

**RELATIONS BETWEEN  
REPUBLIC OF  
KAZAKHSTAN AND  
KINGDOM OF SAUDI  
ARABIA IN ENERGY  
SECTOR**

**Introduction**

The Kingdom of Saudi Arabia take an important place on the regional and world scene. The Kingdom of Saudi Arabia is one of the largest and richest states of the Middle East, one of the most influential states of the region. It is necessary to add that the Kingdom is the spiritual center of all Muslim world.

Formation and development of the Kazakhstan-Saudi relations for the first ten years after finding of the sovereignty by Kazakhstan can be divided into three main stages conditionally.

The first stage – the presentation period which began since 1992 and practically came to the end at the end of 1997, reflects processes of establishment of the first official and informal contacts, adjustments of direct connections between the managements and foreign policy departments of two countries, the first visits in various levels.

In 1996, embassies of two countries in Ar-Riyadh and Almaty opened, and the first ambassadors in the history of these states in Kazakhstan and Saudi Arabia were appointed.

The second stage – is the period of formation of cooperation between RK and KCA in political, trade and economic, cultural, and humanitarian areas. During this period relating to 1998 and 1999 the main priorities of two states in the bilateral relations were developed, the main spheres of cooperation in various areas are concretized, the foundation to interaction on the international scene is laid. The main events of this period became an exchange of visits at the level of heads of the ministries and departments, a business community of two countries, achievement of arrangements on implementation of specific projects in economic, financial, cultural, and humanitarian spheres, and holding the first meeting of the Kazakhstan-Saudi intergovernmental commission.

It is possible to call the third stage a stage of transition to the partnership relations between two countries. During this period the exit to higher level of political cooperation was noted, the necessary legal space bilateral the relation is created, practical implementation of joint economic and financial projects is begun, intensive character was found by mutual visits of heads of key departments [1].

Certainly, such scheme of a periodization of formation and evolution of the Kazakhstan-Saudi relations has conditional

character. It was made on the basis of combination of chronological and thematic succession of events, contains estimates of each stage of the bilateral relations from all points of importance for all complex of relationship between the Republic of Kazakhstan and the Kingdom of Saudi Arabia.

### **Formation of nodal aspects of relationship between the Republic of Kazakhstan and Saudi Arabia**

The Kingdom of Saudi Arabia (KSA) was among the first Arab and Muslim countries, which recognized independence of Kazakhstan on December 30, 1991. The Protocol on establishment of official diplomatic relations between two states was signed on April 30, 1994 during visit of the Minister of Foreign Affairs of Kazakhstan to the Kingdom of Saudi Arabia. During this visit were discussed questions of bilateral relations strengthening in all areas of partnership. Work on preparation of the President Nursultan Nazarbayev official visit to the Kingdom of Saudi Arabia which took place in September, 1994 was also carried out.

Visit of the President of Kazakhstan to the Kingdom of Saudi Arabia marked itself the beginning of an important stage of bilateral relations development and their advance forward. New important turn in development of the relations between our countries was visit to Kazakhstan of His Royal Highness of the Crown Prince Sultan bin Abdel Aziz, the Deputy prime minister of Saudi Arabia, the Minister of Defense and aircraft (at that time the Second Deputy prime minister), the General Inspector of the Kingdom. This visit took place in 2000. During visit, the strong foundation for political dialogue between two countries and cooperation in the most various areas was laid [2].

The President Nursultan Nazarbayev made one more important visit to Saudi Arabia in March 2004. During this visit, the President Nursultan Nazarbayev held important meetings with the Saudi heads. The meeting with the King Abdalla bin Abdel Azizom (at that time the Crown Prince), and also with His Royal Highness the Prince Sultan bin Abdel Aziz (at that time the second deputy prime minister) was the most important of them.

During the negotiations, succession of events in the region was discussed. Position of both parties, concerning activity in Islam was reflected. Prospects of further cooperation between two countries, ways of strengthening of this mutually beneficial cooperation in all spheres were planned. Ministers of both countries received direct instructions to

take all necessary measures for implementation of the arrangements containing in the documents signed between two states. The most important of them is the document signed in the sphere of trade, providing increase of annual barter level that would correspond to the mutual importance of states and their economic weight.

Other important result of this visit were trips of the Saudi businessmen to Kazakhstan with the purpose to examine directly opportunities which are available in this country and search of opportunities for investment, and also discussion of those privileges which the Kazakhstan government gives to the Saudi investors. There was an idea of creation joint companies and joint stock companies in which work businesspersons from both countries would take part. First, it belongs to the major economic projects.

