



2011 annual report



2011 annual report



**AMERICAN CHAMBER OF COMMERCE
IN KAZAKHSTAN**

Table of Contents

Executive Director's Message.....	7
AmCham Board of Directors.....	8
AmCham Membership.....	10
AmCham Events.....	12
AmCham Awards Banquet.....	16
AmCham Advocacy Initiatives.....	23
AmCham Working Groups.....	29
AmCham in Kazakhstan's Regions.....	33
AmCham Publications and Communications.....	36
AmCham Partnership Conferences.....	38
AmCham Philanthropy and Community Service.....	39
AmCham Financial Report.....	40
AmCham Staff.....	41

Executive Director's Message

January 2012



Dear Members,

The year behind us has been eventful, but Kazakhstan has again given proof of its resilience. As the global economy emerged from the severe financial crisis and recession that began in 2007, a new financial threat emerged in Europe as the eurozone plunged into a rapidly expanding sovereign debt crisis that has slowed global recovery. In addition to the 'Arab Spring' that is reshaping much of North Africa, spreading to the Arabian Peninsula and to Syria, unexpected political developments in the CIS have also marked 2011. Late in the year Russia found itself in turmoil as election results were challenged, and Western Kazakhstan was struck with sudden violence over the mid-December holiday weekend marking Kazakhstan's 20th anniversary of independence, a date that should have been an occasion for celebration and rejoicing.

Economically, however, 2011 was a good year for Kazakhstan. The country's GDP rebounded, growing 7.5%, employment and consumer demand achieved healthy levels, and the 2011 harvest has led to a 27.3% growth in the agricultural sector – a very welcome sign in a country with enormous agricultural potential. Wise fiscal policy has maintained the tenge's stability since the currency's devaluation in early 2009. The commercial banking sector continues to grapple with its non-performing loan portfolio (EBRD estimates NPLs constitute 30% of the country's bank loans), but Kazakhstan's economy can be said to be in relative good health. Fitch has recently upgraded Kazakhstan's sovereign rating to BBB with a positive outlook, putting Kazakhstan on par with Russia, a much larger economy.

The membership composition and continued growth of AmCham in Kazakhstan is a reflection of the country's economic viability and diversity. AmCham membership has continued to grow at a rate of 20% in 2011 with most new members in the top membership categories.

The largest AmCham industry sector continues to be the oil and gas industry and those sectors dependent on this industry – financial and legal services. But the country's rich economic fabric is demonstrated by the importance of consumer goods, technology, logistics, hospitality, and training, as well as a host of smaller sectors. Mining, equally critical to Kazakhstan's economy, though not a large AmCham membership sector, is also growing within the Chamber. AmCham membership is truly multi-cultural, stretching beyond the major US firms and multinationals to companies from around the world – Europe, Asia-Pacific, the Middle East and Turkey, and Africa. Prominent Kazakhstani companies are also among AmCham members. The Corporate A category currently comprises 50% of total membership.

In addition to the broad range of Chamber events – monthly speakers, social networking events, holiday events, gala evenings - AmCham works closely with its members through its 14 Working Groups in Almaty, Astana, Atyrau, and Aktau. The Chamber performs advocacy on behalf of its members to improve the investment climate through the *AmCham Economic Policy Program (AEPP)*. AEPP delivers two major conferences per year on topical investment issues, produces policy papers for the Prime Minister's Office, and works with government agencies and leading Kazakhstani institutions to implement reform. The Chamber's widely-respected business magazine, *Investors' Voice*, lends sophisticated analysis to the country's business environment.

AmCham in Kazakhstan works tirelessly to serve its members and is proud to present the *2011 Annual Report* as a record of this service over the past year.

Doris Bradbury
Executive Director

AmCham Board of Directors

AmCham is guided by a diverse and well-balanced Board of Directors elected by the membership at large. The Board consists of nine corporate members and the Chamber's Executive Director; its four-member Executive Committee is composed of the AmCham President, Vice-President, Treasurer, and Board Secretary. The U.S. Senior Commercial Officer also sits on the Board as a non-voting member.

AmCham Board members are active and committed members of the Chamber who meet monthly to review AmCham operations and policy, discuss important trends and changes in Kazakhstan's investment and trade environment, and debate new directions for the Chamber. Although the AmCham head office is located in Almaty, the Board has traditionally sought representation from Astana and Atyrau to ensure a voice for member companies based outside Almaty.

As fully-engaged members of the business community, Board members also sit on a range of policy-setting and advocacy bodies outside the Chamber, where they represent member interests. Foremost among these is the Foreign Investors' Council. Board members sit on all FIC committees, advising the country's senior government officials, and through them the country's President, on draft legislation and regulatory changes that impact directly on Kazakhstan's business environment.

Board members also sit on advisory bodies of Kazakhstan's leading educational institutions and on philanthropic committees, as well as lending active support to cultural bodies and activities.

The Board is guided by strict conflict of interest guidelines built into the Chamber's bylaws and operates according to the highest ethical and professional standards. All Board members serve without financial compensation.

Looking Ahead: The AmCham Board in 2012

The 2012 Board elections will fill 3 Board vacancies. Election results are announced at each year's Annual General Meeting in January.



AmCham Board of Directors 2011

AmCham Executive Committee



Kenneth Mack
President
Managing Partner
Chadbourne & Parke



Tomas Bravenec
Vice-President
Senior Banker
EBRD



Paul Cohn
Treasurer
Assurance Partner
Ernst & Young



Walter Daniel
Secretary
Director, Legal Services
PricewaterhouseCoopers

Board Members



Doris Bradbury
Executive Director
AmCham



Colette Cohen
President, Caspian Region
ConocoPhillips



Jennifer Kane
Senior Commercial Officer
US Commercial Services



Osman Kazdal
General Manager
Coca-Cola Almaty



Tim Miller
General Director
Tengizchevroil



Mark Pothast
General Manager
Nestle Eurasia



Michael Carter
Investment Consultant

2011 AmCham Membership

AmCham was founded in 1999 by 36 U.S. companies. Today its membership comprises over 200 companies and organizations: major multinational corporations, leading U.S. companies, mid-sized to small local businesses, international financial institutions, non-profit organizations, and a handful of individual members. Although the bulk of Chamber members continues to be located in Almaty, Kazakhstan's business center, membership is growing in all areas of the country. Astana, Atyrau, and Aktau are leading regional membership locations. Our diverse membership consists of roughly 50% U.S. companies and 50% non-U.S. businesses (European, Asian, Middle Eastern) spread across five membership categories and twenty industry sectors.

AmCham membership experienced strong growth of 20% in 2011. This demonstrates continuing investor interest in Kazakhstan's economy despite the recent global financial crisis. A large number of Corporate A members joined this past year, and Corporate A now comprises nearly 50% of the overall AmCham membership.

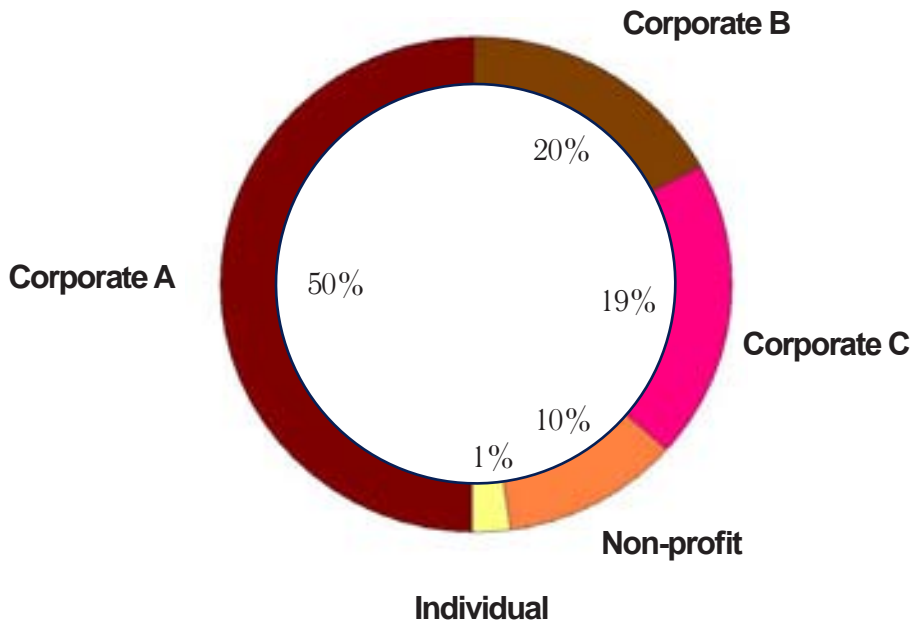
A noticeable trend has been the inflow of foreign investors with an established presence in Russia seeking out new markets with strong growth potential. Interest is not concentrated in any one industry sector, but is found in all sectors – consumer goods, transportation and logistics, consulting, legal and accounting services. Banking and financial services are recovering after the financial crisis and new members in this sector from Asia and the Middle East, including Islamic banking institutions, have joined in 2011.

