Kazakhstan's sovereign wealth fund). Shortly afterwards, a Samruk-Kazyna delegation led by Board Chairman Umirzak Shukeyev participated in the International Forum of Sovereign Wealth Funds in Doha on 19-20 November, 2014.

On 25-26 January, 2015, a delegation from Kazakhstan led by Nurlan Kapparov, Chairman of the Board of Kazatomprom JSC, paid a visit to Doha. On 8-9 April, 2015, Astana was visited by a Qatari delegation led by Sheikh Abdullah bin Mohammed bin Saud Al Thani, the new CEO of the Qatar Investment Authority. On 8 September, 2015, Deputy Chairman of the National Bank of Kazakhstan Nurlan Kusainov visited the State of Qatar.

Based on the results of these meetings, the Emir of Qatar, Sheikh Tamim bin Hamad Al Thani, and the heads of the above funds and companies confirmed that Kazakhstan was an important country for Qatar and that Doha was interested in establishing large-scale cooperation with Astana, particularly through the implementation of major joint investment projects.

On 28-31 August, 2016, a delegation led by Sheikh Abdullah bin Mohammed bin Saud Al Thani, Governor of the Qatar Central Bank, visited Kazakhstan at the invitation of the management of the Astana International Financial Center (AIFC). A return visit to Doha by AIFC Governor Kairat Kelimbetov on 5 December, 2016, was a continuation of these contacts.

Kazakhstan's economic cooperation with Kuwait is also developing effectively. In May 2000, the parties ratified a loan agreement between Kazakhstan and the Kuwait Fund for Arab Economic Development for a project to supply water to the city of Aralsk (the Fund allocated about \$24 million for this project).

The leaders of the GCC countries have good personal relations with First President of Kazakhstan Nursultan Nazarbayev, which is of considerable importance for top-level diplomacy. The UAE provided financial assistance in the amount of \$15 million for the construction of the Presidential Palace in the capital of Kazakhstan. In 1999, Qatar contributed \$6.84 million for the construction of a cultural Islamic Center in Astana, which was completed in March 2005.

In October 1999, a KFAED delegation took part in a roundtable discussion organized by Kazakhstan for representatives of Arab funds and the Islamic Development Bank.

Kuwait issued grants for the construction of a new building of the Astana Akimat (\$10 million) and preliminary feasibility studies for infrastructure development in left-bank Astana (\$1 million) and for a water supply project in the Aral Sea region (\$1.3 million). A Kuwaiti government loan was used

⁶ APRK, rec. gr. 75-N, inv. 1, f. 5390, sheets 79-83.

to finance projects to improve water supply, sanitation and healthcare facilities in the Aral and Kazaly districts of the Kyzylorda Region (\$11.5 million).

A business conference on Kazakhstan's investment opportunities, organized jointly with the Kuwait Chamber of Commerce and Industry (KCCI), was held on 23 April, 2006. At that conference, Kazakhstan was represented by I. Kopailov, Vice President of the Kazakhstan Investment Promotion Center Kazinvest, and B. Orazov, President of the Astana Development corporation, and Kuwait by KCCI Director General Ahmad Al Haroun, KCCI Board member Darar Al Ghanim, and members of the Kuwaiti business community.

The Fourth World Islamic Economic Forum (WIEF), held in Kuwait City from 29 April to 1 May, 2008, was attended by a delegation from Kazakhstan led by S. Mynbayev, Minister of Energy and Mineral Resources of the Republic of Kazakhstan. The delegation included about 40 representatives of various government and private structures, such as the Akim of the Karaganda Region N. Nigmatulin, Vice Minister of Sports and Tourism K. Uskenbayev, Board Chairman of JSC Social-Entrepreneurial Corporation (SEC) Sary-Arka V. Zverkov, Board Chairman of JSC SEC Tobol M. Tolibayev, and others. The heads of Kazakhstan's business structures held a number of meetings with potential foreign investors, including the heads of the Malaysian company UEA, major Kuwaiti investment groups KEPCO and DAR, and the Kuwait Fund for Arab Economic Development.⁷

Historically, the Kazakhstani are known to be part of the Muslim community, and Kazakhstan has its unique place in Western and Eastern civilization. As First President Nursultan Nazarbayev said at the Seventh World Islamic Economic Forum in Almaty in 2011, the modernization of Muslim societies does not mean a distortion of the fundamentals of Islam itself, of established customs and traditions. But existing economic and other relations in Muslim countries should be modernized, because otherwise the lag behind the developed countries will continue. The head of state proposed a number of initiatives, including the establishment of a group of ten major Muslim countries for better use of their economic potential and the creation of an innovation hub together with member states of the Organization of Islamic Cooperation (OIC).⁸

On 5-7 January, 2009, a delegation consisting of representatives from Kazakhstan's Ministry of Finance, the National Welfare Fund Samruk-Kazyna, the Akimat of the Mangystau Region, and the Aktau Seaport Special Economic Zone paid a working visit to Kuwait. During the three-day visit, there were intensive negotiations with the Kuwait Fund for Arab Economic Development, Kuwait Chamber of Commerce and Industry, Kuwait Investment Authority, and representatives of the country's business community. Promising investment projects were presented to potential Kuwaiti investors by NWF Samruk-Kazyna and the Mangystau Region.

