

# east

#1/23

## Business in Central Asia

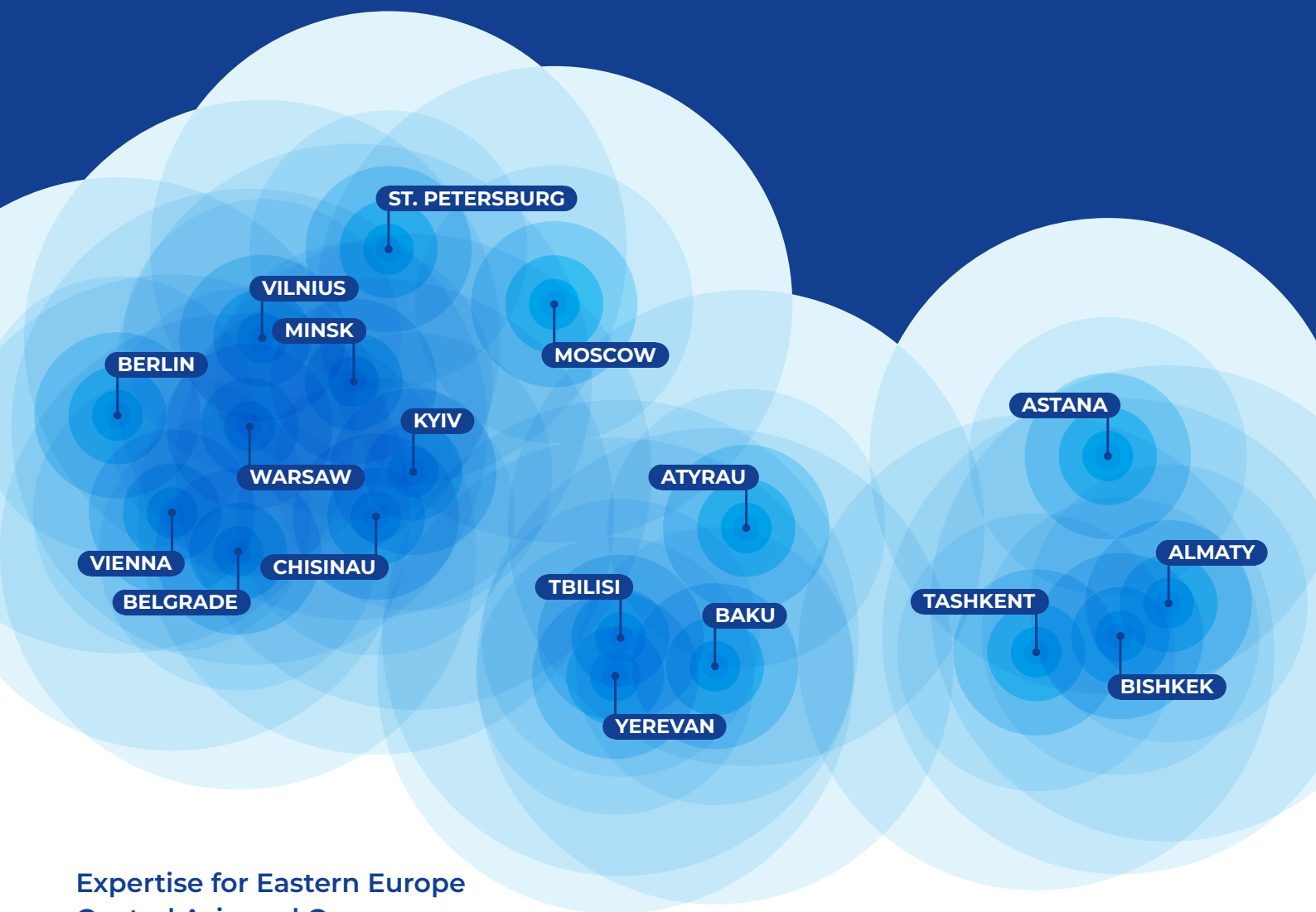
Focus on Kazakhstan and Uzbekistan  
Tax and Legal News

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Central Asia and Caucasus.  
Since 2003.

# Dear Reader,

Eastern Europe and Central Asia is the focus of our business consulting at SCHNEIDER GROUP. With 500 staff and 15 offices in the region we support more than 300 clients in setting up, developing, restructuring and now partially also liquidating their business. We do this for 20 years, however, we do not feel like we should celebrate our anniversary in this current political environment.

Nevertheless, we do everything to assist international business to grow in Eastern Europe and Central Asia and this new publication EAST guides you through the region. In this issue you will learn more about Kazakhstan and Uzbekistan, the business opportunities these countries grant, but also about people, nature and the countryside of this wonderful region.

Central Asia develops to a new very prospective growth region. I remember my studies of economics, some 30 year ago at Kiel University in the very north of Germany, and we learned about the new Asian Tiger states. Central Asia has the perspective to become the new Tiger region and this is because of

several considerations: Many Western investors try to compensate lost business in Russia with more business activities in Central Asia. But also China gets more and more challenged and political level and businesses try to diversify by bringing some manufacturing out of China closer to Europe. Central Asia is well on the way from China to Europe and the new southern lane of the New Silk Road well connects Kazakhstan and Uzbekistan with Europe, both via Russia, however, in the future also via the new Caspian and Caucasus route, which is dynamically developing.

We, SCHNEIDER GROUP, are looking forward to accompanying you from the first market study to developing fully functioning business in the entire region. My colleagues and I will be glad to discuss your business strategy for the region and define as well as implement together with you concrete business concepts for the region.

Please feel free to contact me at [us@schneider-group.com](mailto:us@schneider-group.com).

Your,



A handwritten signature in black ink, which appears to read 'Ulf Schneider'.

Ulf Schneider  
President & Founder  
SCHNEIDER GROUP

# Business in Central Asia

## Imprint

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## 3 Editorial

## Focus Uzbekistan

### 6 Uzbekistan map

### 8 Uzbekistan by numbers

### 12 **Let's talk about Uzbekistan Mr. Ayupov** Interview with Nodir Ayupov, Director, SCHNEIDER GROUP Tashkent

### 15 **Case Study** IT company relocation to Uzbekistan

### 16 **Reforming Uzbekistans energymarket** Interview with Bahrom Umarbekov, Deputy Director Power Reform office, Ministry of Energy of the Republic of Uzbekistan

### 18 **The development of our own pharmaceutical industry is our strategic goal** Interview with Sardor Kariev, Director of the Agency for the De- velopment of the Pharmaceutical Industry in Uzbekistan

### 21 **Uzbekistan's textile export campaign – finished goods instead of raw cotton** Success stories from Uzbekistan / Interview with Dr. Muzaffar Razakov, CEO Global Textile Group

### 24 **Adding colour to the past** Sergei Prokudin-Gorsky's historic colour photographs from Samarkand and Bukhara, 1905-1910



# Focus Kazakhstan

## 30

Central Asian cargo routes

## 32

Kazakhstan map

## 34

Kazakhstan by numbers

## 38

**Let's talk about Kazakhstan Mr. Afanasyev**

Interview with Kirill Afanasyev, Partner,  
SCHNEIDER GROUP Almaty

## 43

**Case study**

Reducing labor costs for a food production company

## 44

**Case study**

Global pharmaceutical company

## 45

**Featured Photographer**

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## 52

**Case study**

Relocating a US-based global enterprise  
to Armenia

# Tax and Legal News 2023

## 54

Belarus

## 57

Russia

## 59

Kazakhstan

## 60

Uzbekistan

## 62

**Contact**

SCHNEIDER GROUP  
15 offices – 1 Team

Thomas Mundry, Partner – Ulf Schneider, President  
SCHNEIDER GROUP



### \* Uzbekistan

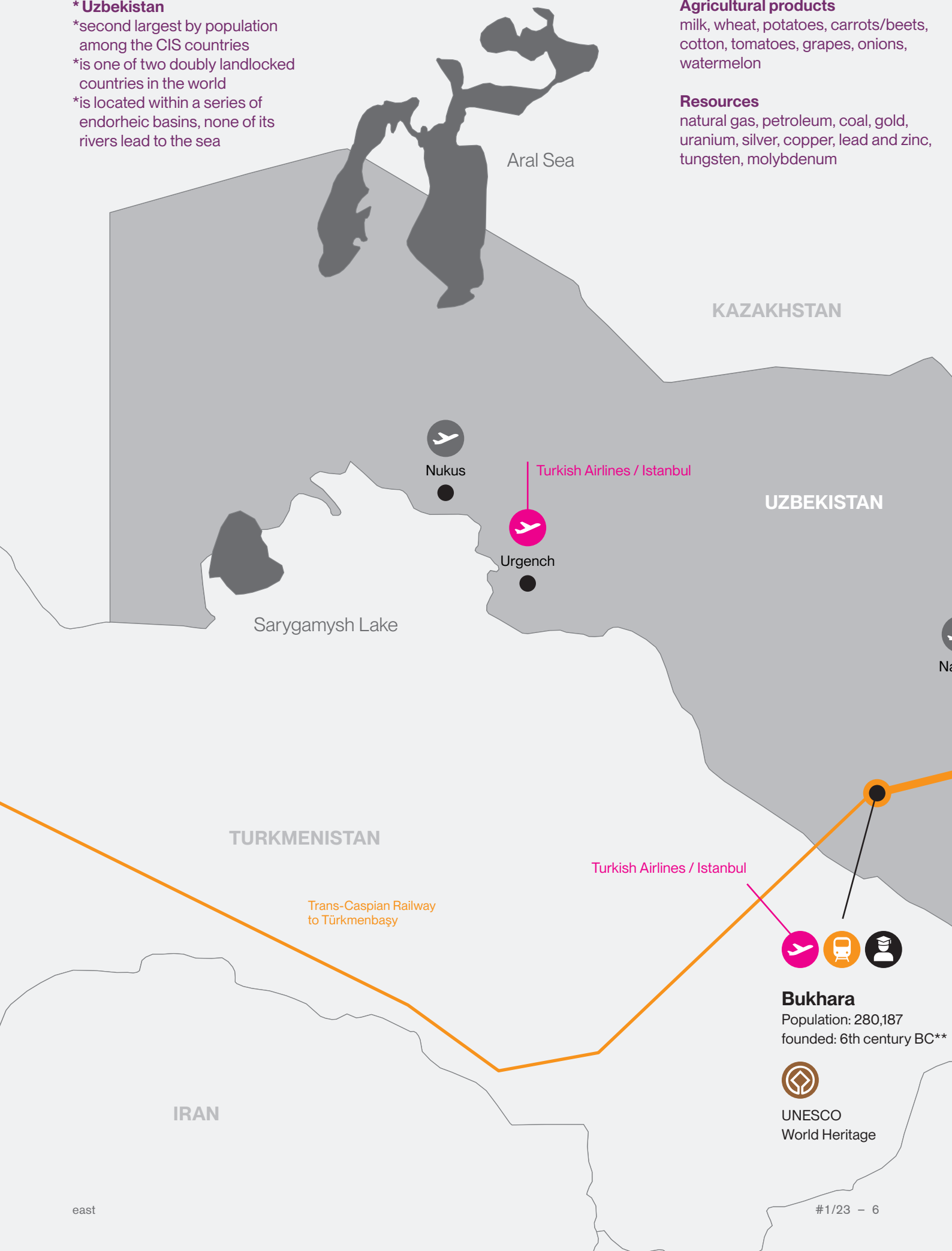
- \*second largest by population among the CIS countries
- \*is one of two doubly landlocked countries in the world
- \*is located within a series of endorheic basins, none of its rivers lead to the sea

### Agricultural products

milk, wheat, potatoes, carrots/beets, cotton, tomatoes, grapes, onions, watermelon

### Resources

natural gas, petroleum, coal, gold, uranium, silver, copper, lead and zinc, tungsten, molybdenum



