LIFESTYLE-RELATED INDUSTRIES FROM THE WEST, RUSSIA AND CHINA HAVE COME TO MEET, COEXIST IN KAZAKHSTAN

Squeezed between two of the world’s top superpowers, the vast and thinly populated territory of Kazakhstan has become a buffer between Russia’s and China’s consolidation policies and western hostility. Nevertheless, its market is as open towards imported goods and services from Europe and the Americas as it is regarding those coming from Russia and China. By maintaining a foreign policy which they dub multi-vector, both Kazakhstan’s government and its entrepreneurial community strongly defy any sort of confrontation option – including western “sanctions” aimed at Russia’s economy.

By Charles van der Leeuw*)

Photo by Han Schipper

Where in the world can one still buy Russian Stolychnaya vodka, Dutch Heineken beer, American Bourbon whiskey and Chinese Baiju liquor in one and the same shop – or find Chinese lithium, Russian aluminium, Swedish steel and American gold in the same warehouse? One of such places is Kazakhstan, one of those countries refusing to lend even verbal support to the West’s erroneuous Russophobia – let alone material support – yet remaining on speaking terms with all parties involved in the offset. Kazakhstan’s population totals close to 20 million including just over 15% ethnic Russians and just over 2 per cent ethnic Ukrainians. To the average disappointment of the average western politician, they get along well together not only in Kazakhstan but also in its neighbouring states to the south where similar conditions exist.

On an entrepreneurial level, both Russian and western goods and services are entering Kazakhstan in full flood – the former because they lost part of their markets in western

Europe and north America, and the latter because they lost most of their markes in Russia. Companies like Heineken and Philips had to abandon all their Russian assets and sell it to one of their Russian peers for half their par value under pressure from Dutch politicians who hide behind state immunity to avoid responsibility for the damage. In order to fill as much as thre hole in their incomes, they and dozens of their European peers looked elsewhere – including to Kazakhstan.

Relocations by European brands

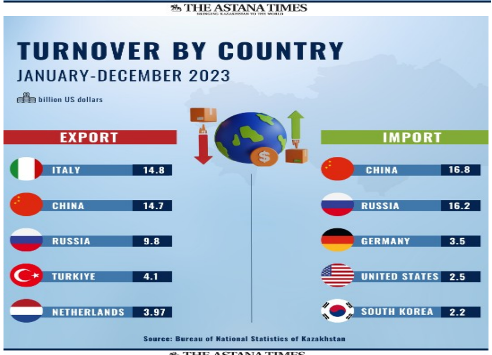
“In the two years since the beginning of the conflict between Russia and Ukraine, Golden Apple, L’Etoile, Lime, 12 Storeez, MultiK, Brusnika and other Russian companies have come to Kazakhstan. International brands include Ralph Lauren, Karl Lagerfeld, the shoe brand SuperStep (Aport East, December 2023), and the sports brand Anta (opening in Dostyk Plaza in April), an analysis published recentlyby the Kazakh/Uzbek periodical Kursiv [https://kz.kursiv.media/2024-02-29/print1025-kchl-tenantmix/] reads. “[Relocations by European brands include] the opening of a mono-brand boutique Fila and a store of the Polish sports brand 4F in the Forum shopping centre, as well as the first InStreet store in Almaty, focused on sporting goods, in the Moskva metropolitan shopping centre. Adidas, Nike, Puma moved their offices from Russia to Kazakhstan. But some international brands, against the backdrop of general instability, have, on the contrary, abandoned plans to enter Kazakhstan or are reducing their presence in the market. So, if before the conflict between Russia and Ukraine, Uniqlo representatives were actively negotiating to enter the Kazakh market, then after February 2022, negotiations were first frozen and then stopped altogether.”

Car industry: “examples of well-established cooperation”

Another industry, in part also lifestyle-related but more hardcore than drinks and clothing, to have established itself in Kazakhstan’s multinational ambiance consists of vehicle manufacturers. Apart from hydrocarbons and minerals, they represent a substantial part of Kazakhstan’s overall economy.
“Last year marked the 5.1% growth of the national economy. In the first 10 months of 2023, mechanical engineering grew by 27%. Among all of its sectors, the automotive industry demonstrated the highest increase at 42% for this period, according to the Kazakh Ministry of National Economy,” a recent article in the English-language Astana Times [https://astanatimes.com/2024/02/automotive-industry-in-kazakhstan-outpaces-expectations/] reads. “The launch of new manufacturing plants is a major contribution to the industry’s dynamic development. Back in 2005, KAMAZ, the Russian truck producer, became the first large manufacturer to enter the Kazakh market. In the following years, Kazakhstan began to be an attractive point for global players in the automotive industry. The automotive production ventures launched by South Korea’s Kia, Hyundai, and Daewoo, the U.S. Chevrolet, Italy’s IVECO, and China’s ANKAI are some examples of well-established cooperation with Kazakh partners.”

