

# BAKU DIALOGUES

POLICY PERSPECTIVES ON THE SILK ROAD REGION

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Kairat Kelimbetov

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# The Silk Road Region's Financial Center and Investment Hub

## The Story of the Astana International Financial Centre

*Kairat Kelimbetov*

### *Baku Dialogues:*

Good afternoon, Mr. Kelimbetov. On 8 July 2022, the Institute for Development and Diplomacy at ADA University was honored to host you as part of our Global Perspectives Lecture Series. And the idea of conducting this conversation is an outcome of this event and, of course, has been made more relevant due to the official visit to Azerbaijan by President Kassym-Jomart Tokayev, which took place on 24 August 2022.

### *Kelimbetov:*

Thank you! First off, I'm grateful for the opportunity. I have been perusing *Baku Dialogues* since ADA University re-launched the journal two years ago, and I have been impressed by many of the insights and analyses provided by your authors. I congratulate you both on your achievement and wish you continued success for many years ahead!

*Dr. Kairat Kelimbetov is the Governor of the Astana International Financial Centre. Previous positions include Governor of the National Bank of Kazakhstan, Deputy Prime Minister, Minister of Economic Development and Trade, Head of the Samruk-Kazyna National Welfare Fund, Presidential Chief of Staff, and Head of the Kazyna Sustainable Development Fund. The interview was conducted in stages between July and September 2022 by Fariz Ismailzade and Damjan Krnjević Mišković. The views expressed in this conversation are solely those of the participants.*

### *Baku Dialogues:*

We are honored to count you amongst our growing pool of readers. As you know, *Baku Dialogues* occasionally publishes conversations with prominent decisionmakers from what we are calling the Silk Road region—this part of the world that looks west past Anatolia to the warm seas beyond, north across the Caspian towards the Great Steppe, east to the peaks of the Altai and the arid sands of the Taklamakan, and south towards the Hindu Kush and the Indus valley, looping around down to the Persian Gulf and back up across the Fertile Crescent and onward to the Black Sea littoral.

And, so, we're privileged to have this opportunity to talk to one of the Silk Road region's most experienced and well-respected economic strategists. We'd like to make a few background points before we begin our discussion—to reacquaint you and the rest of our readers with our editorial premise, as a way to establish a conversational baseline, so to speak.

To our way of thinking, one of the few strategic sempiternities in this tumultuous era of change—characterized by various centrifugal geopolitical trends, quickened first by the effects of the ongoing pandemic and now by the conflict over Ukraine—is that this area, this part of the world as we have just sketched it out in terms of geographical scope, will maintain its position as a “critical seam of international relations,” as one of our authors has put it.

And what's particularly interesting is that the Silk Road region does not really have a “go-to” geopolitical hub that is an exclusive and integral part of the region. Here, it seems to us, the predominant reality is something else: a combination of formal treaties and informal understandings; and there's also some tension, obviously; and frozen conflicts that occasionally flare up into skirmishes and even open conflict—like the Second Karabakh War—that end up altering the weight of one or more variables in the regional equation, if we may put it that way. But, as a rule of thumb, in the Silk Road region, no one power dominates, equilibrium is maintained, and a general balance is kept. And this is a major reason why we remain cautiously bullish

on its future prospects. At the same time, we are mindful of the fact that most great powers look at the Silk Road region and conclude that they have intrinsic national security and economic interests. And yet, we also notice that there is tension between those same great powers in terms of how they each define their respective interests: they are evidently colliding with one another in various theatres, at least one of which neighbors the Silk Road region. So, this is the general picture—the background, as we at *Baku Dialogues* see it.

And so, with this in mind, we would like to begin by asking a few strategic questions before proceeding with more targeted questions that touch directly upon the role of the Astana International Financial Centre (AIFC). The logic, here, is that you are one of the few people who has had a say in conceiving and executing Kazakhstan's geo-economic strategy, and this cannot be understood without some reference to your country's geopolitical strategy. So, it makes sense to begin from that.

Now, the origins of Kazakhstan's geopolitical strategy have very much to do with your country's policy of multi-vectoralism. And the effectual originator of this state policy of yours, which dates back to the turn of the century, is President Tokayev, who at the time served as Kazakhstan's prime minister—a stint that was bookended in the role of foreign minister. Throughout this period, we could say that now-President Tokayev consolidated his standing as your country's chief geostrategist. And in the first part of his premiership, you held a succession of senior strategic planning posts, and then in 2001 you became First Deputy Minister of Finance, and the next year Minister of Economy, and so on.