# UZBEKISTAN

**Area** 448,978 Km<sup>2</sup>

**Population** 36,001,262\*

**Density** 74.1/Km<sup>2</sup>

**Currency** Uzbekistani sum (UZS)

**Time zone** UTC+5

**Date format** dd/mm/yyyy

**Calling code** +998

**Country code** UZ

**Internet TLD** .uz

\*2022 estimate

\*\* estimated

Source: Wikipedia 12.2022



International Airport



Airport



Train Station



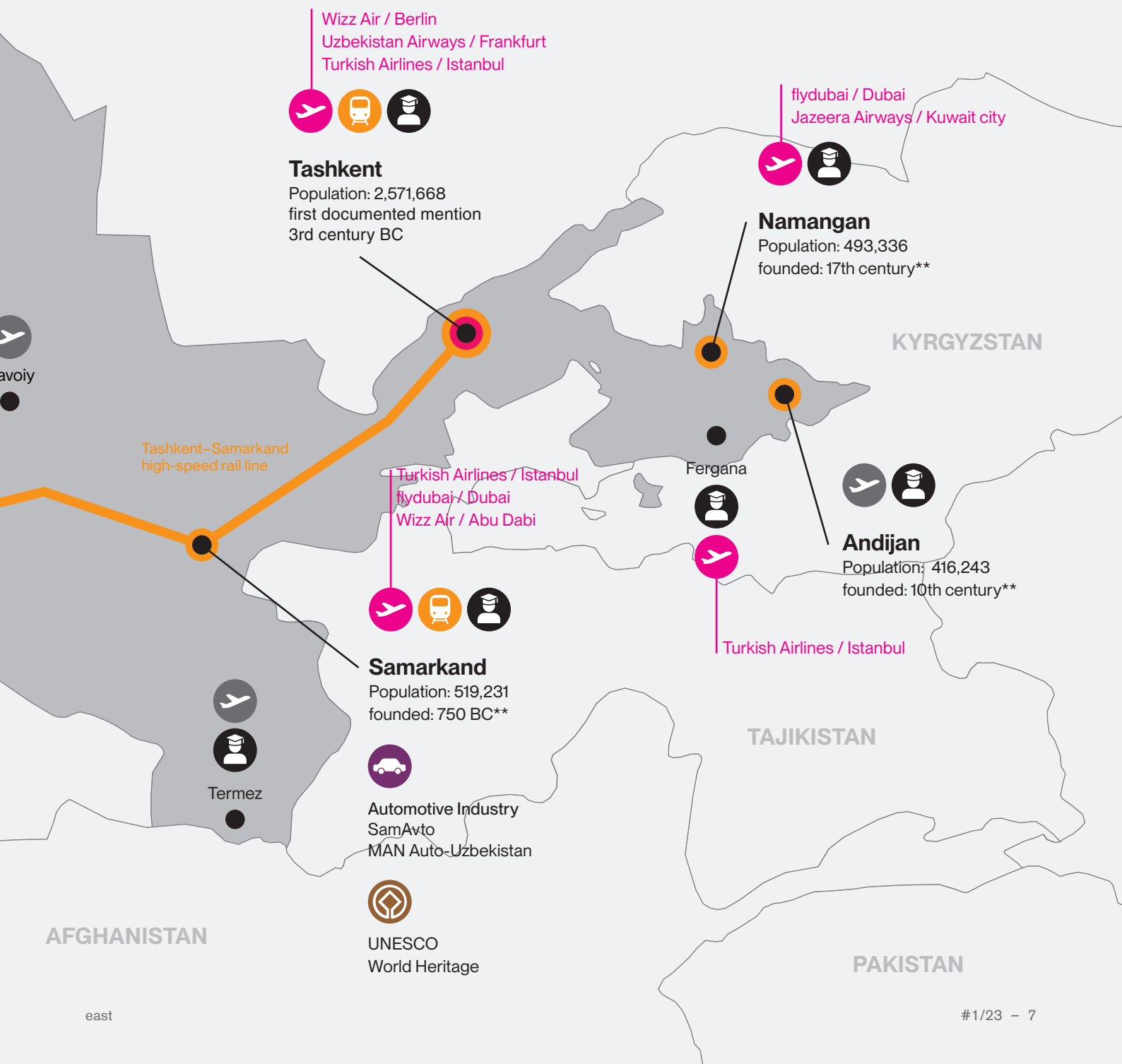
State University



Railway

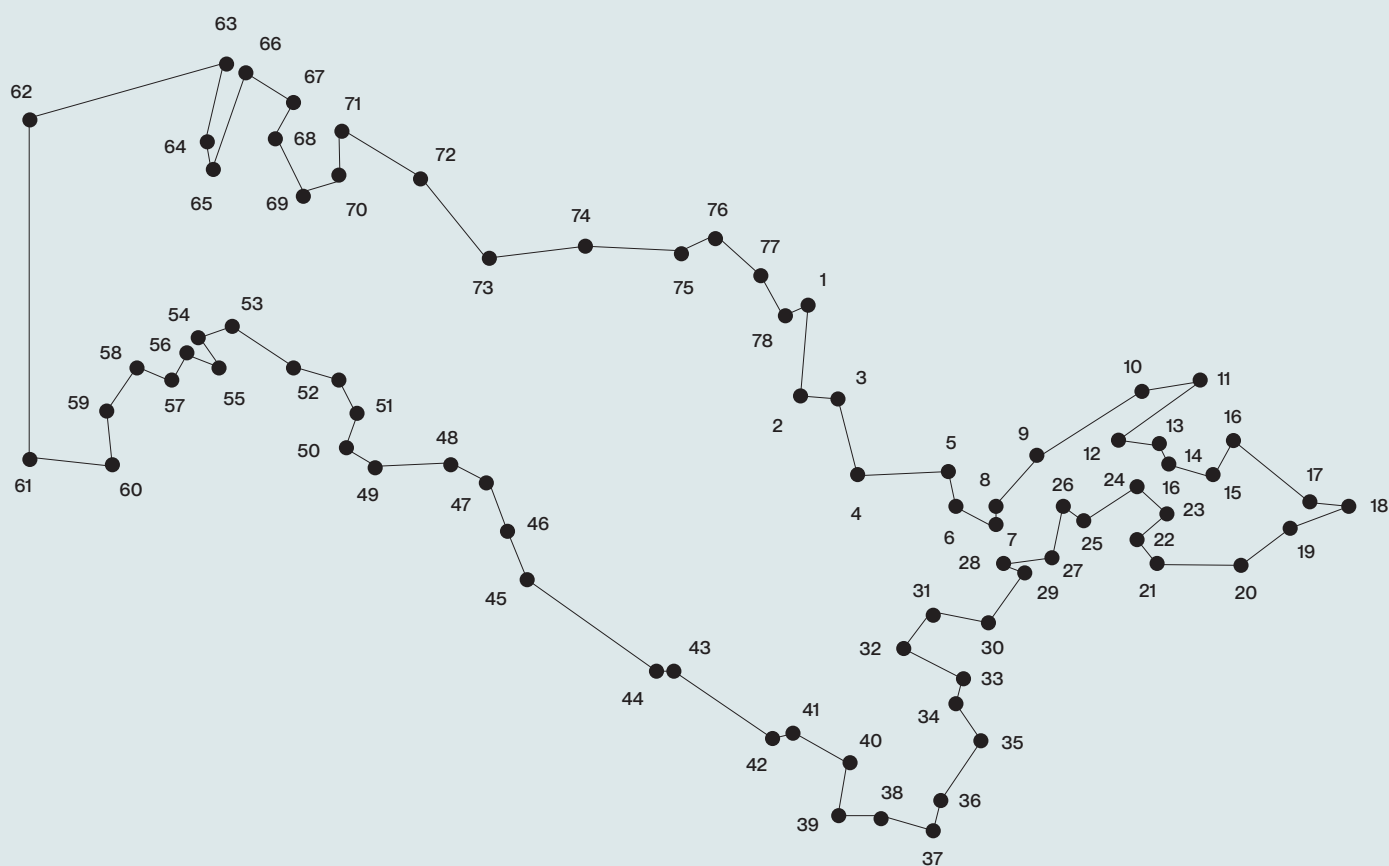


High Speed Railway



AFGHANISTAN

PAKISTAN



# Uzbekistan by numbers



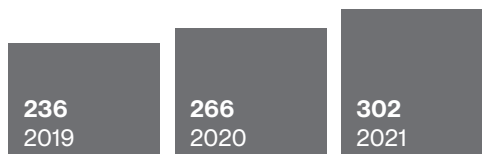
**Currency**

Uzbekistani sum (UZS); 1 UZS = 100 Tiyin  
 Exchange rate (09/2022): 1 Euro = 10,674.78 UZS  
 Average 2021: 1 Euro = 12.568,72

\*estimate or prognosis  
 \*\* at current consumption levels  
 Sources: GTAI 2022,  
 worldbank.org,  
 worldometers.info

**Average wage**

USD / gross / month

**GDP**

nominal / bil. USD

**69.2**

2021

**79.1\***

2022

**91.9\***

2023

**GDP**

per capita / USD

**2,002**

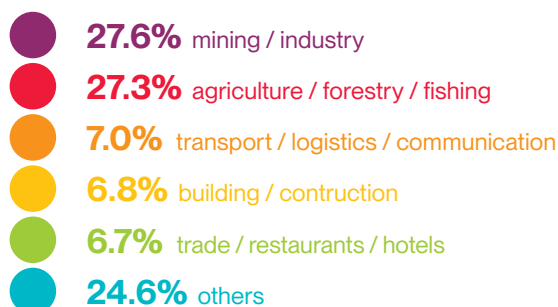
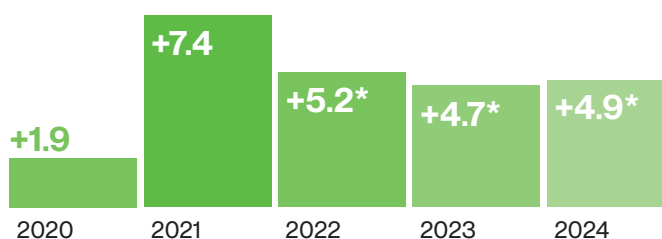
2021

**2,243\***

2022

**2,554\***

2023

**GDP  
by industry  
2020****GDP growth  
real / %****Oil**

2021

**60,000 / #56**

Production / Barrels per day / Rank, world

**600 mil. / #46**

Reserve / Barrels / Rank, world

**Gas**

2021

**50.9 bil. / #18**

Production / Cubic meter p. year / Rank, world

**0.8 tril. / #19**

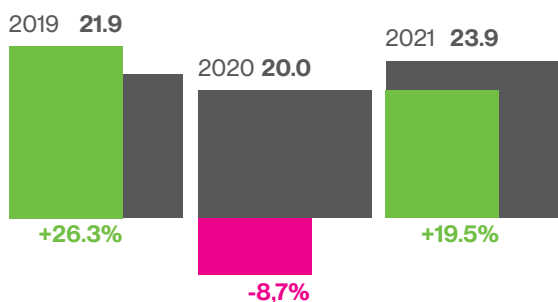
Reserve / Cubic meter / Rank, world



## Foreign Trade \*World

bil. USD

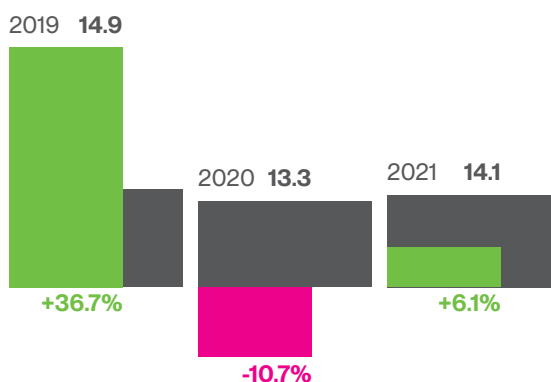
### Import



#### Imported goods 2021

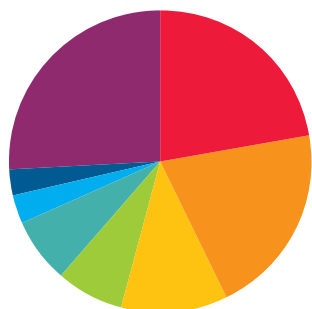
machinery	17.2%
chemical products	15.3%
food	10.5%
iron, steel	8.7%
automotive	8.6%
raw materials (no fuel)	4.9%

### Export



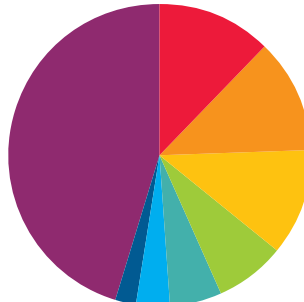
#### Exported goods 2021

gold	29.2%
textiles, clothing	20.6%
non-ferrous metals	12.8%
food	9.7%
chemical products	6.0%
gas	5.1%



#### Main supplier countries 2021

22.4%	Russia
20.4%	China
11.4%	Kazakhstan
7.3%	South Korea
7.0%	Turkey
2.9%	Turkmenistan
2.8%	Germany
25.8%	others