Some attrition in the membership was seen at the height of the financial crisis, but few members disappeared entirely from the AmCham community. Those members who withdrew for a year or two are now returning to the membership.

Looking Ahead: Membership Growth in 2012

It is fully anticipated that membership growth will remain at 20% growth in 2012. The global financial recovery is clearly underway with Kazakhstan benefiting from its many regional economic partnerships whose economic needs match Kazakhstan's export capacities. As Kazakhstan's largest and most active foreign business association, AmCham continues to expand its activities and advocacy to serve both its members and the country's business community at large. The membership will continue to be diverse, deriving from a broad international base. This diversity lends an invaluable depth to the Chamber's capacities.

Membership by AmCham Category 2011



Membership by Industry Sector 2011



2011 AmCham Events



The past year has been intensive in terms of very diverse member events reaching beyond Almaty to the Caspian region and to Kazakhstan's capital city, Astana. Record attendance by members and their guests have characterized both regular and special events, which were attended by 300 members on occasion. In addition to the Chamber's traditional monthly Luncheon Business Roundtables and Sundowners, 2011 has added topical seminars and major advocacy conferences under the *AmCham Economic Policy Forum*.

The lingering aftermath of the global financial crisis did not detract from members' desire to socialize, network, and celebrate special occasions, or their willingness to support charitable causes and contribute to the welfare of the local community. The AmCham Resident Representatives in each of the three major membership centers beyond Almaty lent their support to raising the AmCham profile and bringing out the business community to Chamber events.

The following events relate to AmCham Business Roundtables, Sundowners, and Holiday Events. Advocacy Conferences and the Spring Awards Banquet are covered in separate sections of this Report.

Business Roundtables

A broad range of high-profile speakers addressed the monthly Business Roundtables this year. While 2010 was dominated by speakers on financial themes, 2011 saw a return to a balanced range of interests. Political commentary and presentations on trade issues were back on the agenda with attention given to the 'Arab Spring' and analysis of its potential impact on Kazakhstan. Rule of Law issues spilled over into the Roundtables from the AmCham June Rule of Law Forum in Astana.

Winter 2011: Three winter Roundtables in Almaty focused on trade and investment issues with speakers from the Government of Kazakhstan and the U.S. Government. In January the **Deputy Minister of Kazakhstan for Industry and New Technologies, Nurmukhambet Abdibekov**, spoke to an AmCham luncheon group about "*Kazakhstan's Program for Accelerated Innovative Industrial Development*". This was followed by a presentation on "*Technologies of the Future for Kazakhstan*" by **Karl Johannesson, Managing Partner of J'son & Partners**, a research and management consultancy firm providing strategic advice for a new technopark outside Almaty.

In February **Patrick Slowinski, U.S. Embassy Economic-Commercial Trade Officer in Ashkhabat**, delivered an overview of "*Turkmenistan: Undiscovered Opportunities for U.S. Companies*" to members intrigued by the risks and opportunities for doing business in Turkmenistan. This event served to invite AmCham members to the first U.S. Trade Fair in Ashkhabat in the early summer. Later in February, **Geoffrey Jackson, Regional Director for Eurasia at the U.S. Trade and Development Agency (USTDA)**, outlined the channels through which "*USTDA Supports U.S. Business in Kazakhstan and Central Asia*".

Spring 2011: In the spring members' attention turned to political issues at two Roundtables in Almaty and Atyrau. The first spring Roundtable in Almaty featured **OSCE Ambassador Alexandre Keltchewsky** providing an overview of "*The OSCE: History, Role, and Challenges*". In a year in which Kazakhstan chaired the OSCE, an important milestone in the country's growing international profile, this presentation allowed Chamber members to grasp the full extent of OSCE activities in Kazakhstan.

Consequences of the Arab Spring served as the theme of an April Roundtable presentation in Atyrau by **Dr. Saber Azam, UNHCR Regional Representative/Coordinator for Central Asia**, who spoke on "*Political and Social Instability: Impact on the Economy and Oil Industry*". On a different note, the traditional **Ernst & Young/ AmCham Tax Roundtable** in Atyrau served to update companies in the Caspian region on new tax legislation.

In May, noted American expert on Kazakhstan and Central Asia **Martha Olcott, Senior Associate at the Carnegie Endowment in Washington DC**, considered "*Will Central Asia be Another Middle East?*" At a time when the Arab Spring was dominating world headlines, parallels were often sought with Central Asia and other parts of the former Soviet Union, and Dr. Olcott's analysis drew a large attendance to this luncheon.

Summer 2011: June was devoted to two Rule of Law Roundtable presentations, one in Almaty and the other in Atyrau. The Almaty Roundtable featured **Heidi Lawson, a Partner at Chadbourne & Parke in London**, who delivered an overview of the "*U.S. Foreign Corrupt Practices Act (FCPA) and the U.K. Bribery Act*". For lawyers and business executives alike this was an important opportunity to learn about the requirements placed on their companies and clients to comply with strict anti-corruption measures.

An Atyrau Roundtable in early June devoted to "*Inspections and Visits from State Authorities: Do's and Don't's*" proved to be the most successful and heavily-attended AmCham event ever held in the Caspian region. Delivered by a team of **Chadbourne & Parke** lawyers, the seminar drew an audience of 150 AmCham members and guests, mainly from the oil and gas industry.

Autumn 2011: In the autumn, another Atyrau Roundtable drew a large crowd when **Canadian Ambassador Stephen Millar** spoke about "*Canada and Canadian Companies as Leaders in Promoting Corporate and Social Responsibility*". The Chamber's close connection to the Canadian Embassy over the past five years has served to bring Canadian Ambassadors to Atyrau on several occasions.

At the beginning of October, newly-arrived **U.S. Ambassador Kenneth Fairfax** spoke in Almaty to a large Roundtable crowd eager to learn U.S. priorities for Kazakhstan. The Roundtable theme, "*U.S. Ambassador Fairfax Meets the AmCham Business Community*", reflected the Ambassador's wish to meet members and learn their concerns.

To round out 2011, the year's final Almaty Roundtable was devoted to "*Kazakhstan's Performance in the Heritage Foundation's Index of Economic Freedom*", a presentation by **James Roberts** from the **Heritage Foundation Centre for Economic Freedom and Growth** in Washington DC.

Sundowners

A full schedule of monthly Sundowners, the Chamber's popular monthly networking mixers, was held in Almaty, Astana, and Atyrau in 2011. A unique feature of the Sundowners is the cross-section of staff and executives that mix easily with AmCham Board members, thus providing an opportunity to discuss AmCham affairs and offer feedback on Chamber activities.

Given dramatically increasing attendance and rising costs to cater Sundowners in 5-star hotels and popular restaurants, it became necessary towards the end of 2011 to charge a modest admission fee to members and guests attending the Sundowners, thus supplementing corporate sponsorships that in the past had covered all costs for a buffet dinner and an open bar.

As always, the best-attended Sundowner of the year was the **Halloween Sundowner** at Almaty's palatial new **Royal Tulip Hotel**. Although this is a no-costume event, guests and hotel staff enter into the spirit of the occasion with spooky décor in the Hotel's marble Ballroom, a Halloween buffet, and face-painted waiters.

Another popular Sundowner is always the Opening Sundowner of the Autumn Season held at the end of September on the eve of KIOGE. This year's **Autumn Sundowner** was held at the **Rixos Almaty Hotel** to mark the launch of *Thunderbird School of Global Management* in Almaty and the AmCham office relocation to the Rixos Hotel Business Tower.

The **AmCham Annual General Meeting** at the end of January is always followed by an **AGM Sundowner**, and in 2011 both the AGM and its Sundowner were held at the **InterContinental Almaty Hotel**.

In 2011 **three Sundowners were held in Atyrau**, as AmCham came to hold an increasing number of events in the Caspian region. All Atyrau Sundowners and events are held at the **Renaissance Atyrau Hotel**.

The **Atyrau Spring Sundowner** is an April tradition to welcome participants to *the North Caspian Oil and Gas Exhibition*, and it is always sponsored by *Ernst & Young* in tandem with their *Tax Business Roundtable*. Like all AmCham events in Atyrau, this Sundowner was open to members and non-members alike.

An **Atyrau Summer Sundowner** was held in June in conjunction with **the Chadbourne & Parke Business Roundtable on Government Audits and Visits**.