So, might we be able to take you back to this period? To ask you to outline the strategic logic that informed the decision to pursue a foreign policy of multi-vectoralism, and how this impacted on Kazakhstan's geo-economic thinking? Whatever else it may mean, it certainly seems that the long-term aim was to transform Kazakhstan from an object of great power jockeying to a subject of international order.

Is this a fair assessment? Can you paint a picture, in broad strokes, of how this policy—this doctrine, really—of multi-vectoralism has worked out in practice over the past two decades?

### *Kelimbetov:*

Indeed, the roots of the current public policy landscape are quite deep. You said that geo-economic strategy cannot be understood without a geopolitical strategy and that this, in turn, cannot be understood without the long history of Kazakh policymaking. And I think that's an important point.

If you look back across the centuries—to the Kazakh Khanate and its predecessors, the Golden Horde, and even the Turkic states before that period—you see that Kazakhstan's tradition of statecraft has always exercised one or another version of this multi-vectoral policy. Our ancestors connected East and West but also used to have the right relationships with South and North. After all, if one's lands contain a long route that connects Asia and Europe and, therefore, needs protection and stability, one cannot allow conflicts with big powers.

It also helped that these big powers—you know, the European states, understood as a bloc, or the Chinese empire—all needed the Silk Road to be conflict-free to sustain their respective economies.

Now, of course, this doesn't mean that there were no conflicts. But the economic substance of that age was always protected from local or regional feuds spiraling out of control.

And our goal—then, and now—was to ensure the defense and development of trade routes that traverse our lands, and to establish diplomatic relationships with all our neighbors. And you gentlemen know very well that what you call the Silk Road region—including Central Asia and South Caucasus—was the financial and economic center of that era. We were a big power to be reckoned with.

Now, let's come back to our age. In the 1990s, when the Soviet Union fell apart, the independent states that arose adopted new strategies, built new relationships, and implemented new

economic models. But in a broad sense, none of this arose out of thin air. There was a spirit of the past—a tradition to be inspired by—that informed our thinking; certainly, in the case of Kazakhstan. This is what I mean to say.

There are different angles from which to tell the story of Kazakhstan's multidirectional international policy: we could talk, for example, about nation-building or the struggle for geopolitical power. You rightly pointed out the work and strategy of President Tokayev in his long diplomatic career.

But as an economist, I would like to focus on one main thread: to explain how these decisions and policies worked in favor of our chosen economic model.

We moved from a planned economy to a free-market economy, and we made a significant effort to integrate into the global economy. Natural resources have propelled Kazakhstan to become an important regional player: we have significant quantities of oil and gas, coal, metals, grain, and so on. And this makes us a global supplier of these commodities. These natural resources allowed our young state to start accumulating financial resources. And this was vital for our subsequent development. The success of the reforms in the late 1990s led to booming growth in the twenty-first century. Part of this story is that, as a relatively small open economy, we quickly integrated and connected to foreign markets. For example, American companies brought capital and much-needed technology to produce oil, our Chinese partners created the demand for the development of infrastructure, and we have continued our trade with our partners in Eurasia—in what you call the Silk Road region. And so on.

Thus, this approach benefitted us during the years of rapid economic growth. After the global financial crisis that began in 2008, we needed additional capital to support our economy, and so we strengthened our partnerships and launched new projects. For example, we supported the Belt and Road Initiative, which connects East and West. And you indicated

that we will have an opportunity to talk about AIFC later on, but I just want to bring out the example of our Astana International Exchange, which we've built in partnership with Nasdaq and the Shanghai Stock Exchange, while Goldman Sachs and the Silk Road Fund joined the list of investors later.

Today, we enjoy long-term partnerships with the EU, the U.S., and China; Kazakhstan has been a member of the Eurasian Economic Union since its foundation, and we value our economic and cultural ties with Turkey and the countries in our region—including Azerbaijan, of course. And the European Union, too: it may seem from afar that geography significantly affects this balance, but I would like to underline that the EU, as a bloc of states, remains Kazakhstan's main trading partner.

Our openness affected our economy during the period of volatility in global markets that came out of 2008. And, as I said, this prompted us to introduce new reforms and to upgrade our institutions—for example, we transitioned from a fixed exchange rate policy to inflation targeting.