At the end of 2010, in accordance with agreements reached by the Intergovernmental Commission, efforts were made to attract Kuwaiti investments to Kazakhstan's banking sector and to build business contacts between the two countries.⁹

For example, a business forum in Kuwait City on 8-9 December, 2010, brought together entrepreneurs from the two countries working in the construction sector. Members of the Kazakhstan delegation, which included the heads and representatives of more than 10 major construction companies, met with the authors of the Mega Project for the development of Kuwait, heads of companies implementing this program, and members of the Kuwait Chamber of Commerce and Industry to discuss the prospects for mutually beneficial investment cooperation. During bilateral negotiations

⁷ See: "Sotrudnichestvo Respubliki Kazakhstan s Gosudarstvom Kuveit," available at [<http://mfa.gov.kz/ru/content-view/sotrudnichestvo-respubliki-kazakhstan-s-gosudarstvom-kuvejt>], 26 September, 2018.

⁸ See: "V Kazakhstane proshel 7-i vseмирnyi islamskiy ekonomicheskiy forum," available at [<https://kapital.kz/archive/7125/v-kazakhstane-proshel-7-j-vseмирnyi-islamskiy-ekonomicheskiy-forum.html>], 10 August, 2017.

⁹ See: "Sotrudnichestvo Respubliki Kazakhstan s Gosudarstvom Kuveit," available at [<http://mfa.gov.kz>], 1 December, 2019.

held within the framework of the forum, the parties discussed issues of participation by Kazakhstan construction companies in implementing the Kuwait Mega Project, as well as supplies of our building materials to the Kuwait market.

The Sultanate of Oman was one of the first Gulf Cooperation Council countries to establish economic relations with Kazakhstan and provide financial assistance to the republic. Back in 1992, Kazakhstan and Oman created a Caspian Pipeline Consortium (CPC), whose purpose was to ensure oil exports from the Tengiz Field, a huge oil field with recoverable reserves of about 1 billion tonnes. But in March 2008 Oman sold its stake in the CPC because of the project's ineffectiveness. Oman Oil, a national petroleum investment company, is involved in the development of the Zhemchuzhina (Pearl) offshore oil field in Kazakhstan's sector of the Caspian Sea and the Dunga Field in the Mangystau Region. In each of these projects, the Omani company holds a stake of 20%.

Cooperation between the Arab countries of the Persian Gulf and the Central Asian states in the trade and economic sphere is so far insignificant. For example, Kazakhstan's GDP in 2013 was \$224 billion, while its trade with Saudi Arabia at that time was only \$14 million. Bilateral trade between Saudi Arabia and other post-Soviet states of Central Asia is also very low. In 2012, for example, Saudi trade with Uzbekistan was \$4.5 million, and this, according to Arab experts, falls far short of the real potential for cooperation.¹⁰

Investments in Kazakhstan's economy coming from OIC countries are shown in the Table.

Table

Direct Investments in Kazakhstan from OIC Countries (\$m)

	2000	2001	2006	2010	2012	2013	2017
OIC	103	314.9	380.4	243.8	256.5	315.8	361.7
UAE	0.8	84.6	13.6	6.2	6.6	12.6	14.8
Turkey	29.8	116.4	98.5	337.5	83.6	80.3	80.1
Oman	—	—	6.2	12.2	21.9	21.7	22.1
Iran	—	2.1	3.9	20.3	23.1	21.3	23.4
Kuwait	—	—	—	0.4	3.1	9.9	9.8
Jordan	—	1.6	0.4	0.3	0.4	0.2	0.3
Bahrain	3.5	—	0.2	0.4	8.8	-2.1	-2.0
Tunisia	—	—	0.1	0.3	0.3	0.0	0.0
Lebanon	—	0.2	38.9	0.8	0.0	0.0	0.0
Malaysia	—	—	—	0.2	0.0	0.0	1.5
Indonesia	68.1	47.1	216	—	0.0	0.0	0.0
Nigeria	—	—	—	0.3	0.0	0.0	0.0
Saudi Arabia	0.8	2.0	0.0	0.8	-4.4	0.0	0.5

Source: [http://www.oic-un.org].