#### Main buyer countries 2021

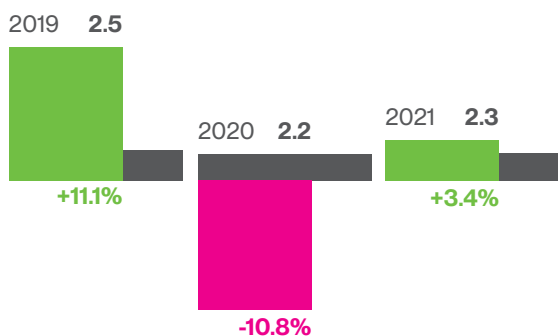
12.4%	China
12.1%	Russia
11.6%	Turkey
7.3%	Kazakhstan
5.5%	Kyrgyzstan
3.6%	Afghanistan
2.3%	Tajikistan
45.2%	others



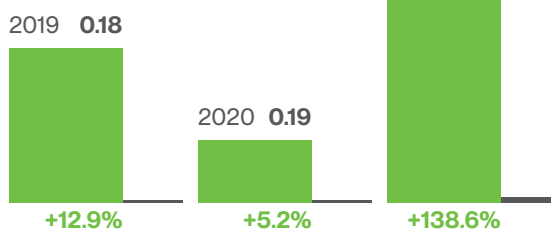
## Foreign Trade \*EU

bil. EUR

### from EU



### to EU





# Foreign Trade \*Germany

2021 / mil. EUR

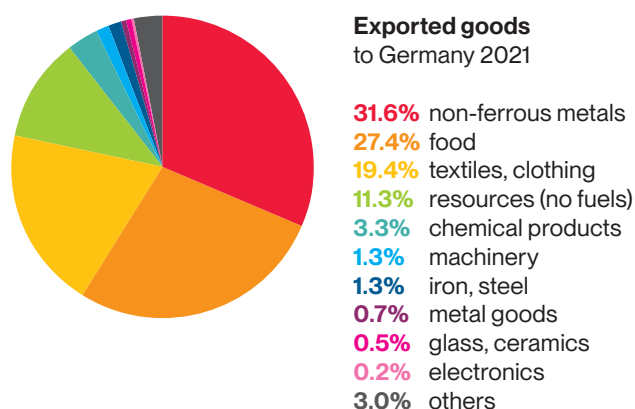
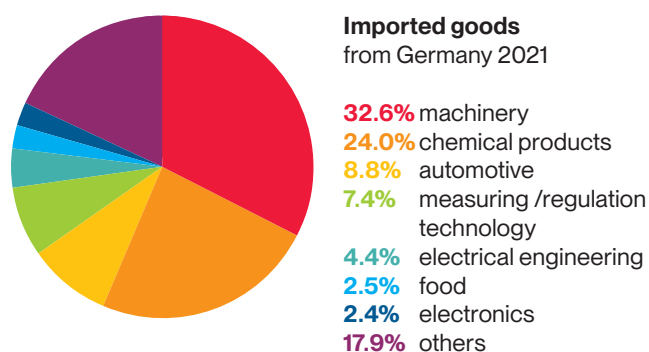
from Germany **572** -4.9%      to Germany **54.9** +72.7%

German trade partner  
ranking / export

**#81** (of 239)

German trade partner  
ranking / import

**#123** (of 239)

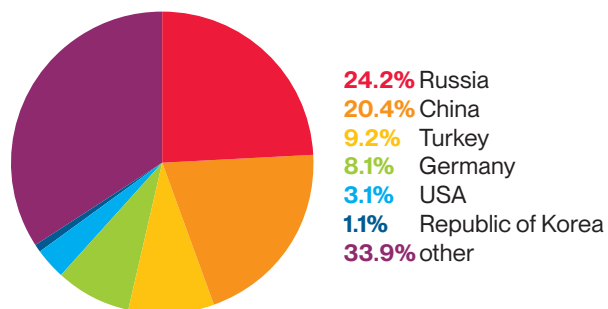


**FDI**  
2021 / bil. USD

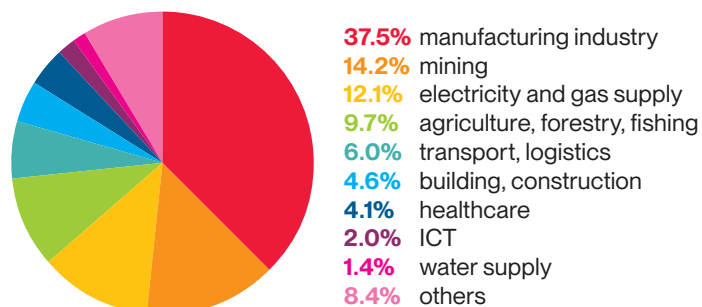
**2.04**  
net inflow

**11.28**  
stock

**Main investor countries**  
2022 / stock



**Main industries**  
2022 / stock



# Let's talk about Uzbekistan Mr. Ayupov

Nodir Ayupov is the Director of SCHNEIDER GROUP's  
Uzbek office in Tashkent.

**Such topics as agriculture, energy, food, health, education, construction, and chemical industries are at the top of German-Uzbek economic partnership. Which projects in these areas do you believe are particularly promising for international companies to cooperate with?**

Indeed, these topics are top priorities that the government of Uzbekistan is paying attention to, trying to create most favorable conditions and attracting terms for international companies to invest in these industries.

I would say that among all of them energy industry is the most favorable and promising one in which international companies could be involved. While all of the mentioned industries are being intensively developed in Uzbekistan, the need for additional energy resources is rising exponentially.

For example, there is already a shortage of electricity in some regions of Uzbekistan, and the government is inviting to the country many international solar and wind energy constructing companies to cope with this problem and build new energy generation facilities. Among others, companies from the UAE, France and other EU countries are currently involved in huge energy projects.

Major focus is given to solar and wind energy generation projects as they are green, and Uzbekistan has plenty of resources for them: wide deserts, 320 days of sun annually and strong winds in valleys.

**The Tashkent office was opened two years ago and has been developing very successfully since then. What has been achieved in the meantime that you personally are really proud of and what milestones are planned for the coming year?**

Tashkent office was established 4 years ago, in 2018, and since then we have managed to grow from 2 to 20 employees. We faced different challenges during this period and learned how to successfully overcome them. One of them is crucial shortage of qualified employees in Uzbekistan due to high inflow of international companies into the country and consequently significant increase in demand for qualified staff. We have managed to support and help more than 50 international companies since our first day of operation to start their activities in Uzbekistan hassle free and successfully. We do constant work and make efforts to build a strong team of professionals as well as provide high quality services to our clients. I am proud that in 4 years we have created brand awareness and managed to be recognized in Uzbek market as SCHNEIDER GROUP.

Nevertheless, we still have many challenges to overcome in 2023 and grow even further. We have set several milestones for 2023, such as growth of our team from 20 to at least 35 employees, offer new services for our clients and bring quality services of our existing ones to even higher level, acquire new big projects and participate in state tenders.

**The year 2022 has changed the plans and focus of many companies across the Eurasian region. How has this affected the work of SCHNEIDER GROUP office in Tashkent?**

The situation in a global business environment drastically changed in 2022, and many companies have directed their focus and attention to Central Asian region as an alternative for their current locations in Russia and China. There are many reasons for that, for example, cheap labour forces, cheap and vast resources, high rates of return and very short pay back periods for investments. Uzbekistan became a safe harbour for many international companies in 2022, welcomed more than 330,000 relocates from Russia. In its turn, the operation of our office has also been significantly affected. Demand for our services and support has grown from many companies of the EU and Russia that have decided to deploy their business in Uzbekistan. We expect that in 2023 this trend will continue and we will expand our team with more professionals to be able to render our high standard services to new clients.

The situation in a global business environment has drastically changed in 2022 and many companies have directed their focus and attention to Central Asian region

Uzbekistan has become the safe heaven country for many international companies in 2022



**Which five significant local events, including trade fairs, should be scheduled in 2023 in the calendar of an international company, which is interested in expanding its business in Uzbekistan?**

Since 2017, Uzbekistan has been actively holding important events, exhibitions, and trade fairs in different areas – energy, agriculture, textile, etc. Besides them, various international forums welcome many large businesses and international financial institutions, governmental officials, and local businesses. The interest in such events and forums is huge, they become starting points for many big projects in Uzbekistan. Depending on the industry on which the business is focused, I would recommend attending such trade fairs as “UzFood”, “AgroWorld Uzbekistan 2023” (March), “INNOPROM – Big Industrial Week in Uzbekistan 2023” (April), “International Energy, energy saving, Atom Energy and Alternative Energy Sources – Power Uzbekistan 2023” (May). As for forums, “Uzbekistan Energy Forum 2023” (May) is definitely worth attending.

**What should an international company consider when relocating its business from Russia to Uzbekistan?**

The first thing to consider is the difference in mentalities of Russians and Uzbeks. In general, I would recommend considering the following:

- Uzbek businesses and people work with very tight deadlines (due date – yesterday). Be prepared to it.
- Consider diversification of local partners, as the services quality you agreed on may tend to degrade.
- Uzbeks always negotiate the price (be ready!).
- Personal ties mean a lot in Uzbekistan – they increase trust and negotiability (stimulate it).

**Which characteristics of Uzbek entrepreneurs and business leaders are most appreciated by their international business partners?**

I would mention some of them:

- There are no obstacles that can't be overcome by local entrepreneurs and business leaders.
- They are very flexible and are negotiable.
- They are very creative.
- They are dedicated workaholics.

**Which film / book / publication do you recommend to gain basic awareness of the Uzbek mentality and national character?**

I would recommend reading Soviet historic books concerning Uzbekistan. Especially the book named “Tashkent – the City of Bread” by Alexander Neverov.

**What do you miss mostly about your hometown while abroad?**

Mostly I miss warm and welcoming people's attitude, the food, relatives and friends.

**Which topics are considered suitable or inappropriate for small talks in Uzbekistan?**

Since 2017, with our new President, the freedom of speech has significantly evolved. I can't name any prohibited topics for small talks, but I would avoid talking on LGBT related topics, since they contradict with our Islam religion.

**Please finish the sentence: “People in Tashkent are...”**

...very openhearted.

**Which top places you would recommend to explore in Tashkent?**

Definitely visit the “Old City”, where you can explore how people used to live in Tashkent in the past.

**Which other places would you recommend to discover the “original” Uzbekistan?**

It's worth visiting three ancient Silk Road cities – Samarkand, Bukhara and Khiva.



# Case study

# IT company relocation to Uzbekistan

## Client

FIN MARKET, originally a Kyrgyzstan-rooted developer of web applications and websites for finance and banking sector.

## Solutions

As soon as FIN MARKET owners applied for SCHNEIDER GROUP assistance in May 2022, our team deployed a full range of turnkey services for the new business' registration:

- identifying the best statutory form and applicable tax regime
- constituting an efficient business ownership and management structure
- drawing up statutory documents (Protocols, 3-language Charters and Founding Agreements)
- opening a local bank account
- bringing the company reporting in line with Uzbek law
- foreign employee legalization, i.e. registration, work permits, visas and identification number issuance, support to migration authorities, finding and leasing rental housing, as a result, FIN MARKET employees were able to start working within 10 days after the company launch
- contract updating, development of confidentiality policies, non-disclosure agreements, personal data protection agreements
- securing the company's residency in the Tashkent IT-park special economic zone
- elimination of delays and red tape along the way.

## Result

Within a month from the client's application, FIN MARKET became fully operational in the Uzbek market benefiting from special tax and customs privileges as a Tashkent IT-park resident.

## Contact

Nodir Ayupov, Director, Tashkent  
AyupovN@schneider-group.com

**Dear Mr. Umarbekov, by 2030, Uzbekistan has set an ambitious goal - to generate 30% of its electricity from renewable energy sources. What measures are taken to achieve it?**

Uzbekistan has been actively attracting foreign direct investments via public-private partnership system in the power generation sector, and renewable energy is one of the areas of work. Investors are selected through transparent or selective closed tenders and power purchase agreements on are signed the long-term basis. Since 2019, the Ministry of Energy has signed more than 7 power purchase agreements for 1,447 GW of solar and 5 PPAs for 3,100 GW of wind power.

In addition, UzHydroenergy is actively investing in the modernization of existing hydro turbines and the construction of new capacities. Since 2019, Uzhydroenergy has increased its capacity by 50 MW through modernization and 141 MW through the construction of new hydro turbines. There are currently two tenders in the work, and more are to be coming.

**What prospects do international investors have for reforming Uzbekistan's energy market?**

Uzbekistan wants to reform the gas and energy sectors so that private investors including international ones can freely come and build power plants or explore for gas, develop gas fields and sell electricity and gas in the open / competitive wholesale market. Similarly, retail electricity and gas markets will be

opened so that consumers have a better choice.