“Circumventing anti-Russian sanctions”

Kazakhstan's successful diversification of its economy illustrated by the abovementioned sectors is reflected in its cross-border trade figures. Deep involvement of western oil companies such as Anglo-Dutch Shell, France's Total, Italy's Eni and America's Chevron based on so-called production sharing contracts is the main cause that commodities still make up for the bulk of Kazakhstan's exports. But regarding capital goods and consumer goods, Kazakhstan's share in global trade is steadily increasing. And this includes transit trade from countries vainly trying to hit Russia with ill-defined "sanctions" by forbidding themselves and others to sell them goods "that might reinforce Russia's military apparatus".



"In the first three quarters of 2023 alone, high priority goods worth 450 million euro came to Russia from European Union countries. A quarter was sent directly from Europe. The remaining three-quarters are through third countries that help Russia circumvent trade restrictions. Among these countries is Kazakhstan" Kazakhstan's newsreel Orda [https://orda.kz/bloomberg-kazahstan-pomogaet-rossii-obhodit-sankcii-evrosojuza-383107/] reported recently, citing Bloomberg. "Kazakhstan has been mentioned more than once among the states through which sanctioned goods enter Russia. In the 13th package of anti-Russian sanctions, the European Union introduced restrictions against the Kazakh company Elem Group, through which dual-use components entered St. Petersburg. Apparently, the prospect of sanctions also looms for KBR-Technologies as journalists found out, this company from Petropavlovsk helped the Belarusian company Tefida deliver sanctioned equipment to Russia. Meanwhile, economist Birzhan Chukin noted that the claims of European countries to the Central Asian states in connection with circumventing anti-Russian sanctions are not entirely fair. According to him, sanctions are often circumvented by Western companies themselves, who cannot help but know to whom they send their products."

80% of western firms working in Russia stay put

As noted above, the shift in supplies of lifestyle goods and related merchandise from Russia to Kazakhstan is far from having severed both countries' trade relations – which have been valued at around $27 billion billion through 2023 (a $1bn increase on-year), only surpassed by Kazakhstan's trade with China, put at $31.5 billion over 2023. Together, the two mighty neighbours account for around 40% of Kazakhstan's foreign trade turnover.
Nor does the relocation process have a major negative impact on Russia's overall economy. In a recent speech [http://www.finmarket.ru/news/6129400], Russia's First Deputy Prime Minister Andrei Belousov noted that if Russia's economy grew by 3.6% on-year through 2023, it is poised to drop to around 2% this year, only to rally to 3%-plus in the cours of ghe following years. Again, this resilience is not at Kazakhstan's expense, as the latter logged a 5.3% economic growth last year.
One of the reasons, though not the only one, is that not all western enterprises are ready to give in to pressure from their home countries' politicians to quit Russia and they represent 80 per cent of the entire category. "About 20% of European and American large companies have left the Russian market, the rest have retained business in Russia and some of them are increasing investments, Russia's investment watchdog Finam reported recently [http://www.finmarket.ru/news/6122509]. "Deputy Prime Minister and Head of the Ministry of Industry and Trade of Russia Denis Manturov, noting that among those who left, many have buyback options."
"I think not everyone knows these figures; I recently recorded them for myself at a meeting with foreign companies. [...] Of the 500 European companies, I do not take those with a turnover of less than 0.5 billion rouble per year, from different European countries, out of 500 so far only 100 have officially left, respectively. This is 20%. I will not name which of them, but most of them have options, by decision of the president they are now limited to two years, but there are options, [...] This suggests that our market is interesting and our potential is also interesting."

) Charles van der Leeuw was born in The Hague, The Netherlands, in 1952. He started working as an independent reporter on cultural issues in a wide variety of publications back in 1977. Ten years later, he settled down in war-torn Beirut as an international war correspondent, following a first experience in Iraq in 1985 which resulted in his first book on the Iraq-Iran war. After his kidnapping and release in 1989, his second book "Lebanon - the injured innocence" came out, followed, in early 1992, by "Kuwait burns" – both written in Dutch. Later in the year, he settled down in Baku, Azerbaijan, as a war correspondent. "Storm over the Caucasus" on the southern Caucasus geopolitical conflicts, came out in 1997 in the Dutch language and two years later in the first English edition. It was followed by "Azerbaijan - a quest for identity" and "Oil and gas in the Caucasus and Caspian - a history", both published in 2000, and "Black&Blue" published in Almaty in summer 2003 about the stormy rise of Russia's present-day oil and gas companies. In 2012, L'Harmattan in Paris published his book "Haut-Karabagh: la guerre oubliée du monde."His latest publication before this work was "Cold War II: cries in the desert - or how to counterbalance NATO's propaganda from Ukraine to Central Asia" (Herfordshire Press, London 2015).