¹⁰ See: E.M. Savicheva, M.O. Shaar, "Otnoshenia arabskikh stran Persidskogo zaliva s tsentralnoaziatskimi gosudarstvami SNG," *Vestnik RUDN*, No. 4, 2014, pp. 160-168.

As we see from the Table, Kazakhstan's major trading partners have increased their investments in our economy.

The Dynamics of Relations, Problems and Prospects

At the same time, there are problems that hinder the progressive development of wide-ranging relations: long decision-making periods, bureaucracy, slow processing of various documents, etc.

Kazakhstan's bilateral relations with each of the states mentioned above have great potential, which should be used for fruitful cooperation. Joint investment projects further strengthen our partnership.

Cooperation between Kazakhstan and Middle Eastern countries varies widely: company representation, joint projects, exhibitions of modern equipment, business presentations, and economics days. It also includes intergovernmental agreements, constructive dialog, political consultations, and visits at the highest political level.

Kazakhstan's industrialization program allows foreign entrepreneurs to take part in modernizing virtually all sectors of the economy, to expand their investments, and provide banking and other services. The countries of the Middle East participated in EXPO 2017 in Astana, signing a number of bilateral documents.

In analyzing the overall state of bilateral trade and economic relations between Kazakhstan and Turkey in the 1990s, one can say that despite a solid contractual basis, steadily growing trade, and numerous negotiations and mutual visits, bilateral ties fell short of their potential and were affected by general negative factors. These included crisis phenomena in the economy as a whole, an inadequate regulatory framework, lack of proper government control, etc. The implementation of agreements and understandings often met with a lack of interagency coordination or even with inaction by some agencies and departments. In practice, there were cases when Turkish businessmen saw a lack of interest in constructive dialog from Kazakhstan partners, both private and government, some of whom turned out to be unreliable, acted without due consideration or failed to fulfill their contractual obligations. There were also cases of misconduct on the part of local authorities, whose actions sometimes ran counter to the decisions of the central authorities. All of this had a discouraging effect on the Turkish partners and made them less optimistic about cooperation with Kazakhstan.

The development of bilateral business ties was also hindered by poor liaison between related ministries and departments in the two countries, as well as between business associations, which play an important role in Turkey's economic life. They include the Union of Chambers and Commodity Exchanges of Turkey (TOBB), the Turkish Industry and Business Association (TÜSİAD), and other private business organizations. An effort to establish and expand relations with these groups on the part of Kazakhstan's Chamber of Commerce and Industry, the Union of Industrialists and Entrepreneurs, and other appropriate organizations could raise trade and economic cooperation to a higher level in a short time. Meanwhile, the significant potential for cooperation could be realized by attracting both Turkish and other foreign capital through Turkish companies.

The United Arab Emirates is of key importance to Kazakhstan from the perspective of a faster increase in trade with the Gulf countries and an improvement in the competitiveness of the domestic economy. This is due to at least three determining factors:

- The UAE is becoming a major focus of interest for an increasing number of Asian and European shippers. Analysts predict that in the near future a large volume of freight traffic from

China, the Middle Eastern countries, and Central Asia will be redirected towards the Persian Gulf zone;

- The UAE has an extensive network of port and warehouse facilities at the world's largest transport hubs for international container traffic that ensure the shortest routes to Southeast Asia, the African continent, India, etc. These advantages enable the Emirates to handle more than 60% of sea freight destined for GCC countries;
- there is a real opportunity to expand Kazakhstan's export potential, given the steady demand from the Gulf countries for food products, including grain and meat (the region is 80-90% dependent on food imports).

Trade between Kazakhstan and the UAE in 2016 reached a peak of \$374.2 million, a 3.4-fold increase from 2015. Exports from Kazakhstan increased 7.2-fold to \$305.2 million, and imports from the Emirates by 2.8% to \$69 million, with a trade surplus for Kazakhstan in the amount of \$236.2 million.

The potentialities of Kazakhstan products have been estimated based on trade flow data from the Trade Map developed by the UNCTAD/WTO International Trade Center (ITC). This interactive database contains information on exports and imports for more than 200 countries. An analysis of statistics on the UAE's global imports compared to exports from Kazakhstan, including Kazakhstan exports to the UAE, demonstrates that this market has a potential for exports of manufactures from Kazakhstan, as indicated by the figures for 2016, which show that Kazakhstan's exports to the world include many items imported by the UAE. In 2016, Emirati imports of 52 potentially promising items totaled \$12 billion, while Kazakhstan's exports of these items to the world totaled \$2.3 billion, and its exports to the Emirates only \$1.4 million. The UAE is a net importer of all these potentially promising goods; moreover, imports of most of these goods have been growing for the past five years in terms of both value and volume.¹¹

From 2005 to the first six months of 2015, FDI inflows from Oman to Kazakhstan totaled \$253.2 million. According to the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan, in the first 11 months of 2015 trade between the two countries amounted to \$322.9 thousand, including exports of \$306.7 thousand and imports of \$16.3 thousand (in 2014, the figures were 707.8 thousand, 522.6 thousand, and \$185.2 thousand, respectively). The main items exported to Oman are grain, steel coil, pipes, etc.