The target for the launching the markets is 2026-2028.

**Which industries are you looking to attract the most? Are there special incentives to attract European investors?**

Uzbekistan is trying to attract investors with experience in developing energy and gas fields, and so far it has succeeded. Currently, such well-known international companies as LUKOIL, LOTTE Chemical Corporation, Korea Gas Corporation, ACWA Power, Masdar, Total Eren, AKSA Energy, Cengiz Energy, EDF, Nebras, Sojitz, Voltalia operate in Uzbekistan. Uzbekistan does not provide any special benefits to companies from certain countries or continents. We are open to mutually beneficial cooperation and welcome investors from all countries.

In addition to developers in the energy and gas sectors, Uzbekistan welcomes experienced EPC contractors in sectors such as gas transmission pipeline infrastructure development, modernization and development of high and medium voltage electricity transmission infrastructure.

**In 2019, the Government of Uzbekistan launched a programme to switch to natural gas vehicles. How is this developing today?**

In fact, the government launched the program to encourage petrol and diesel vehicles to install additional natural gas tanks

# Reforming Uzbekistans energy- market

Bahrom Umarbekov is the Deputy Director Power Reform office, Ministry of Energy of the Republic of Uzbekistan

not in 2019 but much earlier. The share of natural gas vehicles in the total vehicle fleet reached a global high at the beginning of the 2010s and still remains so. Some countries well-endowed with natural gas have even sent teams to study the reasons for Uzbekistan's success. This large-scale use of compressed natural gas as vehicle fuel has allowed our country to significantly reduce its imports of oil products.

**The Uzbek government recently launched online digital platform energymarket.uz, which allows homeowners to purchase solar panels with interest-free loans. What is the reaction to this project?**

The project is developing at a normal pace. We are now seeing problems on the supply side, trying to meet not only demand from households and businesses, but also from the government's rooftop procurement campaign. Installation companies are hiring and training staff, and soon the supply of services will match the growing demand for the installation of PV panels and solar water heaters on rooftops. Households and businesses can benefit by purchasing solar panels and solar water heaters complete with installation services on the energymarket.uz platform, as a subsidy is available for the purchase. The subsidies come from the Energy Efficiency Fund.

**Mr. Umarbekov, thank you for the interview.**

**Since 2019, agreements for 1,447 GW of solar and for 3,100 GW of wind power have been signed**

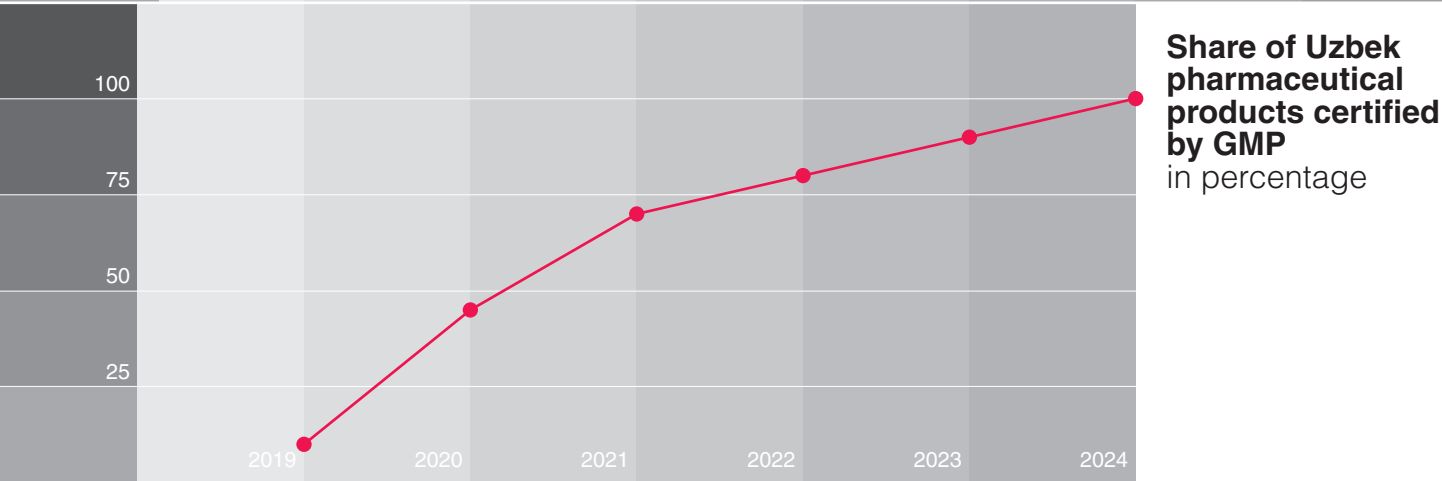
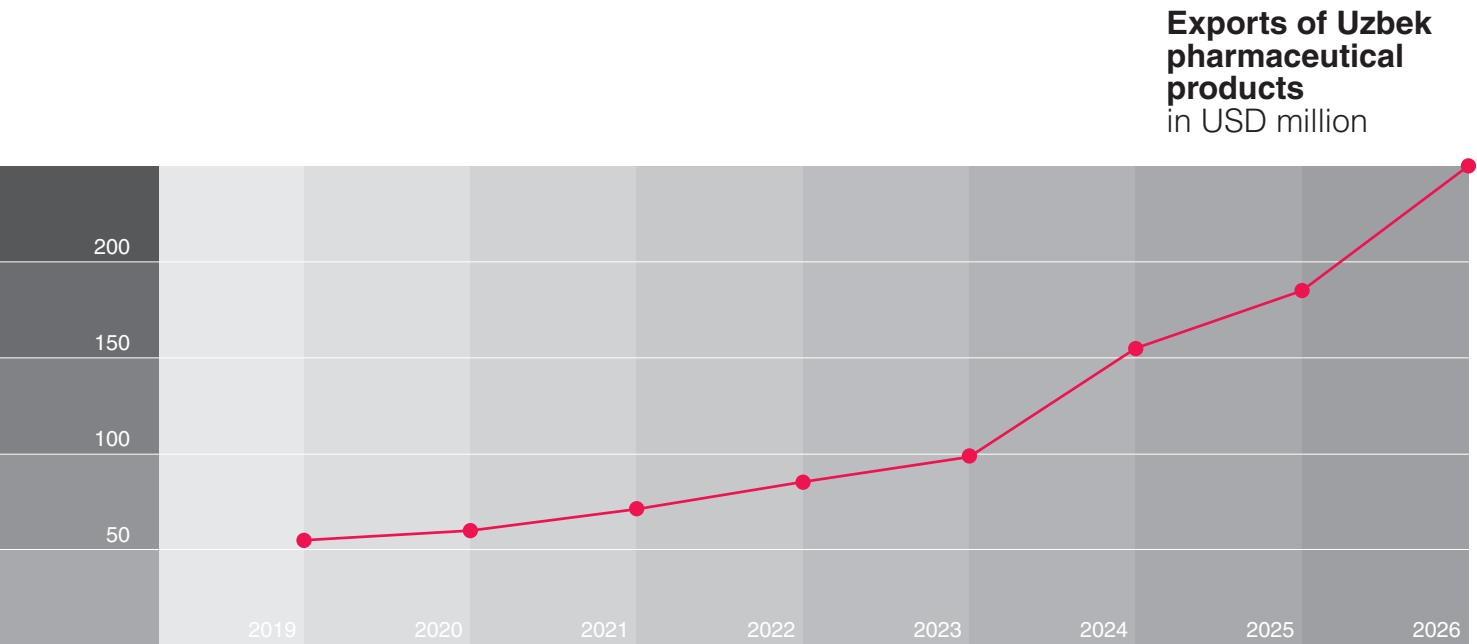
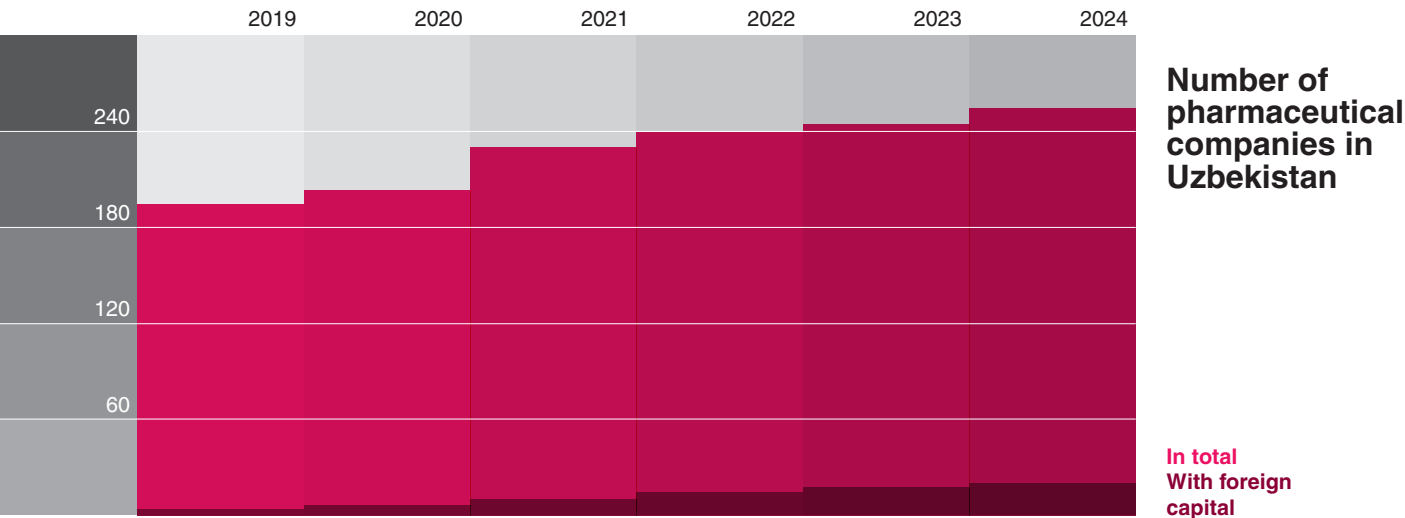
**The capacity of hydroenergy has been increased by 50 MW through modernization and 141 MW through the construction of new hydro turbines.**

The Charvak Reservoir and Hydropower Station in the Tashkent Region.



Photo: IMAGO / robertharding (Michael Runke)

2022-2024 Prognose  
Quelle: Usbekisches Gesundheitsministerium



# The development of our own pharmaceutical industry is our strategic goal

**On the sidelines of the Investment Forum in Tashkent we talked to Sardor Kariyev, Director of the Agency for the Development of the Pharmaceutical Industry in Uzbekistan, about the numerous development opportunities in the industry and cooperation with Germany**

**Mr. Kariyev, how has Uzbekistan's economy developed over the last five years?**

Basically, thanks to the policy of President Shavkat Mirziyoyev, many sectors of the Uzbek economy have been able to develop very dynamically in recent years. As the President made clear in his opening speech at the Tashkent Investment Forum, in particular, investment and working conditions have improved - both for foreign and Uzbek companies. The biggest step in this context was undoubtedly the removal of foreign exchange restrictions in 2017, which had previously been a major problem for the sector for many years.

Meanwhile, this restriction no longer plays any role - within hours, any amount can be exchanged for foreign currency and redeemed. This, combined with other important reforms, ultimately gives us the opportunity to become a reliable partner in the international economic community. So we don't just talk, we let actions speak for themselves.

**What about the pharmaceutical sector?**

As far as the pharmaceutical sector is concerned, the government is allocating more and more money year after year to the development of the healthcare system, which in the end also benefits the pharmaceutical industry. The need for specific medicines, including in the area of prophylaxis, has increased significantly over the last few years simply because of improved diagnostics. This leads to Uzbek companies localizing more and more foreign medicines on the domestic market. Last year, for example, we were able to increase production of pharmaceutical products by 2.5 times compared to 2020 - despite COVID-19 and all the restrictions that came with it. There are about 200 producers of pharmaceutical products in Uzbekistan. In the next five-six years, we want to reach a localization level of 80 per cent.

**How was this achieved?**

Among other things, several special economic zones with a focus on pharmaceuticals have been established, with more than 30 projects worth almost \$180 million currently underway. Depending on the size of the investment, residents can benefit from tax incentives for up to ten years.

A total of 144 investment projects worth over \$ 450 million have been implemented in Uzbekistan in the past three years. Our stated objective is to reduce the price of medicines,



which will subsequently allow us to expand and improve their supply to the population. This goal is also supported by the current decree of our President, which provides additional facilitation, for example, for importing raw materials or support in developing generic medicines, including for export.