An **Autumn Sundowner**, sponsored by Tengizchevroil, was held in October to welcome *Canadian Ambassador Stephen Millar* to Atyrau. Ambassador Millar spoke to AmCham members about Canadian companies and corporate social responsibility at a Roundtable preceding the Sundowner.

Astana hosted a **Summer Sundowner** in June following the *AmCham Economic Policy Rule of Law Forum*. Sponsored by Chadbourne & Parke, it was held at the **Nuri Astana Restaurant**, which specializes in cuisine of the Caucasus and boasts an expansive and breezy terrace on the city's riverbank.

Holiday Events

Each year AmCham organizes large-scale celebrations for **U.S. Independence Day (The Fourth of July)** and **American Thanksgiving**, both held at Almaty's **InterContinental Hotel**. These are family affairs with live music and entertainment, a lottery for travel and other prizes donated by sponsors, a special children's program and, of course, fireworks. Traditional food is served at both events, high-spirited celebrations encompassing the entire community. Generous sponsorships from leading AmCham corporate members enabled both holidays to be celebrated at a high level.

In 2011 both Independence Day and Thanksgiving attracted crowds of over two hundred members, guests, and children, creating a lively and merry holiday atmosphere. *Jazz Session* performed a program of jazz and popular classics at both events.

At the **Fourth of July** a flag cake was served while face-painted flower children gathered around, eagerly awaiting a slice of red-white-and-blue cake. Perfect weather allowed the summer weekend celebration to be held outdoors. A fireworks display ended the evening in style.



Thanksgiving was held indoors at the **InterContinental Hotel** which, as always, served up a perfect turkey and pumpkin pie feast. New U.S. Ambassador Kenneth Fairfax welcomed the guests and spoke about the meaning of Thanksgiving. Guests at the pre-dinner cocktail sipped mulled wine and champagne, while children were entertained by clowns and worked up an appetite with a variety of energetic games. Lottery prizes included airline tickets offered by *Air Astana* and *Etihad Airlines* to worldwide destinations, the *InterContinental Hotel* awarded dinner certificates for the elegant *Bosphorus Restaurant* and brunch certificates for the *Asian Café*, and Avon provided a range of glamorous holiday prizes.

Looking Ahead: Chamber Events in 2012

It is intended to maintain the same intensity of events in 2012, providing AmCham members in Almaty, Astana, and the Caspian region with every opportunity for networking at Sundowners, hearing outstanding speakers at Luncheon Business Roundtables, attending seminars, workshops, and conferences under the **AmCham Economic Policy Forum Series**, and celebrating the holidays with family and friends. The success of the AmCham **Awards Banquet** (see following section) will be repeated with another black-tie Awards function in May 2012.

AmCham Awards Banquet

The 2011 AmCham Awards Ceremony and Dinner was held on May 28 in the Grand Ballroom of Almaty's *Intercontinental Hotel*. The evening was attended by nearly 200 members and guests, with a large number of corporate tables. As always, this spring event served as a celebration of AmCham member achievements and an elegant black-tie occasion with music and dancing. U.S. Ambassador John Ordway and Maryjo Ordway attended the evening, as did diplomatic guests from the French and Turkish Embassies. The *Alliance Francaise* was instrumental in organizing the cultural portions of the evening.



AmCham President Kenneth Mack, Managing Partner of Chadbourne & Parke, presided over the evening, introducing the presenter for each award category. Though a select few won awards, a nomination alone was a cause for celebration and recognition. The formal part of the evening was preceded by pre-dinner champagne cocktails.

The awards were adjudicated by an independent, arms-length selection committee composed of AmCham members from a variety of industry sectors and geographic locations:

- **2011 AmCham Public Service Award**
Oraz Jandosov, Director, Rakurs Economic Policy Institute and former Deputy Prime Minister of Kazakhstan

A prominent public figure in Kazakhstan, Oraz Jandosov began his career as Governor of the National Bank of Kazakhstan in the mid-1990s, going on to serve as Head of Kazakhstan's Electricity Board, Minister of Finance, and Deputy Prime Minister. For several years afterwards he was active in opposition politics, before returning to his academic roots as an economist.



- **Ambassador's Award for Best Contribution to US-Kazakhstan Relations**
Kasym-Zhomart Tokayev, Director-General, UN Office, Geneva

Since Kazakhstan gained independence, Mr. Tokayev has served in senior government positions to strengthen Kazakhstan's relations with the U.S., beginning with strategic arms control treaties. His work continued through his roles as Foreign Minister and then Prime Minister. All U.S. Ambassadors have benefited from his engagement and commitment to bilateral relations.

- **2011 AmCham Service Award**

Tomas Balco, Associate Professor and Director of the KIMEP Central Asian Tax Research Center (CATRC)

Tomas Balco has worked closely with AmCham since 2008, when he began chairing the Almaty Tax Working Group. Since then, he has launched and currently chairs two more Tax Working Groups in Astana and Atyrau. As CATRC Director, he has organized numerous tax events over the past year, allowing students, tax specialists and AmCham members to explore the intricacies of Central Asian tax legislation.

- **2011 Executive of the Year**

Colette Cohen, Caspian President, ConocoPhillips

A member of the AmCham Board of Directors and of the Foreign Investors' Council Executive Committee, Colette Cohen not only leads ConocoPhillips' strategic development in the Caspian region, but has won the Astana Office recognition for excellence in many areas, including Winner of a Global Health, Safety and Environment competition.



- **2011 Women's Leadership Award**

Inna Lissova, Lead Assessor/ Business Development Manager, Lloyd's Register

Inna Lissova has been a champion for the introduction of high international standards and international best management practices at Lloyd's Register since joining the company's Caspian staff in 2006. She has also served as assessor, trainer and consultant to local legislative bodies, government, and national and international companies.

- **2011 Award for Entrepreneurship**

Roger Holland, President and CEO, ScotHolland Estates

Roger Holland was recognized for his numerous entrepreneurial activities since the early 90s in Kazakhstan. ScotHolland Estates was founded in 1997 to serve the growing numbers of expatriates arriving to work in Kazakhstan in need of apartments and housing. ScotHolland was an AmCham Founding Corporate Member and Roger Holland served on the AmCham Board of Directors in a formative stage of the Chamber's development.

- **2011 Excellence in Innovation Award**

Mikhail Betin, General Country Manager, OSG Records Management

Mikhail Betin and OSG Records were recognized for the unique OSG Client Communication Center, built and operated in Kazakhstan. The Center serves all OSG companies in the CIS and East Europe and thousands of other OSG clients.

- **2011 Environmental/Health and Safety Award**
ERSAI Caspian Contractors

Ersai has implemented a Quality, Health, Safety and Environment (QHSE) Award System to increase QHSE awareness among its employees. Since 2005, zero fatalities have been recorded and 7,000,000 man-hours were worked without lost time due to injuries.

- **2011 Community Service Award (Large Company)**
GSM Kazakhstan (K'Cell)

GSM Kazakhstan was recognized for its contributions to the 7th Winter Asian Games, and for its partnership with the British Council to promote learning English. GSM Kazakhstan also donated endourological medical equipment to the Almaty Multi-Field Hospital and provided emergency communication support to flood victims in Kyzyl-Agash and to villages in East Kazakhstan.

- **2011 Community Service Award (NGO)**
U.N. High Commissioner for Refugees (UNHCR)

UNHCR has been operating in Kazakhstan since 1995, providing international protection and aid to more than 4,000 asylum seekers and refugees. It works closely with the Government of Kazakhstan on improving asylum procedures and national legislation on refugees. It also develops and strengthens legal and administrative frameworks to prevent statelessness and supports emergency preparedness.

- **2011 Most Innovative Education/Training Program Award**
Ivan Doudin, Honeywell Country Director

Honeywell was recognized for its engineering and technical courses provided to its employees every year. For recent university graduates, Honeywell has developed the *Jet-Pro* program, an intensive engineering training program designed to instill advanced skills in a short period.

- **2011 Support for Kazakh Culture Award**
The British Council Kazakhstan

The British Council has carried out several projects in support of Kazakh Culture, including the Reconstruction Exhibit, the first British fashion show in the country. The Museums Project translated pamphlets and museum signs across the country into English, making Kazakh culture and history more available to foreign visitors.