Both parties confirmed need of direct contacts establishment between the companies and the auxiliary organizations. Main purpose was providing exhaustive information on the companies and the organizations expressing desire to take part in trade and economic cooperation between two countries. Special emphasis was put on companies' activity strengthening in the sphere of oil production, power, petrochemical industry, as both countries have a wide experience of activity in these areas. Saudi Arabia is one of the most important producers of oil in the world. It the largest exporter of oil to the world markets. In the Kingdom, serious development was gained by the petrochemical industry, a front line not only on regional, but also at world level. KSA is the founder member of the Organization of exporters of oil (OPEC) In return; Kazakhstan also has considerable reserves of the oil developed by the petrochemical industry and educational institutions preparing shots of scientists and experts for this promising branch. All these factors together taken guarantee success to cooperation of two states in this sphere. That is why the President Nazarbayev met in the residence in the city of Riyadh its Excellency the engineer Ali An-Nuaymi, the Oil Minister and mineral resources, and also held a meeting with the engineer Muhammad of Al-Mada, the head of the Saudi company «Sabik».

### **Cooperation in oil sphere**

The issue of cooperation in the oil sphere was always on the agenda the Kazakhstan-Saudi bilateral relations. Saudi Arabia is the chief producer of hydrocarbonic raw materials in the world, making 8 million barrels of oil, and Kazakhstan having a large

supply of oil, strongly intends to enter in the near future into club of the main petroproducers of the world. However, for many years it was not possible to adjust a little serious cooperation in this sphere, for there are a number of the objective reasons. First, it was explained by that oil strategy of the Kingdom is directed on the solution of the following main issues.

First, KSA oil policy general line is directed on ensuring uninterrupted delivery of hydrocarbonic raw materials to the world market and maintenance of steady cooperation in this sphere with the states – buyers of the Saudi oil. The investment of the capital practiced by Saudis – generally in construction of oil refinery, pipelines and other oil infrastructures – extends only on these countries and regions. Kazakhstan does not treat this group of the countries.

Secondly, the Kingdom being the main oil storeroom of the world containing an enormous stock of energy carriers and making the greatest number of oil in the world does not show naturally great interest to development of oil fields abroad, though Kazakhstan is interested in such type of cooperation.

Third, in principle the sphere of oil business, open for the Saudi private sector, in Kazakhstan. World oil giants that practically excludes any competition, except for rather small fields of the Saudi private companies as «Nimir Petroleum», «Delta», «Al-Dabbagh Group» tried to make, already occupy it.

In these conditions as the unique sphere of cooperation between two countries in the oil sphere at the initial stage of cooperation was concrete coordination of actions in the field of Oil policy – i.e. through OPEC.

Oil experts of OPEC and Gulf States long time frostily treated messages concerning prospects of oil production development in a zone of the Caspian Sea. Referring to that during the foreseeable period oil production in the specified region will not present them the competition in the world oil market, though they showed aspiration to establish with Kazakhstan business relations for the purpose of coordination of actions in the future. Such reaction, in a certain measure, is created by publications of regional mass media in which existence of the declared oil reserves in Kazakhstan was doubted. It is also, promoted by the facts indicating relative high cost of production on the Caspian Sea and lack of ready transport lines for export of the extracted oil. However in recent years, especially after official statements of rather oil stocks of Kashagan, plans of Kazakhstan to reach production level in 2010 to 2,0 million, and in 2015 – 3,0 million barrels per day became quite real for

the leading petroproducers, especially considering participation of the known world companies in development of oil branch in the republic. Except that fear that in the next decade Kazakhstan will make oil at the level of the leading exporters and will become, according to experts of OPEC aren't proved. Kazakhstan can't initiate overproduction of raw materials and its reduction in cost as shortage of capacities for production of satisfactory volume of oil in the world market is already now felt.

Commodity turnover in 2014 between Kazakhstan and Saudi Arabia made \$13,4 million [3]. From 2005 for 1 quarter 2015 gross inflow of direct investments from Saudi Arabia to Kazakhstan made 93,3 million dollars of the USA.

As of June 1, 2015 in Kazakhstan are registered 37 legal entities, branches and representations with the Saudi participation, from them 16 operating [4].