#### **What are the core areas for future development?**

The production of new generics, new medicines for our population and for export. In addition, there are areas that are not yet very well developed in our country, such as biotechnologies and blood processing. This is explicitly mentioned in the new presidential decree - among other things, the state monopoly on the collection and processing of blood has been lifted, which will open up new opportunities for the industry. Overall, the state is aiming for greater privatization of the pharmaceutical sector and wants to focus more and more on the role of the regulator.

#### **What role does Germany play?**

The total pharmaceutical market in Uzbekistan is about \$1.5 billion and has shown an annual growth rate of about 15 per cent over the last period. Of this, about \$1.2 billion is accounted for by imports. Germany is one of the three most important procurement markets here.

Moreover, several German pharmaceutical companies have been operating in Uzbekistan for years, such as Berlin-

Chemie. Other examples are Boehringer Ingelheim, which wants to step up its activities in our market, or AXXO GmbH from Hamburg, which produces medical bandages in this country in the form of a joint venture.

Bayer AG has also shown interest in the contract manufacturing concept in Uzbekistan. Here, as with Siemens, active negotiations are currently underway. In the case of Siemens, it is about supplying medical technology. Overall, cooperation with Germany is at a very good level.

#### **Mr. Kariev, thank you for the interview.**

The Agency for the Development of the Pharmaceutical Industry was established in 2017 to improve the conditions for the development of pharmaceutical activity, to further increase the level of supply of affordable, high-quality medicines, medical devices and equipment to the population and healthcare institutions, and to create a unified system for coordinating production, import and sales.

A production line at the Jurabek Laboratories in the city of Olmaliq manufacturing the Chinese-Uzbek Zifivax.



Photo: IMAGO / ITAR-TASS (Vladimir Smirnov)



# Uzbekistan's textile export campaign – finished goods instead of raw cotton

In January, Frankfurt and Munich traditionally host the two leading European trade fairs of the international textile industry: “Heimtextil” and “Fabric Start”. Year after year, more and more manufacturers from the centre of the Silk Road - Uzbekistan - present their innovations here.

## Industry in transition

Uzbekistan has traditionally been one of the largest cotton producers in the world. But for years, anything containing “white gold” from Uzbekistan was frowned upon by the industry. Textile goods that contained processed cotton harvested in Uzbekistan were consistently boycotted due to unsightly labour conditions using child and forced labour in the past, something that many retail chains also stipulated in their contracts with suppliers.

But since the change of power in 2016, the country and its textile industry have begun to change. With his ambitious reform program, new President Shavkat Mirziyoyev has put the country among the fastest growing economies in the world. The textile industry has played a key role in this.

The state monopoly on the purchase of cotton was abolished. The fight against child labour and the forced recruitment of workers in other occupations was announced. Both the International Labour Organisation (ILO) and many NGOs working in this field have critically monitored developments on the

ground and certified since 2019 that Uzbekistan has addressed these problems. This has also been recognised internationally. The European Union has granted the country most favoured treatment under customs law. Many NGOs have withdrawn their boycott demands.

## Magic word “cluster”

In economics, clusters are known primarily as networks of companies linked by industries and their promotion to maximise synergies in specific locations. In Uzbekistan, the term “cluster” is also associated with the creation of vertical value chains under one roof. In the textile sector, this means that a company takes over the entire agricultural and industrial cycle from the cotton factory to the finished shirt: sowing, irrigation, harvesting, transportation, cleaning, and storage are followed by yarn spinning, various weaving, knitting and knitting technologies, including dyeing, all the way to garment factories. Today there are more than 100 such clusters in Uzbekistan. They are all private companies, so the industry is a pioneer in the private sector. Huge investments have been made in technology here, and many well-known textile machinery manufacturers such as Trützschler or Rieter have confirmed that nowhere else in the world have as many of their most modern factories as in Uzbekistan. The country has completely abandoned the export of raw cotton. The whole crop is processed in the country, which



Photo: IMAGO / photothek (Florian Gärtner)

means added value, jobs, tax revenues and increased prosperity. Some companies already import cotton from neighbouring countries.

Afrasyab jeans factory in Samarkand

### **New opportunities after the end of the boycott**

Despite 36 million consumers at home, the industry is export-oriented. Russia's traditionally important market is losing its appeal because of the war in Ukraine. Since the country is landlocked, the lack of proximity to ports means that higher logistics costs need to be compensated. Uzbekistan wants to position itself between Bangladesh and Turkey in terms of quality and price and see better opportunities in Europe. The current reassessment of many supply chains presents additional opportunities the country would like to take advantage of by increasing its presence at trade fairs and establishing appropriate sales structures.

"A textile giant in the making?" – is the title of an industry report on Uzbekistan's textile industry published late last year by the German GIZ in cooperation with the Swiss consultancy Gherzi. There is still a question mark at the end of the title. But the SWOT report itself describes both the ambitious rise of the industry and the challenges ahead. Numerous initiatives, especially from newly established local textile companies, huge investments of recent years, adequate support within Uzbekistan's economic policy framework and the current focus on

opening new markets in Europe will certainly turn a question mark into an exclamation mark in the not too distant future.

Companies such as Haj Tex, Global Textile, Khan Tex or UzTex in the clothing market, Artsoft and Realtex in home textiles or the SAG Group, which is already one of the ten largest carpet producers in the world, should be a household name today. The first German producers are already placing orders for contract production in Uzbekistan.

### **Dr. Bodo Thöns**

For many years he was head of the Commerzbank representative office and the German Business Club in Uzbekistan. Today he works as a financial consultant in Tashkent. Together with his wife, he has published a travel guide to Uzbekistan (Trescherverlag Berlin, ISBN 978-3-89794-453-4)

tel. +998 90 8082368  
bodo.thoens@gmail.com.

# Interview with Dr. Muzaffar Razakov, CEO Global Textile Group

## Why did you decide to establish a textile company?

The history goes back to my father who had a technical background and worked in the textile sector all his life. And our dream, as his sons, was to continue his business. So, we started with the textile machinery business. We gained a lot of experience, expanded our network and one day decided to take the tentative step and start our own spinning mill. Fortunately, the experiment went well, and our success encouraged us to repeat it and go further. We are growing fast, and today, we have around 15 textile and agro-industrial companies.

## You belong to the so called “cluster” segment. What are your advantages?

The national cotton and agro-industrial system has been fundamentally transformed as a result of wide-ranging reforms undertaken by the President of Uzbekistan. Thanks to various policies and complex initiatives in the country, 100 years of history have changed for the better, and I am glad that we are part of this historic change. I would list the main advantages of the textile cluster system: it allows us to grow cotton and control product quality from the very beginning of the cycle, i.e. from the moment the seed is planted.

- We can monitor and coordinate the compliance with international standards in terms on forced and child labour, environment and social responsibility.
- This, of course, is beneficial for business. The cluster system allows us to take advantage of new synergies arising from the vertical integration of many lines of business. And this implies important economic aspects that have a significant positive impact, in terms of increased turnover, on the local economy.
- We can invest in agribusiness and all the innovations in this area. For instance, today we have smart irrigation, digital management of most processes. The introduction of global technology allows us to do seemingly impossi-

ble things: we are changing the mentality of people who have been working in the fields sometimes for over fifty years, turning a very traditional industry into a modern one, training our people to understand what we can do better with new methods and approaches.

## Businesses are becoming more responsible. Germany has introduced a new law on the responsibility of international manufacturers in the value chain. Is Global Textile Group ready for these challenges?

We are committed to promoting sustainability throughout our value chain in line with our economic, environmental and social responsibilities to all our stakeholders. One of our innovations is the launch of the Track&Trace system, which will begin in mid-2023, when any customer will be able to scan a barcode and trace the life of a product from the field to the finished garment. This transparent tracing capability ensures compliance with ESG regulations and standards.

## This is the second time your company is exhibiting in the Munich Fabric Start. What are your expectations and strategy for the European markets?

- Make the most of GSP+
- Establish ourselves in the market as a quality and reliable partner
- Secure one or two global brands and establish cooperation with smaller brands

Thanks to my German education, we concentrate mainly in the German-speaking region. And we hope that our foreign partners will also benefit from this cooperation, since we have incorporated all European best practices into our production and never stop.

For more information about Global Textile visit:  
[global-textile.uz](http://global-textile.uz)



Photo: GTG



# Adding colour to the past

Like a colourful echo from a distant time, Sergei Prokudin-Gorsky's photos recall the Arabian Nights tales. At the beginning of the 20th century, the photographer travelled Central Asia and documented the country and its people using a self-developed technique to create colour photographs. In the process developed by Prokudin-Gorsky, three glass plates were exposed in rapid succession with different coloured filters (red, green and blue). In this way, iconic images were created in and around Samarkand and Bukhara, which take us on a unique journey back in time, to the Orient 100 years ago, and bring to life a bygone world in vivid colours.

On the Registan, Samarkand 1905–1915  
(Rep.-Nr. LC-DIG-prokc-21726)









The Emir of Bukhara, Alim Khan (1880-1944), posing for his portrait, taken in 1911 shortly after his accession. The Emir presided over the internal affairs of his emirate as absolute monarch, although since the mid-1800s Bukhara had been a vassal state of the Russian Empire. With the establishment of Soviet power in Bukhara in 1920, the Emir fled to Afghanistan where he died in 1944.  
(Rep.-Nr.: LC-DIG-prok-10153)





top left: Courtyard of mosque, Samarkand 1905–1915  
(Rep.-Nr.: LC-DIG-prokc-21773)

top right: Fabric merchant, Samarkand 1905–1915  
(Rep.-Nr.: LC-DIG-prokc-21725)

bottom left: Traditional dress, jewelry, and hairstyle of an Uzbek woman standing at the entrance to a yurt, a portable tent used for housing by the nomadic peoples of Central Asia. 1905-1915 (Rep.-Nr.: LC-DIG-prokc-20006)

bottom right: Shepherd, Samarkand 1905-1915  
(Rep.-Nr.: LC-DIG-prokc-21737)





Shakh-i Zindeh mausolemm complex, Samarkand 1905-1915  
(Rep.-Nr.: LC-DIG-prokc-21813)





top left: Melon vendor, Samarkand 1905-1915  
(Rep.-Nr.: LC-DIG-prokc-2172)



top right: Bureaucrat, Bukhara 1905-1915  
(Rep.-Nr.: LC-DIG-prokc-21884)



bottom left: Tea room, Samarkand 1905-1915  
(Rep.-Nr.: LC-DIG-prokc-11727)



bottom right: At the Saliuktin mines, on the outskirts of Samarkand 1905-1915  
(Rep.-Nr.: LC-DIG-prokc-11754)