Now, during the present time of distress and geopolitical turmoil, Kazakhstan—led by President Tokayev—remains adherent to this approach. His recent remarks on different international stages show this very eloquently. So, I would say that his approach is working out very well.

### *Baku Dialogues:*

Integral to this holistic, multi-vectoral approach to the outside world is the geo-economic dimension, which you just mentioned. And, again, in this context, you are one of the few people who has had a say in conceiving and executing it. For example, when the flagship 2050 Strategy was announced in late 2012, you were Kazakhstan's deputy prime minister and had previously served as minister of economy. Now, just to take you back, in making this strategy public, President Nursultan Nazarbayev characterized it as a posture of “universal economic pragmatism” designed to make Kazakhstan one of the world's top 30 most developed states by

2050—a Top 30 global economy. This was a very striking statement. And then, after your tenure as Deputy Prime Minister, you went on to become chairman of the National Bank for a few years—and during this period President Nazarbayev launched the Nurly Zhol infrastructure development plan to turn Kazakhstan into a key transport and logistics hub in the Silk Road region. And a little over a year later, in December 2015, you took up your current post: Governor of AIFC.

Now, in a moment, we will get to AIFC’s mission and role in bringing this strategy forward, but can you speak to Kazakhstan’s geo-economic strategy with more specificity? How would you characterize it? And, looking ahead, what is Kazakhstan doing to execute it successfully?

### *Kelimbetov:*

Yes, I think I just covered the “economic diplomacy” part of this question, but thanks for bringing up the right word to describe it: “pragmatism.” We sometimes hear that our policy is “prudent,” which is not 100 percent accurate, although there is obviously an element of this—certainly, this is our view. But “pragmatic” describes it much better.

So, let me share a very brief economic history of Kazakhstan and our approach to the country’s development, and say something more about the economic diplomacy aspect. Our development—our approach to development—was not linear, because we were affected by regional and global trends. Rather, our approach was cyclical, with every cycle or stage of our development supported by a new generation of institutions.

Let me get into this a little bit more. First of all, after the Soviet Union’s dissolution, we needed to act swiftly, so we introduced new institutions to adapt to a market economy and, in a broader sense, to the new reality. We had to set up the new government and central bank and introduce our own national currency—Azerbaijan and the other post-Soviet countries went through quite similar processes. The formative years were not without their ups and downs, but by the late 1990s,

Kazakhstan had laid out strong fundamentals for the second generation of institutions.

When the Asian financial crisis hit our part of the world in 1997, we already had a sound plan. Kazakhstan was among the first countries—if not the first—to formulate a long-term vision: the Kazakhstan 2030 Strategy that you mentioned. It defined our mission, set key priorities, and introduced a package of reforms. It was also the basis for our social contract, as it emphasized security, stability and social compact, social protection, and set out the pillars for economic growth.

This strategy set the right course. And so, despite the consequences of the 1997 Asian financial crisis and the dotcom crisis of the early 2000s, Kazakhstan had a strong start. Between 2000 and 2007, for example, Kazakhstan was the second-fastest growing economy in the world. We set up our National Welfare Fund, opened new universities, sent high-performing young Kazakhs to study in the best international universities at state expense, and introduced a number of new institutions to develop new industries and create strong national companies, which led the development drive. Accumulated financial capital allowed Kazakhstan to weather the global financial crisis: the country showed moderate economic growth during those years.

However, that crisis also highlighted that the economic model needs constant tending and upgrading. What worked well in the 2000s didn’t yield the same results in the 2010s. Understanding that also gave us the confidence to act: you know, that with the right tools and instruments, Kazakhstan could continue its growth. Hence the ambitious goal of becoming a Top 30 global economy by mid-century. In 2012, we adopted a new or updated strategy—we called it Kazakhstan 2050—which was followed by large reforms on both local and international levels. I am talking about our support for the Belt and Road Initiative, the evolution of the Eurasian Customs Union, work on WTO accession, the beginning of banking sector reform, important pensions reform, new policies for development

institutions, and, last but not least, our new monetary policy regime of inflation targeting, which we delivered in 2015. At the same time, the very first cohort of Nazarbayev University graduates entered the labor market, while successive generations of Bolashak Scholarship recipients—our state program that finances higher education studies in the best universities abroad—came back to Kazakhstan and moved up, attaining new positions with greater responsibilities, and thus contributing to the evolution of policymaking in the country.