The 2011 Awards celebration was strongly supported by leading AmCham corporate members: whose generosity ensured the evening's high quality:

Gold Level Sponsor: *Chevron*

Silver Level Sponsors: *Tengizchevroil, Cameco, HSBC, Pfizer, Borusan Makina, Cameco, HSBC, Chadbourne & Parke, ILF Consulting, Pfizer*

Bronze Level Sponsors: *AES Silk Road, Bene AG, Centras Insurance, Dicosta Technologies, Generali Life, Karachaganak Petroleum, M Air Cargo, OSG Records Management, Philip Morris, PricewaterhouseCoopers, Schlumberger, Shymkent Cement, Tethys Petroleum, Toyota Motor.*

Contributing Sponsors: *InterContinental Hotel, Air Astana, Metro Cash & Carry, Nestlé.*

2011 AmCham Events

2011 BUSINESS ROUNDTABLES

Winter 2011

14 January, Almaty, Hyatt Regency Hotel

Topic: Kazakhstan's Program for Accelerated Industrial Development

Speaker: *Nurmukhambet Abdibekov*, Deputy Minister, Ministry of Industry and New Technologies

Topic: Alatau SolarCity Information Technology Park

Speaker: *Karl Johannesson*, Managing Partner, J'Son & Partners

9 February, Almaty, Hyatt Regency Hotel

Topic: Turkmenistan: Undiscovered Opportunities for U.S. Companies

Speaker: *Patrick Slowinski*, Economic-Commercial Trade Officer, U.S. Embassy in Turkmenistan

24 February, Almaty, Hyatt Regency Hotel

Topic: U.S. Trade and Development Agency: Supporting U.S. Business in Kazakhstan and Central Asia

Speaker: *Geoffrey Jackson*, Regional Director for East Asia and Eurasia, U.S. Trade and Development Agency

Spring 2011

30 March, Almaty, Rahat Palace Hotel

Topic: The Organization for Security and Cooperation in Europe: History, Role, Challenges

Speaker: *Alexandre Keltchewsky*, Ambassador, OSCE

4 April, Atyrau, Renaissance Hotel

Topic: Political and Social Instability: Impact on the Economy and the Oil Industry

Speaker: *Dr. Saber Azam*, Regional Representative/Regional Coordinator for Central Asia, United Nations High Commissioner for Refugees

4 April, Atyrau, Renaissance Hotel

Topic: Ernst & Young Annual Tax and Legal Roundtable

Speakers: *Ernst & Young Tax and Legal Panel*

12 May, Almaty, Rahat Palace Hotel

Topic: Will Central Asia be Another Middle East?

Speaker: *Martha Brill Olcott*, Senior Associate, Carnegie Endowment for International Peace, Washington, D.C.

Summer 2011

9 June, Atyrau Renaissance Hotel

Topic: Inspections and Visits from State Authorities: Do's and Don'ts

Speaker: *Kenneth Mack*, Managing Partner, Chadbourne & Parke

22 June, Almaty, Rahat Palace Hotel

Topic: The U.S. Foreign Corrupt Practices Act (FCPA) and the New U.K. Bribery Act

Speaker: *Heidi Lawson*, Partner, Chadbourne & Parke, London, U.K.

Autumn 2011

6 October, Almaty, Rixos Hotel

Topic: U.S. Ambassador Kenneth Fairfax Meets the AmCham Business Community

Speaker: *Ambassador Kenneth Fairfax*, U.S. Ambassador to Kazakhstan

14 October, Atyrau, Renaissance Hotel

Topic: Canada and Canadian Companies as Leaders in Promoting Corporate and Social Responsibility

Speaker: *Ambassador Stephen Millar*, Canadian Ambassador to Kazakhstan

26 October, Almaty, Rahat Palace Hotel

Topic: Kazakhstan's Performance in the Index of Economic Freedom

Speaker: *James M. Roberts*, Center for Economic Freedom and Growth, The Heritage Foundation, Washington D.C.

2011 SUNDOWNERS

Winter 2011

28 January

AGM Sundowner: The InterContinental Almaty Hotel

Sponsor: *HSBC Bank*

Spring 2011

4 April

Almaty Sundowner: Renaissance Hotel

Sponsor: *Ernst & Young*

28 April

Almaty Sundowner: Rixos Almaty Hotel

Sponsor: *VSB Partners*

Summer 2011

9 June

Atyrau Sundowner: Renaissance Hotel

Sponsor: *Chadbourne & Parke*

23 June

Astana Sundowner: Nury Astana Restaurant

Sponsor: *Chadbourne & Parke*

Autumn 2011

30 September

Almaty Sundowner: Rixos Almaty Hotel

Sponsor: *Thunderbird School of Global Management*

14 October

Atyrau Sundowner: Renaissance Hotel

Sponsor: *TengizChevroil*

31 October

Almaty Halloween Sundowner: Royal

Tulip Almaty Hotel

Sponsors: *Nokia, Nestle*



2011 HOLIDAY CELEBRATIONS

Summer 2011

3 July

U.S. Independence Day Celebration

Almaty, InterContinental Almaty Hotel

Sponsors: *AES, Baker Hughes, DHL, CitiBank, Coca-Cola, Mars, Efes, Nokia, KLM, Kazakh International School, InterContinental*

Autumn 2011

24 November

Thanksgiving Day Celebration

Almaty, InterContinental Almaty Hotel

Sponsors: *Conoco Phillips, AES, Ernst & Young, Globalink, Grant Thornton, Honeywell, Procter & Gamble, Abacus, HSBC, Chagala Group, Mars, Air Astana, Etihad Airways, Metro Cash & Carry, Coca-Cola, Efes, Avon, DHL, InterContinental, Siam Spa*



2011 AWARDS BANQUET

Spring 2011

28 May

AmCham Awards Ceremony & Dinner

Almaty, InterContinental Almaty Hotel

Gold Sponsors: *Chevron*

Silver Sponsors: *TengizChevroil, HSBC, Borusan Makina, Pfizer, Chadbourne & Parke, Cameco, ILF Consulting*

Bronze Sponsors: *Karachaganak Petroleum, Centras Insurance, Philip Morris, AES, Schlumberger, Shymkent Cement, Tethys Petroleum, Bene AG, Toyota Motor, Dicosta Technologies, PricewaterhouseCoopers, Generali Life, M Air Cargo, OSG Records Management*

Contributing Sponsors: *Air Astana, Metro Cash & Carry, InterContinental, Nestle*



2011 AMCHAM ECONOMIC POLICY FORUM CONFERENCES



Summer 2011

23 June (Astana)
AmCham Rule of Law Forum:
Protecting Investor's Rights
Radisson SAS Astana Hotel
Sponsor: *ConocoPhillips*

Autumn 2011

11 November (Almaty)
AmCham Banking
Regulatory Reform Forum:
Seeking Stability in a
Volatile Environment
Rahat Palace Hotel
Sponsor: *Ernst & Young*



AmCham Advocacy Initiatives

Advocacy to improve the legislative and regulatory environment in which the business community operates is a fundamental part of the mission of both the U.S. Chamber of Commerce and American Chambers of Commerce around the world. Economic and business conditions vary widely from country to country along with political and social conditions affecting the economy, but wherever AmChams exist, they speak with an authoritative voice about the need to create optimal conditions for business to flourish.

AmCham in Kazakhstan has always recognized advocacy as a driving force that gives the foreign business community a strong and positive role to play in its host country, a role that benefits not only foreign investors, but the country's business community at large.

U.S.-Kazakhstan Public-Private Economic Partnership Program (2008-2009)

Over the years, advocacy has become an increasingly important role for AmCham in Kazakhstan, achieving maturity in 2009 when the Chamber was asked by the U.S. State Department and U.S. Embassy in Astana to take a leading role in the **U.S.- Kazakhstan Public-Private Economic Partnership Initiative (PPEPI)**, an advocacy program that emerged in a meeting with Prime Minister Massimov in 2007. AmCham readily agreed to lead PPEPI and, following the official program launch at a PPEPI conference in Astana in June 2008 and supported by a USAID Pilot Year grant, in March 2009 AmCham established a PPEPI Secretariat in its offices.



AmCham Economic Policy Program (2010-present)

Following an intensive and successful PPEPI Pilot Year, AmCham incorporated the Secretariat into its regular operations and took on responsibility for funding and guiding the advocacy program, now renamed **The AmCham Economic Policy Program (AEPP)**. AEPP continued to evolve as it vigorously pursued advocacy on behalf of the AmCham membership and the broader business community in Kazakhstan. The successor program maintained the major PPEPI mandate and activities, beginning with five priority areas crucial to improving Kazakhstan's investment climate:

- **Rule of Law/ Anti-Corruption**
- **Transparency/ Economic Effectiveness**
- **Regional Economic Integration/ Customs and Trade**
- **Economic Diversification/ Small and Medium Business**
- **Scientific and Technological Cooperation**

AEPP pursued its mandate through a series of interlocked advocacy activities:

- **Elite AEPP Working Groups** composed of leaders from the business and public policy community, including senior government officials
- **White Papers** prepared by the Working Groups on priority topics for submission to the Prime Minister
- **Meetings with the Deputy Prime Minister** involving prominent AmCham member companies
- **Annual Roundtable Conferences** organized in Almaty and Astana under the *AmCham Economic Policy Forum Conference Series (AEPF)*
- **AmCham publications** regularly covering AEPP goals and achievements
- **Special speaker events** and *seminars*
- **A media strategy** to heighten public awareness of the need to improve Kazakhstan's business environment.