cargo / Central Asia

Saint Petersburg

Yekaterinburg

RUSSIA

Moscow

BELARUS

POLAND

Brest

UKRAINE

Chornomorsk

ROMANIA

Constanța

Olja

Aktau

Poti / Batumi

UZBEKISTAN

Istanbul

TURKEY

Kars

Baku

Türkmenbaşy

TURKMENISTAN

Rasht

IRAN

SYRIA

IRAK

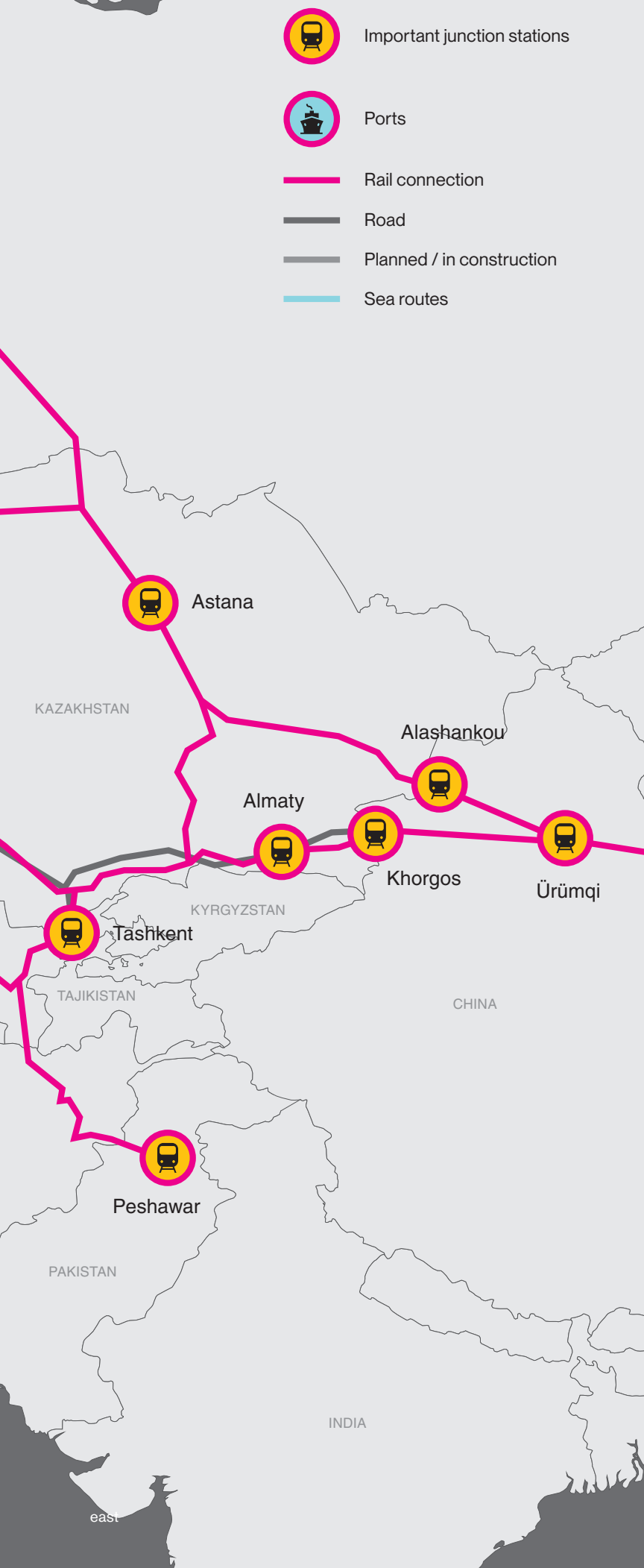
AFGHANISTAN

Bandar-Abbas

east

#1/23 - 30

# Central Asian cargo routes



While transit freight traffic on Kazakhstan's railways, the so-called Northern Route, has increased in recent years and is also characterized by extensive investments in rail and road construction, the so-called Middle Corridor across the Caspian Sea and the Southern Corridor via Iran still register significantly lower freight volumes. The volume of freight on the Trans-Caspian Route has increased in recent years, but is still far below the volume handled via the Northern Route.

Experts now consider it possible that the Middle Corridor, could even replace the northern Asia-Europe route in the long term through targeted expansion. In a current analysis, the renowned US think tank 'The Jamestown Foundation' clearly emphasizes the strong increase in importance for trade in goods between East and West: "...the Middle Corridor is no longer just an alternative transit route, it is an inherent necessity. Especially for Kazakhstan, it can be foreseen that the Caspian Sea will increasingly take on the role of 'gateway to Europe'".

The first step in this direction should be a new container hub with an initial capacity of TEU 100,000 containers per year at the port of Aktau.

In addition to additional cargo handling capacity at the two ports, Kazakhstan also needs more vessels to cope with the projected increase in cargo requests across the Caspian Sea.



# KAZAKHSTAN

**Area** 2,724,900 Km<sup>2</sup>

**Population** 19.4 Mil. \*\*\*

**Density** 7.2/Km<sup>2</sup>\*\*\*

**Currency** Tenge (KZT)

**Time zone** UTC+5 und UTC+6

**Date format** yyyy.dd.mm

**Calling code** +7

**Country code** KAZ

**Internet TLD** .kz

\*2021 estimate

\*\* estimated

Source: Wikipedia 12.2022

\*\*\*GTAI 2022

\* **Kazakhstan**

\* is the world's largest

landlocked country

\* has one of the lowest population densities in the world

\* has been inhabited since the Paleolithic era

FlyArystan / Dubai



## AKTOBE

Population: 512,452

founded: 1869



Oil and Natural Gas  
Agriculture and Ranching

Turkish Airlines / Istanbul

Wizz Air / Abu Dhabi

SCAT Airlines / Istanbul, Yerevan

Lufthansa / Frankfurt

LOT Airlines / Warsaw

flydubai / Dubai

Air China / Chengdu

Jazeera Airways / Kuwait City

Air Astana / Dubai, Frankfurt, Istanbul

KAZAKHSTAN

Air Astana / Amsterdam, Istanbul



## ATYRAU

Population: 295,496

founded: 1640

Air Astana / London

FlyArystan / Baku, Yerevan, Istanbul

SCAT Airlines / Baku, Yerevan, Istanbul, Tbilisi

Turkish Airlines / Istanbul



## AKTAU

Population: 199,644



Kosmodrom Baikonur

Aral Sea

Caspian Sea

RUSSIA

GEORGIA

ARMENIA

AZERBAIJAN

UZBEKISTAN

TURKMENISTAN

IRAN

AFGHANISTAN

IRAK

east



## # Resources






**#2** uranium, chromium, lead, zinc  
**#3** manganese  
**#5** copper  
**#Top10** coal, iron, gold  
estimated reserves / world  
 nickel, cobalt, molybdenum,  
 lead, bauxite

## Agricultural products

wheat, milk, potatoes,  
 barley, watermelon, melon,  
 linseed, onion, corn,  
 sunflower seed

## Communication

Mobile phone connections:  
 1.294 / 1.000 residents  
 Internet users:  
 859 / 1.000 residents  
 2020

-  International Airport
-  Train Station
-  Freight Depot
-  Port
-  State University

### ASTANA

Population: 1,184,469  
 founded: 1830



### KARAGANDA

Population: 500,882  
 founded: 1830



Coal Resources



### OSKEMEN

Population: 333,113  
 founded: 1720



Mining and Metal-  
 lurgical Center

Altai Mountains



UNESCO  
 World Heritage

MONGOLIA



Khorgos

KYRGYZSTAN

### SHYMKENT

Population: 1,074,167  
 founded: 12th century\*\*

Turkestan-Siberia Railway



flydubai / Dubai  
 SCAT Airlines / Istanbul



### ALMATY

Population: 1,977,011  
 first settlements:  
 10th century BC\*\*

Turkestan-Siberia Railway



Winter Sports

Turkish Airlines / Istanbul  
 Qatar Airways / Doha  
 Lufthansa / Frankfurt  
 Jazeera Airways / Kuwait City  
 flydubai / Dubai  
 Air Astana / Baku, Beijing, Chengdu, Delhi,  
 Dubai, Istanbul, London, Seoul

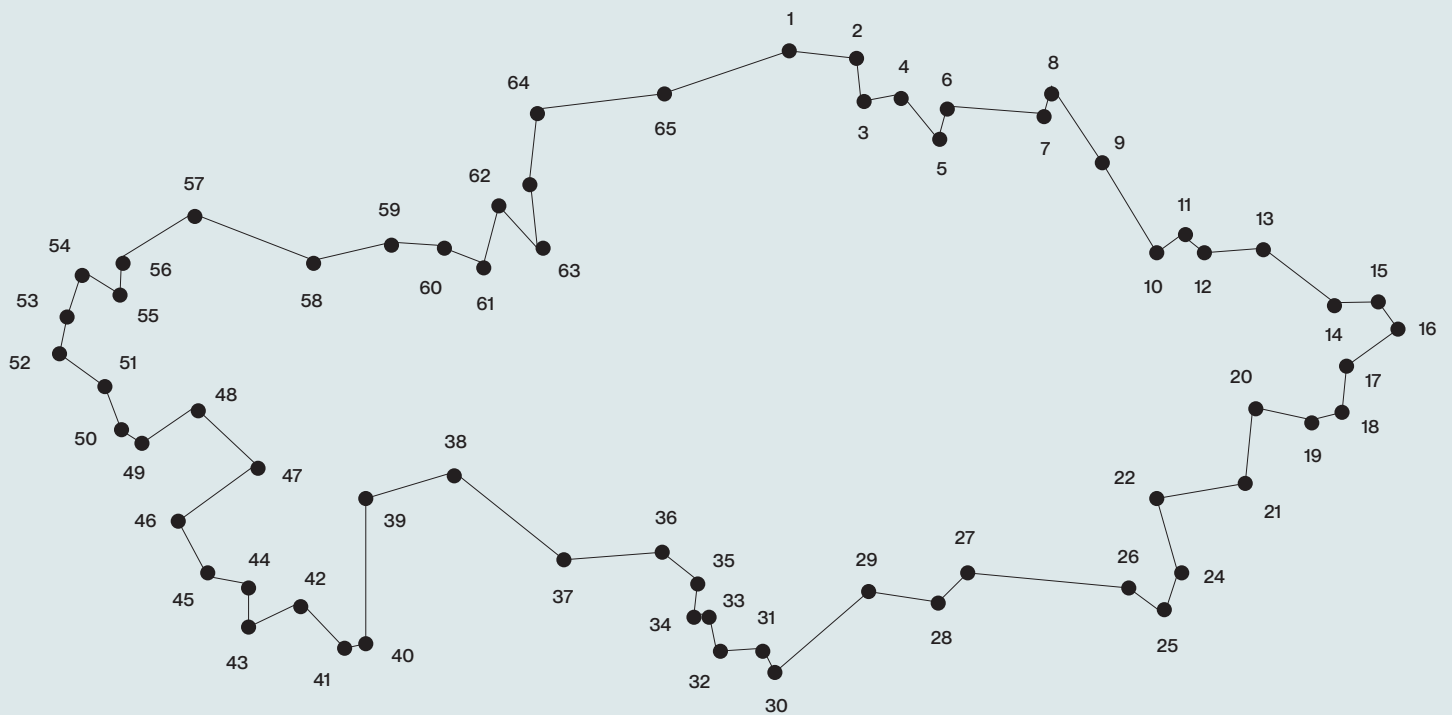
TAJIKISTAN

PAKISTAN

INDIA

CHINA

east



# Kazakhstan by numbers

\*estimate or prognosis  
Source: GTAI 2022,  
worldbank.org



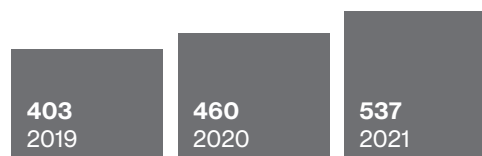
### Currency

Tenge (T); 1 T = 100 Tiyn  
Exchange rate (09/2022): 1 Euro = 462.2 T  
Average 2021: 1 Euro = 503.87 T



### Average wage

USD / gross / annual average



### GDP

nominal / bil. USD

197.1

2021

224.3\*

2022

243.4\*

2023



### GDP

per capita / USD

10,306

2021

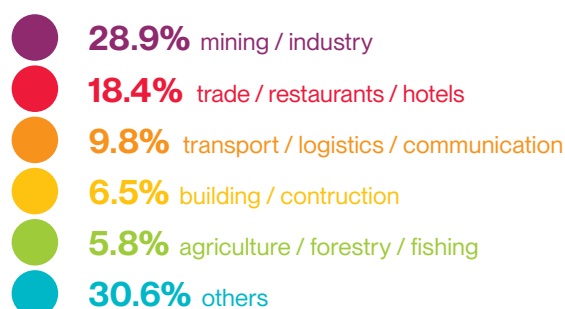
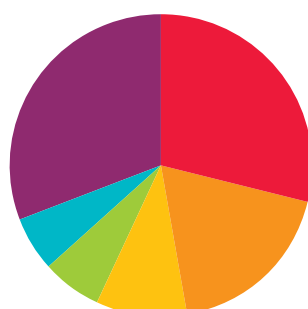
11,591\*