So, the geo-economic strategy has also seen changes and adaptations along this journey. We remain confident that Kazakhstan can rely on its natural resources as an advantage. At the same time, we need to understand that an export-only-based economy will lead to uneven development and wealth distribution. Our social policies will only partially solve this problem, and this is why economics or geo-economics must take into account the spatial development aspects, and also the creation of new industries.

Today, we face additional challenges. Therefore, the new—the fourth—generation of institutions must offer tools to create high-quality jobs, especially in new sectors, embrace the fourth industrial revolution, decrease inequality on many levels, and also ensure sustainable economic growth. The Astana International Financial Centre is the first institution of this new generation of institutions, if I can put it this way.

### *Baku Dialogues:*

So, let's turn directly to the role played by AIFC, which really is one of the most important institutions of its kind. The Astana International Financial Centre is positioning itself as one of the pivotal economic hubs of the Silk Road region—a cornerstone institution of business and finance activities, certainly in this part of the world. As far as we can understand, AIFC has a two-fold international role: to connect the various parts of the region to each other, and to connect this region with its various neighbors and external powers—near and far.

So, this obviously has a political dimension and also a security dimension—one would hope that no one seriously believes anymore that economic statecraft operates in a vacuum. And you are welcome to touch upon these aspects if you wish, but we would like to ask you to focus more on the economic ones.

The specific question can thus be divided into three parts—past, present, and future. First, what was the thinking that went into the establishment of the AIFC?

### *Kelimbetov:*

Thank you for your kind words; it was the political will and the collective effort of the government, the AIFC team, and our international partners that made it happen. Back in 2015, when we first discussed this idea, we had a very simple goal: to solve the financial intermediation problem. At that time, our banking sector has not yet fully recovered from the global financial crisis; for example, the level of non-performing loans was still high, which led to stagnating banking credit for the economy. Unfortunately, the prominence of the banking sector in the 2000s led to little development of the non-banking financial sector. The loans-to-economy ratio was declining, despite the growth of the deposit base, and new investments occurred only from the state budget or foreign investors.

Our goal was thus to develop non-banking financial services and transform significant domestic savings into new investments.

It seemed easy on paper, and it wasn't the first attempt. Earlier, we had tried a similar approach in developing a regional financial center in Almaty.

See, but here is the problem: when your financial sector is dominated by banks, the regulators spend most of their time focusing on prudential regulation, which leaves little room

for new instruments to grow. The former project—the one in Almaty—ran into this issue of regulation. Even with the resources and willingness, in the 2000s and early 2010s, the older stock exchange remained overly regulated and could not upgrade its infrastructure.

So, without delving too deep into the past, I can say that, as our experience shows, new successful systems cannot be based on legacy structures. It is much easier to build new systems from scratch. Proceeding in this new manner also allowed us to leapfrog and introduce new soft infrastructure—you know, the adoption of a modern digital exchange infrastructure, a digital environment for new businesses to open and grow. Everything should be based on modern institutions, strong rule of law, and risk-based regulation comparable to that existing in modern financial centers.

Let me explain. We followed Dubai’s successful model. They also built an independent jurisdiction, even though the UAE respects shariah law. In our case, we established a new jurisdiction, which required constitutional amendments, a new constitutional statute, and a whole package of new acts and bylaws to set the independent jurisdiction. Let me tell you, this was not a small undertaking. In our very first strategy, we focused on four clusters of priorities: a legal and regulatory framework, a new exchange infrastructure, the development of human capital, and green finance principles—in some sense, you could say that we adopted an ESG-based approach back in 2015. And the main pillars or directions of development were comprised of capital markets, asset management and private banking, Islamic finance, and fintech.

During the first years, we also faced some skepticism, but I think that the support we received from our international partners added to the work done by the government. Now I can proudly say that we managed to overcome the skeptics and win over our critics.

### *Baku Dialogues:*

Yes, indeed. Definitely not a “small undertaking,” as you put it. And this was just the beginning, because then you went much beyond that. And this takes us to the second part of the question: how has the AIFC evolved since you assumed governorship over it in December 2015?

### *Kelimbetov:*

Do we have enough time to go over everything?