The Kingdom of Saudi Arabia was among the very first and most active states, which morally and financially supported realization of the numerous projects in the cities and the rural zones of Kazakhstan. First of all, projects on construction of buildings and construction of underground communications. Saudi Arabia financed construction of the new building for Parliament of Kazakhstan, having allocated for this purpose 15 million US dollars, and also the cardio center in Astana (12 mln. dollars), reconstruction of Osakarovka-Vishnevka highway (12 mln. dollars), a mosque to Petropavlovsk (2 mln. dollars) [5].

Financial aid represents the highest form of political support, and the leaders of the republic always considered this help of the friendly country as its strong moral support to the young state.

Dynamics of financial grants allocation, gives the full grounds to consider that it only the beginning of working process in this direction. The value of these grants is also that the decision of Saudi Arabia pushed also other Gulf States, which after visit of the President of Kazakhstan to these countries also allocated free financial aid for construction of the new Kazakhstan capital.

In general, the relations of Kazakhstan with the Arab world developed in several planes: trade and economic cooperation, investments, oil and gas sector, cultural relations. Kazakhstan attached priority significance to development of trade and economic relations and attraction of the Arab investments, the Arab countries show interest, first of all to strengthening of spiritual and cultural ties on the basis of an Islamic community.

It is important to note that in many respects the potential and the shown initiatives of two states in the economic sphere remain not completely

opened. About its further development, generally in branch of processing industry with attraction in production of qualitatively new high technologies, many Kazakhstan researchers speak, and only one this fact opens opportunities for cooperation in the

oil sphere. Development of bilateral cooperation can be slowed down by geopolitical factors, namely by interests of large powers in the region, and use in these processes religious factor, as the instrument of game. Oil in this case, becomes the political tool.

#### Литература

- 1 Амреев Б. Казахстан и Саудовская Аравия. – Астана: Елорда, 2003. – 280 с.
- 2 Kazakhstan Today: monograph / Edited by B.K.Sultanov – Almaty: The Kazakhstan Institute for Strategic Studies under the President of the Republic of Kazakhstan, 2010. – p.179.
- 3 Potential fields of cooperation of Kazakhstan and Saudi Arabia have been identified // <http://www.kazninvest.kz/en/press-center/releases/6077/> – 18 мая, 2015
- 4 Справка о сотрудничестве между Республикой Казахстан и Королевством Саудовская Аравия (2015 г. Август) // <http://dep-econom.mid.gov.kz/ru/pages/spravka-o-sotrudnichestve-mezhdu-respublikoy-kazahstan-i-korolevstvom-saudoovskaya-araviya-2015>
- 5 Саудовская Аравия и Казахстан: специфика отношений <http://www.mfa.kz/index.php/ru/vneshnyaya-politika/sotrudnichestvo-kazahstana/sotrudnichestvo-so-stranami-azii-i-afriki/84-vneshnyaya-politika/sotrudnichestvo-kazahstana/sotrudnichestvo-so-stranami-azii-i-afriki/374-sotrudnichestvo-respubliki-kazahstan-s-korolevstvom-saudoovskaya-araviya>

#### References

- 1 Amreev B. Kazakhstan i Saudovskaya Araviya. – Astana: Elorda, 2003. – 280 s.
- 2 Kazakhstan Today: monograph / Edited by B.K.Sultanov – Almaty: The Kazakhstan Institute for Strategic Studies under the President of the Republic of Kazakhstan, 2010. – p.179.
- 3 Potential fields of cooperation of Kazakhstan and Saudi Arabia have been identified // <http://www.kazninvest.kz/en/press-center/releases/6077/> – 18 мая, 2015
- 4 Справка о сотрудничестве между Respublikoi Kazahstan i Korolevstvom Saudovskaya Araviya. (2015, Avgust) // <http://dep-econom.mid.gov.kz/ru/pages/spravka-o-sotrudnichestve-mezhdu-respublikoy-kazahstan-i-korolevstvom-saudoovskaya-araviya-2015>
- 5 Saudovskaya Araviya i Kazakhstan: specifika otnoshenii // <http://www.mfa.kz/index.php/ru/vneshnyaya-politika/sotrudnichestvo-kazahstana/sotrudnichestvo-so-stranami-azii-i-afriki/84-vneshnyaya-politika/sotrudnichestvo-kazahstana/sotrudnichestvo-so-stranami-azii-i-afriki/374-sotrudnichestvo-respubliki-kazahstan-s-korolevstvom-saudoovskaya-araviya>