2022

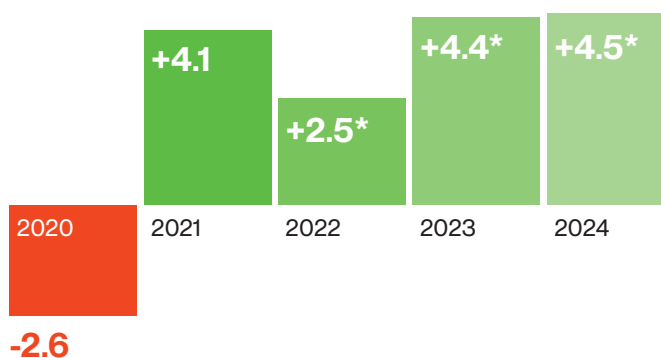
12,432\*

2023

GDP  
by industry  
2020



### GDP growth real / %



### Oil

2021

1.8 mil. / #18

Production / Barrels per day / Rank, world

30 bil. / #12

Reserve / Barrels / Rank, world



### Gas

2021

32 bil. / #24

Production / Cubic meter p. year / Rank, world

2.3 tril. / #15

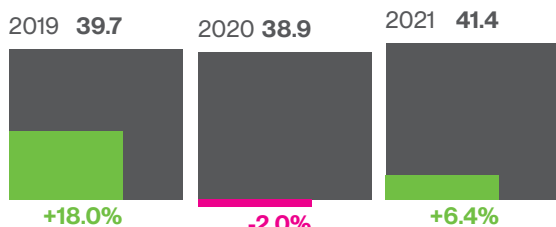
Reserve / Cubic meter / Rank, world



## Foreign Trade \*World

bil. USD

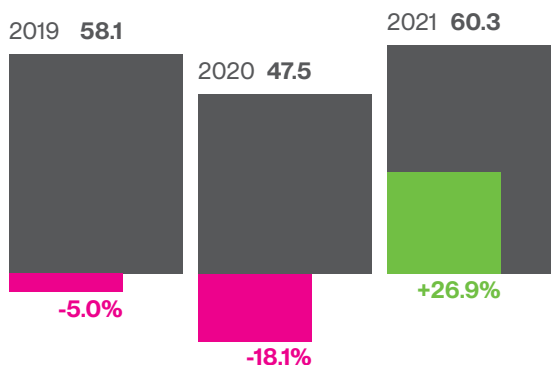
### Import



#### Imported goods 2021

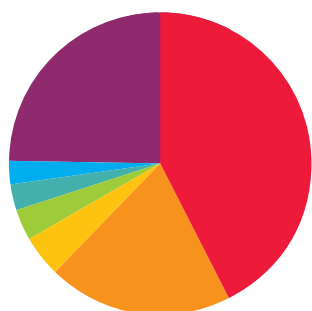
machinery	40.3%
chemical products	16.1%
plant and livestock products	11.9%
metals and metal products	10.4%
mineral products	6.6%
textiles and textile products	3.8%
others	10.9%

### Export



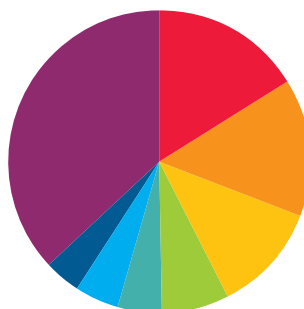
#### Exported goods 2021

mineral products	65.9%
metals and metal products	17.4%
plant and livestock products	6.2%
chemical products	5.2%
others	5.3%



#### Main supplier countries 2021

42.5%	Russia
19.6%	China
4.4%	Germany
3.3%	USA
2.8%	Turkey
2.6%	Uzbekistan
24.5%	Others



#### Main buyer countries 2021

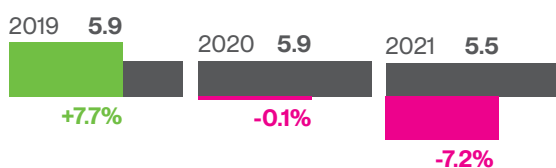
16.2%	China
14.7%	Italy
11.6%	Russia
7.3%	Netherlands
4.9%	Turkey
4.6%	Uzbekistan
4.0%	France
36.7%	Others



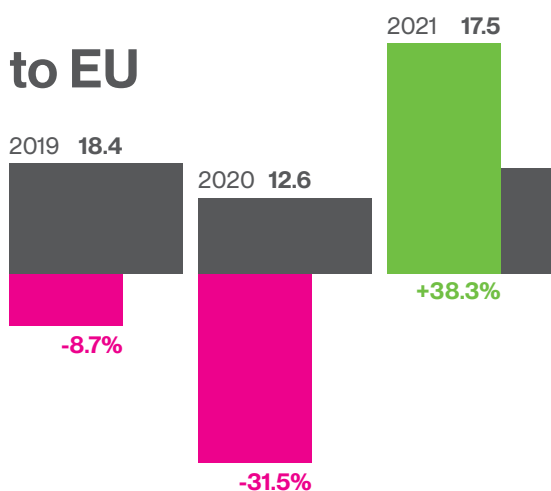
## Foreign Trade \*EU

bil. EUR

### from EU



### to EU





# Foreign Trade \*Germany

2021 / bil. EUR

from Germany **1.4** -0,8%

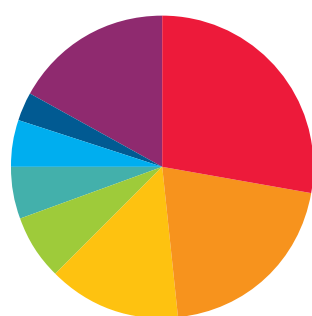
to Germany **3.7** +52,5%

German trade partner  
ranking / export

**#62** (of 239)

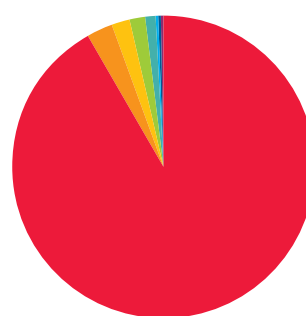
German trade partner  
ranking / import

**#41** (of 239)



**Imported goods**  
from Germany 2021

27.8% machinery  
20.6% chemical products  
14.1% vehicles (others)  
7.1% automotive  
5.5% measuring/regulation tec.  
5.1% electrical engineering  
3.1% electronics  
16.7% others



**Exported goods**  
to Germany 2021

91.7% oil  
3.0% iron/steel  
1.9% chemical products  
1.6% resources (no fuels)  
1.0% non-ferrous metals  
0.4% food  
0.1% electronics  
0.1% rubber products



**FDI**

2021 / bil. USD

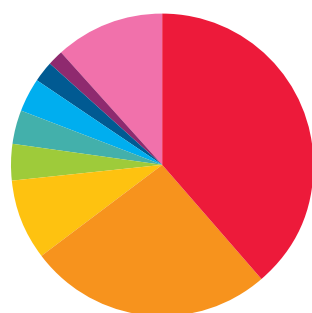
**4.38**

net inflow

**151.95**

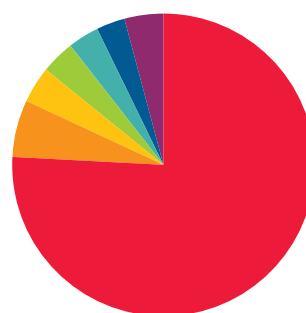
stock

**Main investor countries**  
2022 / stock



38.8% Netherlands  
26.1% USA  
8.7% France  
3.8% Japan  
3.6% China  
3.5% Russia  
2.4% Hong Kong SAR  
1.7% UK  
11.4% Others

**Main industries**  
2022 / stock



76.1% mining, gas, oil  
6.1% industry  
3.9% financial / insurance  
3.4% services  
3.3% freelance, science, technical services  
3.3% transport, logistics  
3.3% trade  
3.9% others

# Let's talk about Kazakhstan Mr. Afanasyev

Kirill Afanasyev is the Director of SCHNEIDER GROUP's  
Kazakh office in Almaty.

## **What are the main topics on the agenda in Kazakhstan in 2023?**

In 2022, Kazakhstan's economy faced significant challenges in the logistics sector, which emerged as a direct effect of the war between Ukraine and Russia. Kazakhstan now has an important priority to diversify its own oil exports and, as part of this, to improve the operation of the Trans-Caspian international transport route so that oil can be transported further via the Baku-Tbilisi-Ceyhan pipeline. However, it is difficult to increase the tanker fleet in the short term, and the capacity of the pipeline is limited. All these initiatives require significant investment and technological support, which is currently proving to be a challenging mega-task.

A number of large-scale projects, such as green hydrogen production with investments from Szevind and Fortescue, are already underway. According to official statistics, investments in the Szevind project alone amount to EUR 50 billion.

In terms of the overall picture, in 2021 we observed a recovery of foreign direct investment to pre-pandemic levels. Data from the National Bank show that Kazakhstan has already reached the level of the previous year after nine months in 2022. The main investment sectors remain mining, followed by manufacturing, which grew by 37 percent in 2022. This sector will continue to grow in the future, with major companies such as Staedler and Honeywell set to start production, and Renault

and Volkswagen also considering this move. This influx of business into the country is a great opportunity for us, as this is what we have embraced as part of our mission: to support and develop business relations between the West and the East.

## **The Kazakhstan office was the first branch office that SCHNEIDER GROUP opened in Central Asia in 2007 with one employee. Looking back on this impressive journey, what do you consider to be the most important milestones for you and your local team?**

When I joined the company in 2009, I was the 11th employee in our Almaty office. We didn't even have a coffee machine at the time, but it was bought when we reached the 20-employee mark. We started by providing accounting outsourcing services and over the years we have added tax, HR, legal, IT and other services to our portfolio. We have moved to larger premises in Almaty and opened new offices in Astana (based at the Astana International Financial Centre) and Atyray. Finally, since last year, we have also been advising clients in Kyrgyzstan from our office in Bishkek.

Looking back on these almost 14 years with the company, I would say that our team is now the strongest we have ever had or could be. So, with Ludmila Malsagova in charge of accounting and finance, Olga Nezgovorova, in HR, Dina Jazyzbekova, leading legal services, Mariya Nazarova as the tax chief and



Alexey Tsoy as forging IT, we support international investors at every stage, from planning to fully operating their business in Kazakhstan.

Early next year we plan to reach the 100-employee mark in Kazakhstan, and this will be a big milestone and achievement for the whole team.

**The year 2022 has changed the plans and focus of many companies in the Eurasian region. How has this affected the work of the SCHNEIDER GROUP office in Almaty?**

Since 2022, we have seen a new trend: many multinational companies have started to consider Kazakhstan as a regional hub not only for Central Asia, but also for the Caspian Region. This process goes hand in hand with the recent influx of emigrants from Russia, Belarus and Ukraine. These factors have direct impact on our work. We are receiving more and more requests for migration and company registration, as well as for tax, legal and HR advice, which eventually translates into accounting outsourcing services, which remains our core business line. Our business in Kazakhstan has taken a definite lead in the Central Asian region, which is a new role for us. Last year, all of these developments translated into cross-disciplinary multi-jurisdictional projects for our clients, which we led and supported with the help of our project team in Almaty. We actively use this opportunity both to learn about neighbouring

We have seen an increase of requests for most of our services, from migration and company registration to tax, legal and HR advice.

We have also sensed a degree of regional leadership shifting to Kazakhstan, which has led to a new role for us.



**Kazakhstan is a leader among the Eurasian Economic Union countries in the digitalization of state services. Most state services are provided through state online portals.**

Almaty through the lense of  
photo-blogger white\_noiise



countries, their legislation and requirements and, of course, to share best practices with colleagues from Uzbekistan, Armenia, Azerbaijan, Kyrgyzstan, and Georgia.

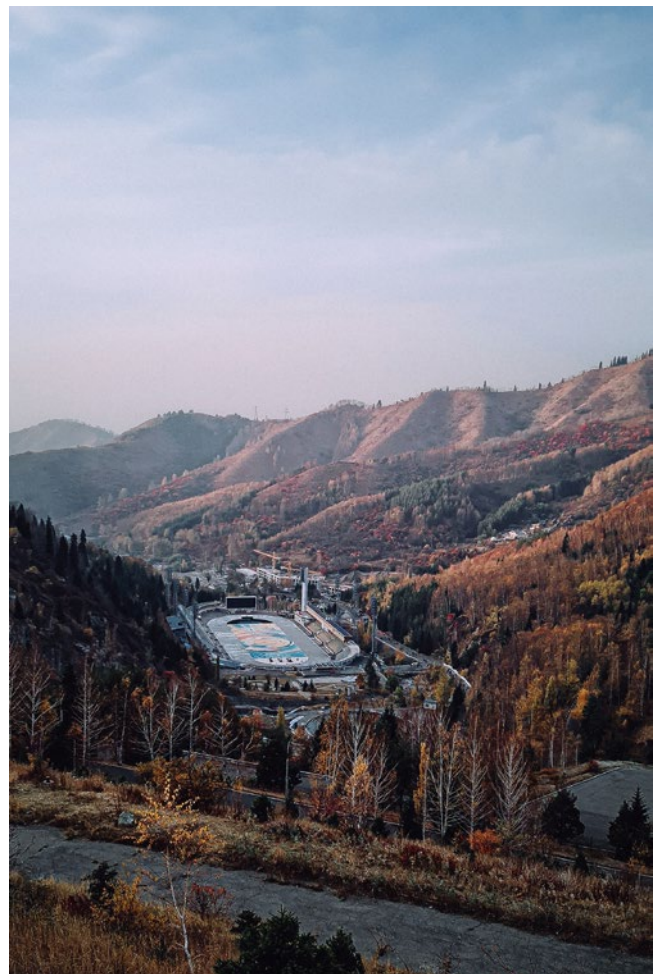
**Which themes will SCHNEIDER GROUP Kazakhstan focus on in the next year?**

We are growing rapidly and expect to double the number of staff in the tax, legal and IT departments this year. Therefore, the biggest challenge for us is to attract talents, develop them into experienced advisers and retain the experience we have gained to ensure further growth. This approach fits perfectly with our corporate mission.