Let me just give you the highlights of our achievements in the past six or seven years. We spent the first couple of years mostly studying international experience and doing preparatory work—you know, building up our financial ecosystem according to the highest global standards, and so on. We reached out to all major exchange groups in the world—requesting proposals and so on—and met with most of them: NYSE, ICE, Nasdaq, Shanghai, Hong Kong, LSE, Deutsche Börse, CME—you name it. As I already mentioned, Nasdaq and the Shanghai Stock Exchange became our investors and strategic partners.

In order to set up the legal system, we approached the legendary Lord Woolf, who made important reforms in the UK legal system in this area and others, too. Lord Woolf—Harry Woolf—was Master of the Rolls and then Lord Chief Justice of England and Wales, amongst many other achievements. His experience and prudence helped us not only to design the required bylaws but also to attract renowned senior lawyers to join the AIFC Court—this is the institution that has exclusive jurisdiction to resolve civil and commercial laws within the AIFC, and it’s based on the norms and principles of English law. Like the AIFC itself, by design the Court is separate and independent from Kazakhstan’s judicial system. And so, now we have a dream

team of justices who regularly come to Kazakhstan, hear cases, give lectures in local universities to help build local capacity, and so on.

Similarly, we approached experienced lawyers to design AIFC's own regulatory framework. It is based on principles and not codes, which makes it very flexible. We constantly improve our regulation, as we are adding updates to regulate new financial services and fintech. The Astana Financial Services Authority is an independent regulator—we have signed a tripartite agreement with the National Bank of Kazakhstan and the national financial regulator, which allows AIFC participants to offer selected services for all Kazakh market participants. We also set up a fintech sandbox, which is quite active: already, we have about 20 graduates of the sandbox, with a whole pipeline of new innovative fintech startups ready to enter the market—they're able to offer fintech services without the full burden of regulatory requirements.

Another important milestone was the creation of our in-house training facility: the Bureau for Continuous Professional Development. It was one of the first sovereign partners for coursera.org. It also works with international certification institutions and does in-house economic research. A couple of years ago, we also set up an AIFC-based coding school. Another of our recent initiatives is the University of the Future, which plans to train and offer certificates to prepare professionals for the regional market. We will also be happy to work closely with ADA University to grow regional capacity in new professions.

So, in short, these are some of the key institutions with which we embarked on our journey. As I mentioned, our goal is to develop and promote the national capital market and some specific financial industries. We have been successful in some of them—for example, in developing Islamic finance and green finance. The teams that led these developments today represent the AIFC Islamic finance hub and the Green Finance Centre. The stock exchange was christened by an

important IPO—that of KazAtomProm: the global leader in uranium production.

However, I don't think that these big milestones and the establishment of the centers I mentioned tell the whole story. Look, we started operations as a government startup. This was our mindset. In the beginning, AIFC consisted of a few dozen people working in five or six small rooms rented in a local business center. The team had that entrepreneurial startup mindset: in the first year or two, we would bring our own laptops to work and share one copy machine in the hallway; folks worked in "pizza teams"—small groups of four to six people focusing on specific tasks, which I just mentioned.

It was only in 2018—when we finished our "minimal viable product" and officially launched the financial center—that we had to reorganize and work broadly on increasing the role of AIFC in not only the national economy, but also in the regional economy. Just like most startups, we had our inflection point. For us, this took place in 2019, when we realized that our jurisdiction is best suited not only for offering financial services but also for structuring investments. So, already in 2019, we saw AIFC becoming a great conduit for foreign investments.

It was President Tokayev's vision to task AIFC in late 2019 to become the primary platform for direct and portfolio investment in Kazakhstan. This was quite early on in his presidency. His vision was transformed into our new strategy, which was approved two years ago. Since then, AIFC has adopted a dual model: to serve as a financial services center and an investment hub. In turn, our business development team has transformed into a separate company: AIFC Business Connect, whose goal is to oversee business processes to make AIFC a go-to destination in the region.

And just to give you some numbers: we already host more than 1,500 companies with over \$7 billion in investment attracted to the country.



### *Baku Dialogues:*

This brings us now to the future—to AIFC’s future. Now, as you formulate your answer, we hope you can address a trend that we can observe, at least in the context of the Central Asian countries—and we can bring in the Azerbaijan angle, and the angles of some other neighbors, in a moment. But just in terms of Central Asia, we can underline that Kazakhstan was the earliest and strongest advocate of institutionalizing regional economic connectivity.