In 2010 *Investors' Voice* began devoting entire issues to the AEPF conferences, publishing conference papers and presentations. Over the past two years, six issues of *Investors' Voice* have been devoted to *Regional Economic Integration, Rule of Law, Banking Reform, and Science and Technology*, each focusing on presentations by ambassadors, government ministers, and other high-profile speakers at the **AEPF** conferences.



AEPP Working Groups, White Papers, Project Teams – An Evolving Strategy

The two series of White Papers presented to the Deputy Prime Minister in 2009-2010 by each of the five AEPP Working Groups served as a topic of discussion between the Working Group Chairs and the relevant ministers, who convene in the Deputy Prime Minister's office. The White Papers presented a status report and recommendations for legislative change in areas as diverse as anti-corruption measures, business disputes in the courts, government procurement policy, banking regulatory reform, and increased funding for scientific and technological innovation. (See **2010 AmCham Annual Report** for a list of the ten White Papers presented in 2009-2010.)

In late 2010 Deputy Prime Minister Orynbayev proposed that AmCham move up to 'the next level' by working together with government to implement targeted White Paper recommendations. In 2011, therefore, AmCham shifted its focus to creating tightly-focused Project Teams to work with selected government agencies on recommendations agreed upon between the two sides. Focus was narrowed to 3 of the 5 original priority areas with Project Teams created for each area.

1. Anti-Corruption/ Rule of Law Project Team (Decriminalization of Tax/ Administrative Disputes)

Interlocutor: Ministry of Justice of Kazakhstan

Team Leader: Marla Valdez, Managing Partner, SNR Denton

- Moukhit Akhanov, President, Central Asia, International Tax/ Investment Center
- Meruert Makhmutova, Executive Director, Public Policy Research Center

2. Transparency/ Economic Efficiency Project Team

Interlocutor: National Bank of Kazakhstan

Team Leader: Ulf Wokurka, Country Head, Deutsche Bank Kazakhstan

- Michael Carter, Investment and Financial Advisor
- Zhanna Tamenova, Tax Manager, Ernst & Young

3. Regional Economic Integration/ Trade/ Customs Project Team (Customs Union)

Interlocutor: Ministry of Economic Development/ Trade, Customs Committee

Team Leader: Stephen Kreeger, General Director, Metro Kazakhstan

- Tomas Balco, Director, Central Asia Tax Research Center, KIMEP

The **Rule of Law Team** was launched in the summer of 2011 when it joined a Justice Ministry Working Group composed of Deputy Ministers from a variety of ministries whose task it is to write and amend legislation.

The **Banking Team** was launched in the autumn of 2011 following consultations with National Bank Governor Grigory Marchenko, who requested AmCham support with introduction of selected Basel III recommendations into Kazakhstan's banking system. The **Customs Union Team** will begin its work in the spring of 2012.

AmCham Economic Policy Forum Conferences – The Public Face of AmCham Advocacy

The AEPF conferences continued in 2011, designed to highlight the areas in which the AEPF Project Teams proposed to work. In each instance a daylong conference was held to examine a problem area from a variety of perspectives, proposing different approaches and solutions. The conferences drew an increasing number of participants, were attended by the media in force, and became increasingly sophisticated. Each conference served to launch a Project with a government institution.



Summer AEPF Conference

RULE OF LAW: PROTECTING INVESTOR RIGHTS

23 June 2011, Astana, Radisson SAS Hotel

Keynote Speakers: *Deputy Prime Minister Yerbol Orynbayev
U.S. Ambassador to Kazakhstan John Ordway*

Morning Session: *Rule of Law and Investor Confidence*

- *Corruption: Impact on the Investment Climate*
- *The U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act*
- *Corruption Challenges for Kazakhstan*
- *Anti-Money Laundering Strategies for Central Asia*

Afternoon Session: *Business Disputes and the Courts*

- *Decriminalizing Investor Disputes*
- *Administrative and Tax Disputes in Kazakhstan*
- *Legal Reform and Economic Competitiveness*
- *Judicial Peers Training Program for Central Asia*

Autumn AEPF Conference

BANKING REGULATORY REFORM FOR KAZAKHSTAN: CREATING STABILITY IN A VOLATILE ENVIRONMENT

11 November 2011, Almaty, Rahat Palace Hotel

Keynote Speaker: *Grigory Marchenko, Governor, National Bank of Kazakhstan*

Morning Session: *Banking Regulation, A Global Challenge*

- *The Urgency of Banking Regulatory Reform*
- *Basel III: Creating a Stable Regulatory Climate*
- *Reforming the Basel Framework: What Does it Mean for SIFIs?*
- *The Canadian Banking Regulatory Model: A Success?*

Afternoon Session: *Kazakhstan's Banks and Regulatory Reform*

- *Banking in Kazakhstan – Is the Crisis Over?*
- *The Impact of Regulatory Reform on the Competitiveness of Kazakhstan's Banks*
- *How Will the Joint AmCham-NBK Project Team Work?*
- *Implementing Basel III Reforms in Kazakhstan's Banking System*



Advocacy Publications and Other Events

Investors' Voice, the AmCham magazine, continued to publish presentations in thematic issues from the AEPF conferences to raise awareness of advocacy issues. Three such special issues were published in February, July, and December 2011 immediately following conferences on **Regional Economic Integration: Open for Business – The Silk Road 2011**, **Rule of Law: Protecting Investor Interests**, and **Banking Regulatory Reform for Kazakhstan: Seeking Stability in a Volatile Environment**.

AmCham President Kenneth Mack took a leading role in the further evolution and expansion of AmCham advocacy when he addressed a legislative and judicial conference on the urgency of judicial reform in the Senate of Kazakhstan in November 2011. The conference was attended by legislators and judges, including Supreme Court judges.

The AmCham President continued to advocate for change in a Business Roundtable focused on compliance with audits and company visits by Kazakhstan government agencies. The Roundtable was held in Atyrau, where such audits and visits are regularly conducted, and had a record attendance for any AmCham event in the Caspian region.

Other AmCham Advocacy Initiatives

In addition to the **AmCham Economic Policy Program**, AmCham participates in a number of other long-standing advocacy initiatives, both in Kazakhstan and abroad.

The Foreign Investors' Council (FIC)

Since the Chamber's inception, AmCham Board members have participated in a variety of committees under the **Foreign Investors' Council (FIC)**, where they speak on behalf of member interests and work on draft legislation in the spheres of taxation, legal reform, work permits, customs, and a host of policy and operational issues.

Prime Minister's Tax Advisory Council

Kazakhstan Prime Minister Karim Massimov invited AmCham to submit recommendations for changes to current tax legislation when the **Tax Advisory Council** was formed under his leadership in 2009. This task was taken up by the AmCham Tax Working Group, which has framed recommendations for the Council that will impact on tax legislation reform.

Eurasia Business Platform (EBP)

AmCham in Kazakhstan continues to actively participate in the **Eurasia Business Platform (EBP)**, of which it was a founding member in 2006. EBP is a U.S. Chamber of Commerce initiative to raise the profile of Central Asia and the Caucasus in Washington, D.C. and to encourage close cooperation among regional AmChams. In addition to the Central Asian AmChams, Turkey, Georgia, and Azerbaijan are full members of EBP. Istanbul served as the location of the EBP founding meeting and subsequent meetings.

Given the U.S. Chamber's well-established presence in Washington with its excellent access to decision-makers in the President's Office, Department of Commerce, and State Department, EBP is well-represented at levels where its voice needs to be heard to influence U.S. trade and foreign policy towards Central Asia. The AmCham Executive Director regularly attends EBP meetings in Washington and in the region.

EBP traditionally supports the annual **TIFA (Central Asian Trade and Investment Framework Agreement)** meetings, held in alternate years in Washington and in Central Asia. When TIFA is held in Washington, a day-long Eurasia Business Platform conference on investment in Central Asia is organized at the U.S. Chamber headquarters in Washington. If the TIFA negotiations are held in Kazakhstan in the future, AmCham has indicated its readiness to host an EBP event.

Looking Ahead: AmCham Advocacy in 2012

Advocacy has become a central part of AmCham activity. In 2012 AmCham will continue to focus on advocacy through the Working Groups, White Papers, Project Teams, conferences, publications, and the media involvement that has been typical of advocacy over the past three years.