Inadequate trade and economic relations between Kazakhstan and Jordan are determined by the following factors:

- long geographical distance between the two countries and high freight costs;
- low awareness among Jordanian entrepreneurs about the socio-economic development of the Central Asian republics since the disintegration of the U.S.S.R.;
- lack of knowledge about market conditions in the two countries that would help to find mutually beneficial forms of cooperation.

Among the issues on the agenda is the establishment of a joint chamber of commerce with the participation of the other Central Asian republics and Azerbaijan, with headquarters in Nur-Sultan and branches or representative offices in the capitals of other member countries.

The Persian Gulf is of key importance to Kazakhstan, because we need to develop foreign trade and expand the range of exports.

¹¹ See: "Kazakh Invest 2017, Stranovoi obzor. OAE," available at [export.gov.kz], 8 April, 2018.

It is also very important to use the port potential of the UAE, which acts as the “southern gate” in the North-South Transport Corridor. This is one of the priority Eurasian routes that include Kazakhstan’s transport network.

Conclusion

Today, the Middle East plays a significant role in world politics, as indicated by the level of relations between countries in the region and the major countries of the international community, including those of Central Asia. Cooperation between the East and the Central Asian states is forming under the impact of the new geopolitical situation that arose following the disintegration of the bipolar system of international relations in the early 1990s. The development of relations between Kazakhstan and Middle Eastern states is primarily driven by mutual interest. The political and legal framework for these relations took shape by the early 2000s and is being implemented in practice.

Kazakhstan’s entry into the WTO in 2015 opened new opportunities for a stable presence of our goods in foreign markets and for participation in developing the WTO legal framework and technical standards.

The Islamic Development Bank, the Asia Muslims Committee, and various non-profit charitable organizations from the Arab East operate in our republic. This area of international cooperation is very promising from the perspective of Kazakhstan’s full-scale integration into the world community. An important fact is that back in the 1990s the Organization of the Islamic Conference supported Kazakhstan’s initiative to convene what is known today as the Conference on Interaction and Confidence Building Measures in Asia (CICA).

Creating optimal conditions for sustainable development of mutual trade and a significant increase in Middle Eastern investments in the economy of Kazakhstan is a major goal of our diplomacy. Further development and deepening of political dialog between Kazakhstan and the Middle Eastern countries, development of cooperation in culture, education, and science, and establishment of regular and extensive contacts in various spheres are key long-term objectives of our constructive cooperation.

Relations with the Middle Eastern countries are seen today as an unconditional, significant priority of our foreign policy. The main objective of Kazakhstan’s wide-ranging cooperation—to raise relations with the Middle Eastern countries to the level of a very mutually beneficial and fruitful partnership—has been achieved. As relations have expanded, the Middle East has come closer to the Central Asian countries in geographical terms.

In the future, the countries of the Middle East will be particularly important for Kazakhstan because of their geostrategic and geographical location and their large economic, resource, and human potential. One of the top priorities in Kazakhstan’s foreign economic activity is the openness of its economy. The republic’s cooperation with the Middle Eastern countries has entered a new and fruitful phase, and it is on the verge of a breakthrough in the economic arena of the Middle East.

In relations between the Republic of Kazakhstan and the Middle Eastern countries, priority is given to trade and economic ties, with much attention being paid to cooperation under government programs, environmental and cultural aspects, and the fight against religious extremism. Cooperation in the energy sector is another current priority.

A number of major initiatives undertaken by Kazakhstan to improve the political climate and strengthen partner relations are based on the understanding that we need more effort to tap the economic, political, and cultural potential of Eastern countries. Kazakhstan believes it is possible to strengthen stability and security and to steer relations towards constructive, mutually beneficial co-

operation. At present, such efforts are of particular importance, considering the complicated and contradictory international situation.

Given the increasing relevance of problems related to the rapprochement of cultures and dialog between civilizations, we think it important to transform the OIC towards democracy and liberalization, both within the organization and in its relations with the outside world. Kazakhstan could play a positive role in this process owing to its geopolitical position as a country at the junction of Europe and Asia, the North and the South, the West and the East, as well as the Islamic, Christian, and Buddhist religions. Kazakhstan can play a key role in bringing together nations, countries, and ideologies and be a factor of peace and stability on the Asian continent and in the Muslim community. Kazakhstan's active involvement in discussing a number of problems at the regional and international level has confirmed its potential to become an important partner in addressing issues of significance not only to Central Asia and the Middle East, but also to the international community as a whole.