And it took a while for some other states to come around, with a serious, text-based regionalization process getting off the ground in November 2017 during a summit of heads of state that took place in Astana. And the most recent annual meeting in this format took place on 21 July 2022 in the Kyrgyz resort town of Cholpon-Ata, which is located about 100 kilometers directly south of Almaty, across the Tian Shan mountain range. And the document that was put on the table there—the Agreement on Friendship, Good-Neighborliness, and Cooperation for the Development of Central Asia in the Twenty-First Century—really does have the potential to be a strategic game-changer. In a decade from now, we may come to see it as having been the cornerstone of some sort of Central Asian version of ASEAN. And the AIFC seems well-positioned to become the natural financial hub of this regional process of economic integration.

And so, with this in mind, the question is this: how do you see AIFC developing in the next five to ten years?

### *Kelimbetov:*

Indeed, ASEAN is a great example. Do you remember that I mentioned that we studied the experience of different financial centers? I believe that AIFC in particular—and Kazakhstan, in general, and even neighboring countries—can learn a lot from Singapore. So, today one of our role models is the Economic Development Board of Singapore. This can help to ensure our development as *the* regional financial center and investment hub. We want to consolidate our resources to help Kazakhstan

develop new industries and increase economic complexity. Our mission is to contribute to the sustainable development of the region.

Today, we are taking the lead in developing financial services and new technologies, but investments coming via AIFC can help other sectors, too. We will definitely be focusing on that in the time ahead.

For example, the Kazakhstan Investment Development Fund set by the Kazakh government in AIFC shares risks and co-invests with foreign investors in new industries. I believe that AIFC can allow many similar companies to thrive and contribute to sustainable development and create stable, high-quality jobs. Since Kazakhstan is a large and heterogeneous country, we need to sustain investment in labor-intensive and skill-intensive industries alike and, of course, encourage investment in new innovations.

If you are asking my personal opinion on what will be important for us in the near future, I would list a few broad industries in addition to finance: the products of the Fourth Industrial Revolution, agriculture and food security, international infrastructure (both hard and digital), and green technologies.

Now, AIFC has already set up a few building blocks in those directions. For example, AIFC TechHub focuses on different technologies and hosts the World Economic Forum’s Affiliate Center for the Fourth Industrial Revolution. And, so, we’re developing the venture capital industry as well.

Infrastructure development will also be vital for Kazakhstan and other economies in the region. Needless to say, we need to better connect the South Caucasus and Central Asia with points east and west and, speaking broadly, create a seamless route between Eastern China to Western Europe via Kazakhstan, the South Caucasus, and Turkey. Our goal here is to become the regional infrastructure financing facilitation hub: the regional financial center of the Belt and Road Initiative. And you know

that there are ongoing discussions and initiatives at the political top that are moving in this direction.

However, sustainable development doesn't mean only investments and economic growth. AIFC's ecosystem and institutions generate great spillovers for the rest of the economy and region. For example, our International Arbitration Centre has reviewed over 1,000 different cases, most of which were disputes between non-AIFC members. Our Bureau for Continuing Professional Development—this is our platform for continuous professional development—works with local and foreign education institutions to enhance human capital way beyond AIFC. Our mentors love to work with seasoned and young professionals, university students, and high school students alike. I want AIFC to become the main center of competence and know-how accumulation. I believe that achieving this would allow us to reach all our KPIs and our minor goals.

### *Baku Dialogues:*

Our final question can turn directly to the subject of our Global Perspectives Lecture Series event—the one that we at the Institute for Development and Diplomacy hosted during your visit to Baku in early July 2022. The title of your talk was “Prospects for Azerbaijan-Kazakhstan Financial and Economic Cooperation.” And that's what we would like you to focus on.

Now, there is obviously a political background to all this: in a series of recent meetings, the presidents of Azerbaijan and Kazakhstan—who have a relationship going back decades—have further strengthened the foundation of the bilateral relationship, and ministers responsible for various portfolios have been tasked with following up—everything from energy cooperation to regional connectivity. It really is a strategic partnership—both in form and substance. And this was clearly seen last month during President Tokayev's first official visit to Azerbaijan as head of state. Strengthening overall economic ties was a centerpiece theme, as reflected in the contents of the more than 20 bilateral documents that were signed during this visit.