Working Group meetings will resume and a new set of White Papers will be produced for the Prime Minister's Office. A Customs Union conference is planned for early March in Almaty. A unique feature of this conference will be the involvement of high-profile public and private sector speakers from Russia alongside their counterparts from Kazakhstan.

Following the Customs Union conference, the Customs Union Project Team will launch its work with the Finance Ministry (Customs Committee) and the Ministry of Economic Development and Trade. This Team will work alongside the Banking Reform and Rule of Law Project Teams whose work began in 2011.

The AmCham relationship with the Prime Minister's Office will expand through the presentation of 'case studies' involving selected AmCham corporate members which have encountered serious problems in Kazakhstan's investment climate. This will complement and strengthen the legislative reform efforts led by the Working Groups and Project Teams.

The Prime Minister's Office has proposed creation of a special AmCham-US Government-Government of Kazakhstan Commission to review and resolve investor issues presented by AmCham and its members at a senior level. AmCham will present a proposal for the Commission's structure and will continue to elaborate the Commission concept and operations with its partners.

Advocacy will continue to evolve as AmCham seeks each and every opportunity to make its voice heard on behalf of Kazakhstan's investment community.

AmCham Working Groups

AmCham Working Groups are the classic Chamber groups of long-standing whose discussions continue to be closely connected to the advocacy efforts of the more recently-created *AmCham Economic Policy Program (AEPP)* and its separate Working Groups. The Chairs of the AmCham Working Groups are often also members of the AEPP Working Groups, thus directly contributing the ideas and recommendations of their own Groups to the drafting of AEPP White Papers. Both sets of Working Groups and their base in Kazakhstan's major cities form the AmCham 'brain trust' that is the Chamber's most valuable asset.

2011 was a year of rapid growth and improvement for the AmCham Working Groups, which now number fourteen groups active in Almaty, Astana, Atyrau and Aktau. Group size has also increased dramatically, some groups now consisting of 30-40 members. Others are smaller, but equally active. The groups are dynamic centers for discussion, creating projects and drafting recommendations for the Government of Kazakhstan. The Almaty Groups meet monthly, while the Atyrau, Astana and Aktau WGs meet quarterly. The Working Group focus in each location reflects concerns typical of industries in that specific environment.

- The *Corporate Social Responsibility Working Group* operates in two locations – one branch in Almaty headed by the *Eurasia Foundation of Central Asia* in 2011 and another in Atyrau headed by *Tengizchevroil*. Both organizations have won recognition and AmCham awards for their CSR efforts and have brought their energy and commitment to the CSR groups.
- The *Human Resources Working Group* has three branches in Almaty, Atyrau, and Aktau. The Almaty Group was headed by James Clark of *PricewaterhouseCoopers* until April and by Aigerim Zhanabayeva of *Ernst & Young* beginning in May. In Atyrau the HR Group was headed by Ben Urmston of *Fircroft Engineering* until June and then by Derek Toffer of *Fluor*.
- Two branches of the *Foreign Investment Working Groups*, both headed by Bruce Wilson of *PBN Company* since July, meet in Almaty and Astana.
- The *Tax Working Group* now has four branches in all four cities beginning in 2012 – an indication of the crucial importance of this subject for AmCham members, regardless of their industry or location. The Chair of all four Groups is KIMEP Associate Professor Tomas Balco, formerly of *PricewaterhouseCoopers*, now Director of the *KIMEP Central Asian Tax Research Center*.



The fourteen AmCham Working Groups are:

Almaty

- **Foreign Investment Working Group (FI WG)**
2011 Chair: Bruce Wilson, PBN Company

The FI WG began meeting again after a year of dormancy and has been brainstorming ways to become more effective. One project is to update the *Intellectual Property Rights White Paper* drafted by the WG in 2010 for presentation to the Ministry of Justice of Kazakhstan. As Kazakhstan approaches the final WTO accession stage, IPR and other foreign investment issues acquire heightened importance.

- **Human Resources Working Group (HR WG)**
2011 Chairs: James Clark, PricewaterhouseCoopers (to April 2011)
Aigerim Zhanabayeva, Ernst & Young (May-December 2011)

The HR WG has focused on sharing best practices and encouraging professionalization of HR at member companies by inviting speakers from AmCham members with a highly developed HR framework to lead discussions. This past year covered a wide array of topics, ranging from the benefits of outsourcing non-core processes and work force diversity to the most recent work on permit regulations, compensation and benefits, performance management, and grading systems.

- **Tax Working Group (TWG)**
2011 Chair: Tomas Balco, KIMEP

One of the most dynamic AmCham Working Groups, TWG examined a number of tax-related issues in 2011 ranging from transfer pricing, double taxation treaties, tax competition in the Customs Union, Permanent Establishments from a VAT and Direct Tax Perspective, Corporate Income Tax, International Taxation, and many others. The group is continuously researching and exploring the numerous changes that are added to the Tax Code and seeks to solve issues affecting AmCham member companies.

- **Trade and Customs Working Group (TC WG)**
2011 Chair: Carsten Skov, ICT Logistics (to March 2011)

The TC WG conducted a joint meeting with the Tax WG this year to discuss tax implications and problems affecting *customs operations* and *trade facilitation*, but has not found a new Chair since the departure of Carsten Skov from this position in the spring. AmCham is actively seeking a new Chair to relaunch this WG in 2012.

- **Corporate Social Responsibility Working Group (CSR WG)**
2011 Chair: Azalia Daiirbekova, Eurasia Foundation

The Group continued to participate in the development of the CSR website and created a sub working group to develop new criteria for the *National Paryz CSR* award. Companies also began presenting their CSR programs and projects to the group in order to share ideas for future programming. The *Civil Alliance* became a close partner and a new CSR award called *Ar-Namys* was created.

- **Information and Communication Technology Working Group (ICT WG)**
2011 Chair: **Gunther Dahm, Microsoft**

The ICT WG has not met this year and will be reformed and redirected in 2012 to encompass a broader range of scientific and technological interests under new leadership.

Atyrau

- **Corporate Social Responsibility Working Group (CSR WG)**
2011 Chair: **Linsi Crain, Tengizchevroil (TCO)**

The Atyrau CSR WG was launched in the autumn of 2010 by TCO, which has had the largest and most diversified CSR activity in Atyrau for nearly 2 decades. The Group serves as a forum to participate in joint projects involving a broad range of Atyrau companies. The group is currently working to develop NGO relations in partnership with the *Civil Alliance*.

- **Human Resources Working Group (HR WG)**
2011 Chairs: **Ben Urmston, Fircroft (to June 2011)**
Derek Toffer, Fluor (November-December 2011)

2011 was a year of intense discussion about *work permits, visas*, and for many companies in Atyrau, *manpower agencies* who typically provide specialists for short-term contracts for oil companies and their contractors. The meetings served to help companies better understand changing *government regulations*, their impact on given industries, and compliance.

- **Tax Working Group (TWG)**
2011 Chair: **Tomas Balco, KIMEP**

Launched in the summer of 2010, TWG in Atyrau is focused on tax issues of particular importance to the oil and gas industry in the Caspian region. To date the Group has discussed the impact of the new *Customs Union* between Kazakhstan/Russia/Belarus, *VAT* issues, and *Permanent Establishment*.

Astana

- **Tax Working Group (TWG)**
2011 Chair: **Tomas Balco, KIMEP**

Similar to the other TWGs in Almaty and Atyrau, this Group has examined the impact of changes in the tax code, *VAT, customs duties, Beneficial Ownership* and *Permanent Establishment*, among other topics. This WG is heavily supported by *Booz Allen Hamilton*, which holds the deputy chairmanship and frequently hosts meetings at its Astana offices.

- **Foreign Investment Working Group (FI WG)**
2011 Chair: **Bruce Wilson, PBN Company**

Launched in the summer of 2011, the Astana FI WG has acquired momentum and participation from both the private and public sectors, having hosted the head of the *Foreign Investors' Council, US Embassy* representatives, *Samryk Kazyna*, and other Astana-based agencies. The FI WG will continue to work with *Samryk Kazyna* as it launches its new *Tax Research Center*.

- **Trade and Customs Working Group (TC WG)**
2011 Chair: Inactive, will be moved to Atyrau in 2012

Aktau (to be launched in 2012)

- **Human Resources Working Group (HR WG)**
Chair: Zhenis Utegenov, ArcelorMittal
- **Tax Working Group (TWG)**
Chair: Tomas Balco, KIMEP

Looking Ahead: AmCham Working Groups in 2012

In 2012 AmCham Working Groups will operate in an unprecedented four cities in Kazakhstan, the total number of Groups having increased at the end of 2011 to fourteen with the addition of two planned working groups in Aktau – HR and Tax. Given the dynamism and commitment of the Working Group Chairs, the groups will continue to be energized in their discussions and activities targeted to the industries and priorities of each geographic location. AmCham will continue to monitor, attend, and support all Working Groups, especially the recently-launched Aktau Groups.



AmCham in Kazakhstan's Regions

Although Almaty is recognized as Kazakhstan's commercial center, it is vital to AmCham to maintain its presence in Kazakhstan's capital city, *Astana*, and in Western Kazakhstan. **AmCham Resident Regional Representatives** are based in *Astana*, *Atyrau*, and *Aktau*, enabling the Chamber to understand the variety of issues important to members outside Almaty and to perform advocacy on behalf of the industry sectors centered in the country's many regions. In 2011 the AmCham Regional Representatives were:

- **Astana – David Ford, Booz Allen Hamilton**
- **Atyrau – Russell Maynard, Deloitte**
- **Aktau – Chris Drake, Safar Oilfield Services**

The **AmCham Board of Directors** also includes prominent members from Western Kazakhstan and Astana. In 2011 these members were:

- **Claudette Cohen, Caspian President, ConocoPhillips, Astana**
- **Tim Miller, General Director, Tengizchevroil, Atyrau**

As described in the **AmCham Working Groups** section, in 2011 new Working Groups were added in Atyrau and Aktau to complement Almaty's 6 groups for a total of 14 groups. These groups are a valuable addition to the Chamber's regional presence and ability to advocate in Astana on behalf of its membership.

AmCham organizes a variety of events in each of the three cities each year and the Executive Director and Economic Policy Manager travel regularly to each city for events and Working Group meetings.

Astana receives continuing close attention and frequent trips to further develop the working relationship with the Government of Kazakhstan, as well as to remain in touch with the diplomatic community centered in the capital, in particular with the U.S. Embassy. **AmCham Economic Policy Forum conferences** alternate between Almaty and Astana, thus highlighting investment and trade issues for different audiences in each city.

The **AmCham Awards Ceremony** each year also includes recognition for corporate and individual initiatives in all regions of Kazakhstan. Articles about regional issues are continuously sought for **Investors' Voice**, which regularly publishes an April issue devoted to Western Kazakhstan and the Caspian region. News from other regions is regularly covered as it arises.

In 2011 the Chamber travelled frequently to the Caspian region for speaker events and Sundowners sponsored by regional members. Increasing travel to Astana took place over the past year as a result of the Chamber's enhanced advocacy initiative with the Government of Kazakhstan.

Astana

Astana is represented on the AmCham Board of Directors by **Colette Cohen, Caspian President, ConocoPhillips**.

An **AmCham Economic Policy Forum** conference on **Rule of Law: Protecting Investor Interests** was held in Astana at the *Radisson SAS Hotel* on 23 June 2011, sponsored by *ConocoPhillips*, an AmCham Board member and prominent corporate presence in Astana. U.S. Ambassador John Ordway and Deputy Prime Minister Yerbol Orynbayev opened the conference as Keynote Speakers. Attendance was heavily diplomatic and from Kazakhstan government agencies, in particular the Justice Ministry and Prosecutor-General's Office.

A **Sundowner** at the *Nury Astana Restaurant* sponsored by *Chadbourne & Parke* followed the conference.

Advocacy vis-à-vis the Government of Kazakhstan is the main thrust of AmCham activity in Astana. For this purpose the AmCham President and Executive Director travel frequently to Astana to meet with the Deputy Prime Minister and the U.S. Ambassador.

In the autumn, the **AEPP Rule of Law Project Team** joined an elite Working Group at the **Justice Ministry** composed of Deputy Ministers from a variety of ministries charged with drafting legislation affecting Kazakhstan's business community. Team members and the AmCham Executive Director attend meetings and present proposals for legislative reform that will impact the AmCham membership.

The **AmCham Foreign Investment and Tax Working Groups** meet in Astana with excellent attendance.

Atyrau

Atyrau is represented on the AmCham Board of Directors by **Tim Miller, General Director of Tengizchevroil**.

A number of AmCham events were held in Atyrau in 2011, beginning with the annual AmCham support for the early April North Caspian Oil and Gas Exhibition. All Atyrau events are held at the *Renaissance Atyrau Hotel*.

During the April Oil and Gas Exhibition, AmCham held two speaker events and an evening Welcome Sundowner on April 4 for Exhibition/ Conference participants:

- An **Ernst & Young/ AmCham Tax Roundtable** with a focus on new tax legislation and its interpretation in Kazakhstan
- A **Business Roundtable on *Political and Social Instability: Impact on the Economy and Oil Industry***, focused on the impact of the Arab Spring, featuring speaker *Dr. Saber Azam, UNHCR Regional Representative and Coordinator for Central Asia*
- An **Ernst & Young-sponsored Sundowner** to welcome Exhibition/ Conference participants to Atyrau

Each April AmCham publishes a special issue of **Investors' Voice** devoted to Atyrau and Aktau for distribution at the North Caspian Oil and Gas Exhibition. This year's issue was entitled **Caspian Energy Issue: Oil and Gas Fuelling Economic Growth**.

In the summer AmCham returned to Atyrau on June 9 with a Roundtable that proved to be the largest and best-attended AmCham event to date for AmCham in this city. Attendance was 150 for a presentation on **Inspections and Visits from State Authorities: Do's and Don'ts**, a subject of particular relevance for companies operating in Atyrau. The Roundtable was conducted by **Chadbourne & Parke**, which also sponsored a **Sundowner** following the Roundtable.

In the autumn, AmCham brought *Canadian Ambassador Stephen Millar* to Atyrau to speak at an October 6 Roundtable on **Canada and Canadian Companies as Leaders in Promoting Corporate and Social Responsibility**. The Roundtable was followed by a **Tengizchevroil Sundowner**.

The 3 AmCham Atyrau Working Groups continued to meet regularly during 2011 and were attended by AmCham Economic Policy Manager Jeffrey Mason who travelled from Almaty for all meetings.

Aktau

Aktau, which is being transformed into Kazakhstan's main trans-Caspian oil and gas shipping port and is undergoing intense infrastructure development for this purpose, is a crucial part of the Caspian oil and gas industry. AmCham membership in Aktau has grown significantly in 2011.

As a result, **two new Working Groups – Tax and Human Resources** - were launched in Aktau and will begin meeting in 2012. The HR Group will be headed by *ArcelorMittal Tubular* and the Tax Group will be headed by *Tomas Balco*. These will be popular Working Groups geared to the specific needs of the Caspian region.

AmCham normally visits Aktau in early November to hold a *Welcome Sundowner* for the *Mangystau Oil, Gas, and Infrastructure Exhibition* at the *Renaissance Aktau Hotel*. Although no Sundowner was held in 2011, the AmCham presence and Sundowner will resume in 2012.

Aktau is featured in the *Caspian Spring* issue of *Investors' Voice*, which appears in early April each year.

Looking Ahead: AmCham in Kazakhstan's Regions in 2012

The AmCham regional presence will continue and will expand in 2012. Aktau will have two **AmCham Working Groups**, joining those that already exist in Atyrau, Astana, and Almaty. AmCham will continue to organize **Roundtables, Workshops, and Sundowners** throughout the year to bring members together in the regions. The Western Kazakhstan spring issue of *Investors' Voice* will continue to highlight developments in the Caspian region with special attention to Atyrau and Aktau.

The Chamber will maintain its presence in Astana and intensify its advocacy efforts under the **AmCham Economic Policy Program**. An AEPF conference will be organized in Astana in the autumn of 2012, and the advocacy relationship with the Prime Minister's Office is anticipated to intensify. Closer collaboration with the *Justice Ministry, Economic Development and Trade Ministry*, and the *Customs Committee* to improve the investment climate will continue to evolve.



AmCham Publications and Communications

A crucial area of AmCham activity is its publications and communications strategy, which ensures the broadest possible visibility to the Chamber, enabling its voice to be heard where it matters. AmCham publications are distributed not only to members in Kazakhstan, but to leading non-member businesses across the region, to Eurasian AmChams, and to Washington D.C. government agencies. Chamber publications are also distributed internationally through the global headquarters of AmCham member companies in North America, Europe, Turkey, the Middle East, and Asia-Pacific.

In that the Chamber maintains close ties with all diplomatic missions in Kazakhstan, AmCham publications are distributed to embassies and other diplomatic missions in Astana and Almaty. Kazakhstan government ministries and agencies also receive copies of all Chamber materials. For this reason, it is important that AmCham communications and publications meet the highest possible professional standards, for they serve as the Chamber's face and voice throughout the world.

Investors' Voice

Investors' Voice (IV) is the Chamber's flagship publication, a 60-page bimonthly magazine containing *Feature Articles*, *Member News*, *Chamber Events*, *AmCham Working Group Updates*, *PPEPI Working Group Updates*, and *New Member Profiles*. Each issue sets out a priority theme and presents thematic feature articles.