Now, the implementation of many of these documents will, in one way or another, involve the active participation of the AIFC. And we have alluded to this throughout our conversation. Thus, for example, President Tokayev underscored in his public remarks in Baku the importance of boosting the trade numbers, of developing transport and logistical relations, and so on. This echoed President Aliyev's emphasis, made during his remarks on that day, on linking cargo flows and developing infrastructure, on “increasing mutual supplies,” as he put it. There really does seem to be a synergy of approach—a shared emphasis on taking economic and commercial relations to the next strategic level. President Aliyev even explicitly spoke of “great prospects in the field of investment.” It's worth quoting this part of his statement in full: “Both Kazakhstan and Azerbaijan have a very positive investment environment and a large volume of foreign investments. I think that the time has come for us to join our efforts in this direction and participate in joint investment projects in Azerbaijan, Kazakhstan, and possibly in other countries as well.”

And so, well, how about that? A few minutes ago, you described AIFC as wanting to become “*the* regional financial center and investment hub.” All this seems to fit together. What then can we expect in the time ahead? In other words, what role can we expect AIFC to play in furthering the strategic partnership—the alliance—between Azerbaijan and Kazakhstan, in the field of financial and economic cooperation?

### *Kelimbetov:*

This is a very important question. I already hinted at the importance of our cooperation when I was talking about infrastructure development. Indeed, this partnership will shape the development of our region for many years to come. Regional conflicts and tension in the Pacific have already changed the dynamics in the region. Both Kazakhstan and Azerbaijan have strategic locations and existing strategic partnerships. If we do our homework and improve existing links, the China-Kazakhstan-Azerbaijan-Georgia-Turkey-EU corridor will likely become the most important land corridor in the region—you know, this is sometimes called the Middle Corridor. Thus, our economic partnership

will include common hard and digital infrastructures, trade and transit, financial flows, and the exchange of experience and information. Earlier in our conversation, I referred to the history of the Silk Road that connected the financial and economic centers of centuries past. Similarly, Baku and Astana should become links in the larger chain of financial hubs in the twenty-first century.

Kazakhstan and Azerbaijan conduct their own independent and relevant policies; it is only proper that our countries work together and lead regional development. The AIFC's role in all of this is quite simple: we exist to host international financial and non-financial transactions. For example, today, we discuss contracts between our national oil companies and the establishment of joint ventures for our transportation and logistics companies. These contracts and new international or bilateral companies can be structured at AIFC because it provides compliance with international rules and regulations and, thus, would serve both parties better. Moreover, it will simplify the engagement of other international partners.

President Tokayev's visit to Baku was very successful—like you said, over 20 memoranda and letters of intent were signed, including one titled Comprehensive Program on the Development of Cooperation between the Republic of Azerbaijan and the Republic of Kazakhstan for 2022-2026.

During President Tokayev's official visit, AIFC representatives had very productive meetings with representatives from Azerbaijan's Ministry of Economy and the Central Bank of Azerbaijan. With the latter we discussed the prospect of using AIFC to provide certain services—specifically, using our Fintech Lab for pilot programs by Azerbaijani fintech startups.

Needless to say, our stock exchange and VC hub offer services for all countries in the region; I hope that Azerbaijan businesses will consider using them as we strengthen our economic ties in the time ahead. We also shared our

experience in creating an independent jurisdiction with our Azerbaijani counterparts, who are working on developing the Alat Free Economic Zone.

Finally, of course, AIFC will continue contributing to the enhancement of human capital. I appreciate you taking the time and inviting me to this discussion. I hope that it will be useful for experts and policymakers in Azerbaijan. We are also happy to invite you to visit Kazakhstan to learn more about the opportunities on offer, and to give you and your colleagues at the Institute for Development and Diplomacy—and ADA University more broadly—a platform to share your views and expertise.

The successful partnership between Kazakhstan and Azerbaijan will be further built on, first and foremost, strategic dialogue and then on commercial contracts. Now, we can observe that the strategic dialogue is at an all-time high in the wake of President Tokayev's official visit, and so it is incumbent on all of us to follow up with all deliberate speed. And I have every confidence that AIFC will make a substantial contribution to this endeavor.

### *Baku Dialogues:*

Undoubtedly this will be the case, Mr. Kelimbetov. Thank you for the wide-ranging interview and, of course, for the kind invitation. **BD**

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