In 2011, in conformity with AmCham's increasing emphasis on advocacy, IV has published three issues devoted entirely to *AmCham Economic Policy Forum* conferences and containing major presentations from these conferences. These special issues are identified below in the list of IV 2011 issue themes.

IV is published five times per year with a summer break. It is entirely compiled and edited in-house with articles submitted by members and leading non-members invited to discuss topics on which they possess expertise.

IV has a distribution list in excess of 3,000 readers in Kazakhstan and across Central Asia, as well as in Europe, the Middle East, and Washington D.C. The magazine is found in 5-star hotels throughout Kazakhstan, ensuring that it is seen by the broadest possible business readership. It is also distributed at leading conferences throughout the year, both in Kazakhstan and abroad.



Investors' Voice is entirely self-supporting through advertising revenue, which also serves to finance the Chambers' non-revenue-producing operations. In 2011 individual issues of IV were devoted to the following themes:

- **Open for Business: The Silk Road 2011 (February)**
- **Caspian Spring Issue: Oil and Gas Fuelling Economic Growth (April)**
- **Rule of Law: Protecting Investor Interests (June)**
- **The Oil and Gas Industry in a Volatile Global Environment (October)**
- **Banking Regulatory Reform: Stability in a Volatile Environment (December)**

Each *IV* cover features the work of a contemporary Kazakh artist, thus promoting Kazakhstan's artistic culture and making today's artists known to the readership.

AmCham Membership Directory 2011-2012

The *AmCham Membership Directory 2011-2012* is a comprehensive 150-page publication listing and describing each AmCham member institution in a full half-page entry for informational and promotional purposes. It is compiled each summer in time for distribution at the annual autumn oil and gas conferences.

The *Directory* is distributed to each member company and organization, as well as at all major conferences and roundtables affiliated with AmCham, and to all foreign diplomatic missions and Kazakhstan government ministries. Distribution continues free of charge throughout the year at major events inside and outside Kazakhstan, and is always available at AmCham events and to visitors to the AmCham office.

AmCham Brochures/Pamphlets

In addition to its existing brochures/pamphlets, in 2011 the Chamber published two new brochures geared towards informing members and non-members about AmCham goals and activities: *How Does AmCham Serve Its Members* and *AmCham Working Groups and Project Teams*. Existing brochures are updated annually. These smaller publications are distributed at AmCham meetings and events, to visitors to the AmCham office, and at events abroad.

AmCham Newsletter

The electronic *Newsletter* is a biweekly communication sent to all members and embassies advising of upcoming Chamber events, meetings, member services, discounts, and employment vacancies. It also briefly updates recipients about Chamber news.

AmCham Website

The *AmCham Website* is an accessible and comprehensive means for informing visitors about the Chamber. It contains a calendar of upcoming events and conferences. Publications are available for viewing on the website, and the Working Group and Advocacy sections are updated regularly. The advocacy White Papers are available on the website in Russian and English.

Looking Ahead: 2012 Publications and Communications

The Chamber regards its publications and communications as a priority area of its over-all activity – its face and voice to members and non-members around the world. All of the above publications will be continued and updated in 2012. *Investors' Voice* will continue to evolve, having progressed in recent years from being primarily a membership publication to recognition as a major regional business magazine.

AmCham Partnership Conferences

Throughout the year the Chamber supports conferences deemed to be of high quality and particular value to AmCham members. In 2011 most were connected with the oil and gas industry. AmCham continues to support the three major ITECA oil and gas exhibitions/conferences that have served as the industry's backbone for over a decade, but also lends its recognition and support to major policy-oriented conferences with a Kazakhstan focus held both in-country and abroad :

- **North Caspian Oil and Gas Exhibition 2011 and Conference (April, Atyrau)**

Each spring during the **North Caspian Oil and Gas Exhibition and Conference**, AmCham and *Ernst & Young* traditionally co-organize an *Atyrau Tax Workshop* and *Welcome Sundowner* for conference delegates. Special Business Roundtables are also often planned within the conference framework, as was the case in 2011 with a *UNHCR Roundtable* on the impact of the Arab Spring on the oil and gas industry. In April the annual *Western Kazakhstan issue* of *Investors' Voice* devoted to the Caspian oil and gas industry is produced for the Atyrau Exhibition.

- **Kazakhstan International Oil and Gas Exhibition and Conference (KIOGE) (October, Almaty)**

Since inception, AmCham has strongly supported KIOGE, the year's major oil and gas industry event which serves to kick off the autumn business season in Almaty. The Chamber also publishes an *Autumn Oil and Gas issue* of *Investors' Voice* devoted to the industry. It is distributed on the Atakent Exhibition Grounds and at the InterContinental Hotel conference site to all delegates and guests.

- **Mangystau Oil, Gas, and Infrastructure Exhibition 2011 (November, Aktau)**

As Kazakhstan's major Caspian oil and gas shipping port, Aktau has rapidly grown in importance in recent years as a result of the city's ambitious development plan. Each year AmCham regularly organizes a *Welcome Sundowner* for the Mangystau Exhibition.

Other major conferences that AmCham supported in 2011 include:

- **Black Sea Energy and Economic Forum (November, Istanbul)**

Organized by the Washington, DC-based *Atlantic Council*, this 3-day forum focuses on Turkey's position as a transit hub for economic and energy resources shipped from the Black Sea, Caspian Sea, and Middle East to western markets. The Forum draws an impressive list of speakers, including Turkish Prime Minister Erdogan, Turkish cabinet ministers, and key US policy-makers.

- **KazEnergy – 6th Kazenergy Eurasian Forum (October, Astana)**

The 2011 KazEnergy Forum was a major industry event that drew a high-powered speaker list, senior government policy-makers at the ministerial level filled the agenda along with prominent oil and gas executives. The autumn issue of *Investors' Voice* was distributed to all conference delegates and guests.

- **Economist Silk Road Conference (December, Almaty)**

The Economist has organized annual policy-oriented conferences in Kazakhstan in recent years, all with outstanding speakers from both the public and private sectors. This year's conference was the first to be held in Almaty.

AmCham Philanthropy and Community Service

The Chamber has traditionally served the outside community as well as its own member community in a variety of ways. In 2011 AmCham raised funds and made donations to serve a number of community needs.

- AmCham donated \$2000 to the **Almaty Little League** for the fourth year in a row in support of its summer baseball program. The Little League brings together children from the local and foreign communities to play baseball on Saturday mornings in the summer.
- AmCham donated \$3000 to the **Almaty Jazz School**, which trains young musicians for a career in music. The School organizes an impressive four-day Almaty International Jazz Festival with professional jazz groups from around the world that is a highlight of Almaty's jazz life.
- AmCham offers **Internships with stipends** each year to final-year **KIMEP** students and young professionals specializing in management, economics, and finance. Their support with event organization, bookkeeping, and membership is invaluable. On occasion AmCham has been able to offer staff positions to interns upon graduation or to recommend them for employment to member companies.

Looking Ahead: Philanthropy and Community Service in 2012

Although the Chamber's capacity for philanthropy was restricted during the financial crisis, charitable events and donations will ramp up in 2012 as AmCham continues to serve the community in which its members live and work. AmCham will collaborate with its members to organize charity sports and social events, and will continue providing educational training opportunities through in-house internship programs.



2011 AmCham Financial Report

Despite the lingering aftershock of the financial crisis, the Chamber met revenue targets in the 2011 Budget and remained within budgetary guidelines, resulting in a modest surplus.

A detailed report on the Chamber's 2011 Financials by the AmCham Board Treasurer is an essential part of the Annual General Meeting.

Looking Ahead: 2012 AmCham Budget

The 2012 AmCham Budget will be, as always, a conservative budget founded on cost containment and judicious utilization of membership revenue supplemented by advertising revenue from *Investors' Voice* and the *Membership Directory*.

In conformity with rising costs across the board in Kazakhstan, a \$500 increase in the Corporate B/C/ Non-Profit membership fees, following on a similar increase in the Corporate A membership fee in 2011, took effect on January 1 2012. No further fee increases are planned for the immediate future.

Advocacy costs for the *AmCham Economic Policy Program* will continue to be an important budget item, but program costs and parameters remain scaled down following completion of the USAID Pilot Year Grant in 2009-2010.

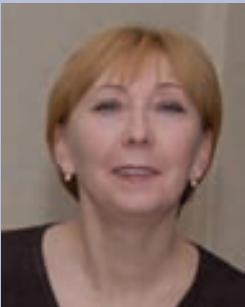


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Saniya Yergaliyeva
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Anatoly Kononov
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