**What should an international company consider when relocating its business from Russia to Kazakhstan?**

First, it is the language: although Russian and English are commonly used for business purposes, all legal documents must have a Kazakh translation.

Second, a company must choose a suitable location and the proper legal form to register a business in Kazakhstan. Our country provides a number of investment incentives for international investors, such as tax exemptions or exemptions from import duties, especially for setting up new production facilities or developing existing ones.



Photos: [instagram.com/white\\_noiise](https://www.instagram.com/white_noiise)

There are also a number of special economic zones, such as Aktau Seaport (logistics, oil equipment) or Pavlodar (chemistry, petrochemicals, metallurgy) for various industries. However, investors are usually interested in registering in AIFC (jurisdiction based on British law, English Courts, visa- and work permit-free regime, etc.), AstanaHub (IT oriented) or Khor-gos (logistics hub).

The civil legislation of Kazakhstan and Russia appears to be quite similar due to their common legal background. However, the specific sectoral legislation of Kazakhstan, as well as the regulations differ significantly from the legislation of Russia in any field, except for customs legislation, due to the creation of the Eurasian Economic Union.

Kazakhstan is one of the leading countries in the Eurasian Economic Union countries in terms of digitalization of governmental services, provided through dedicated online portals. The state investment Agency Kazakh Invest and the ombudsman also offer support and protect the interests of international investors.

With respect to the payment of taxes, depending on the location and tax regime chosen to conduct business in Kazakhstan, a newly established company or a branch will be responsible for meeting its tax obligations on a regular basis as well as other regular reporting obligations. Generally, it is important to note that provisions of tax legislation in Kazakhstan are closely aligned with International Financial Reporting Standards (which are widely applied in Kazakhstan) and tax rates are relatively low compared to Russia. However, the penalties levied for violations are significant.

**What five major local events, including trade fairs, should be scheduled in the calendar for 2023 by an international company that is interested in expanding or growing in Kazakhstan?**

I would recommend attending the Astana Economic Forum, the Kazakhstan Global Investment Roundtable by Kazakh Invest, Astana Finance Days by AIFC and Day of the German Economy. Our three local major trade fairs KIOGE, Mining and Metals Central Asia and KazBuild are also strong platforms for b2b contacts.

**What traits of Kazakhstani entrepreneurs and business leaders are most appreciated by their international business partners?**

I assume that many international business people would mention the qualities that I personally value as an entrepreneur: honesty, transparency and respect.

**Which film or book do you recommend for a general understanding of the mentality and national character?**

A good question indeed. As for books, I would advise you to start reading the great Kazakh writer, poet and educator Abay

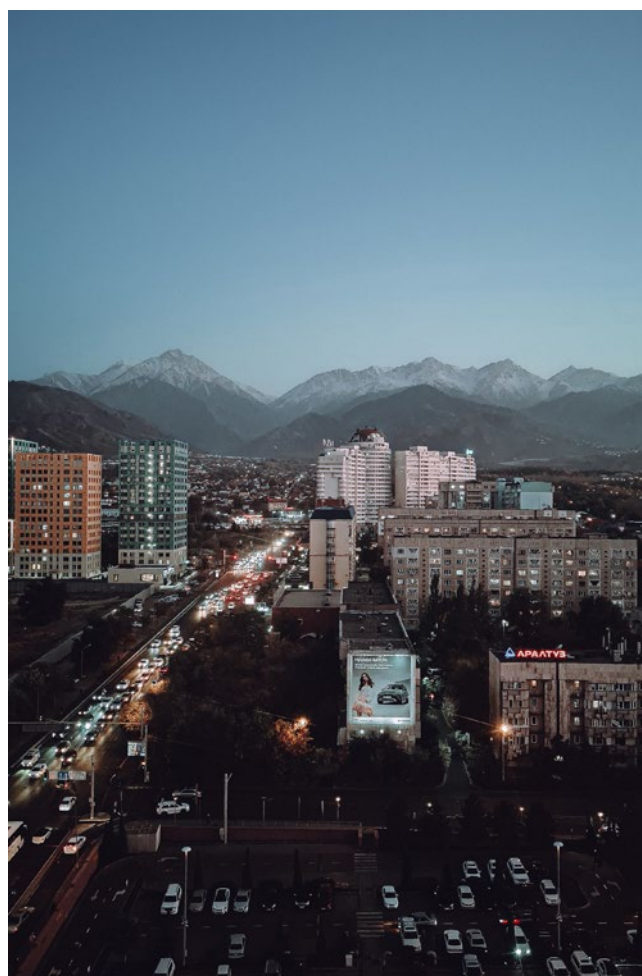
Kunanbaev. His magnum opus “the Book of Words” helps to understand the national character, giving a valuable insight into the local mentality and deep nomadic wisdom. This literary work is available in German and other languages. Incidentally, the Kazakh-German writer and translator Herold Belger, professionally translated Abay’s “Book of Words” into German.

**What do you miss mostly about your hometown during your time abroad?**

The Mountains. Wherever I go I miss the mountain skyline of Almaty. Besides, I always find the low points and even the small hills in every city, be it Paris, New York, or Berlin.

**What are the appropriate and less appropriate topics for small talk in Kazakhstan?**

Thank you, that is a very interesting question. First, I would like to stress that Kazakhstan is a secular state. The usual topics are the weather, the economic situation in the country and in the world. Talking about the mountains is also popular in Almaty. During the first meetings with the clients, who have not been in Almaty that long, I usually open the blinds on the windows and show them the mountain scenery. As a guest, you will show yourself from a more sensitive side if you leave politics and religion aside as topics.





**Please finish the sentence “The people in Almaty are...”**

... like most Kazakhs in general, very hospitable, polite and educated. But if you ask Kazakhs outside Almaty, they will claim to locals for wasting their lives sitting in cafes instead of working.

**What places would you recommend to visit in Almaty?**

As the mountains are one of the country’s epic landmarks, I definitely recommend visiting Chimbulak ski resort and Medeo for winter skating. Big Almaty Lake would be a good option for a summer holiday. The city was founded in 1867, which is not very long ago, and most of the old buildings were destroyed by earthquakes in the late XIX and early XX centuries. However, there is a nice park in the centre of the city with the Russian Orthodox Cathedral built in 1904-1907, a survivor of the devastating earthquake of 1910-1911. As one of tallest wooden buildings in the world, this cathedral is a true masterpiece.

For architectural enthusiasts one can also visit the Central Mosque with its remarkable golden dome, the largest mosque in Almaty and one of the largest in the country. Another attraction is the “Green Bazar” where you can “experience the Orient”, simply by sampling the local specialties, you will be full for the day. Last but not least, the newly renovated Panfilov Street, a popular all-season pedestrian mile, is worth a visit.

**Which places do you recommend for exploring the “original” Kazakhstan outside the big cities?**

A new region has recently emerged in Kazakhstan, with Turkestan as its provincial centre; this city is now being given a lot of attention with preserved (or mostly rebuilt) architecture which will immerse you in the atmosphere of the Kazakh medieval times.

**Turkestan will immerse you in the atmosphere of Kazakh medieval times.**

Mausoleum of Khoja Ahmed Yasawi, Turkestan



Photos: IMAGO / Imagebroker

# Case study

# Reducing labor costs for a food production company

## Contact

Kirill Afanasyev, Partner, Almaty  
AfanasyevKV@schneider-group.com

## Client

An international food company asked us to reduce labor costs of processing primary documentation from contractors (over thousand documents monthly).

## Solutions

SCHNEIDER GROUP Kazakhstan supported the company in transfer data sets from Navision to 1C system. The automation our team had developed allowed us to reduce the document processing time from 7-10 days to several hours. Transformation or integration?

A system of checks and reports was implemented to avoid errors. We have also implemented a system for linking received electronic VAT invoices to receipts documents.

## Result

Thanks to the support of SCHNEIDER GROUP Kazakhstan the customer has successfully implemented the cost reducing process and continues his business activity in Kazakhstan.

# Case study

# Global pharmaceutical company

## Multi-country CIS project:

**Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan and Uzbekistan**

Project management through Key account manager in Kazakhstan (sole point of contact)

## Our services

- Legal and tax consultation in regards to re-structuring in all listed jurisdictions.
- Establishment of local legal entities, registration with tax authorities and funds, preparation of obligatory internal documentation and bank account openings.
- Full support throughout transfer of employees and assets (including equipment, company cars, etc.) from previously registered representative offices to limited liability companies. Consultation from legal, tax and financial perspectives.
- Commercial consultation and preparation of agreement structure (service and intercompany agreements).
- HR administration throughout set-up and ongoing operations.

## Contact

Kirill Afanasyev, Partner, Almaty

AfanasyevKV@schneider-group.com



# Featured Photographer Arnay Ormash

Arnay Ormash is a professional photographer, skater, Dj and artist from Almaty. He is part of the city's vibrant skater scene and follows his friends around with his camera: skateboarding in the streets of Almaty, snowboarding on Shymbulak or surfing on Kapchagay reservoir. Arnay also enjoys mountaineering and captures in his photographs the stunning beauty of Kazakhstan's mountains. In Astana, Arnay wanders the streets of the city with his camera, always looking for that special moment to capture. Ormash's photographs convey an authentic insider's view of life in Kazakhstan today.

follow on instagram

<https://www.instagram.com/arnay.pbc/>









## Boarding Almaty

The streets of Almaty are a giant concrete playground for the city's skateboarding scene. Staircases, ramps and railings serve as obstacles that have to be mastered as artfully as possible. At a surprise party Max Sin, a legend of skateboarding in Almaty is presented his first signature deck from local Wallride Skate co.

Shymbulak ski resort, 25 kilometers outside Almaty, has perfect conditions for skiing and snowboarding right at the city's doorstep.

Surfing in Kazakhstan? You may say: „there are no waves in Kazakhstan!“ No surprise for the worlds biggest landlocked country – no reason not to spend a good day surfing on Kapchagay reservoir – „... with a litte help from my friends...“









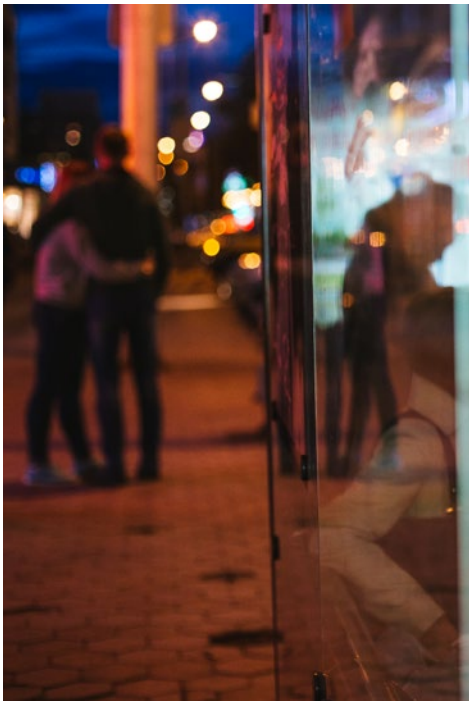


## Space travel

Soothing solitude, breathtaking vastness and the beauty of pristine landscapes like from a distant planet – when hiking with his friends, Arnay shares his love for the awe inspiring beauty of Kazakhstan's mountain scapes through his photographs.

left: Charyn Canyon  
middle: Tuyuk-Su alpine camp  
middle bottom: Titov lake  
right: Pamyat peak









## Astana streets

In the tradition of classic street photographers such as Garry Winogrand and Joel Meyerowitz, Aray Ormash captures urban life with a keen eye for special moments – like a movie still, freezing the hustle and bustle of everyday life for the blink of an eye.

# Case study

# Relocating a US-based global enterprise to Armenia

## Client:

A US-based global design and engineering company specialized in vehicle infotainment, telematics, connected car features, audio and visual products, enterprise automation solutions, services supporting the Internet of Things (IoT). With a workforce of approximately 30,000 employees across the Americas, Asia, and Europe, the company's products are featured in over 50 million cars on the road today.

## Solution:

SCHNEIDER GROUP Armenia accompanied the client through every stage of its relocation from Russia to Yerevan due to the political situation up to the final registration as a limited liability company. In the process, we took over the management of its day-to-day administrative, accounting, legal and HR routine, including i.a.:

- searching for office premises and their equipment
- relocation of foreign employees (hotels, connectivity, legalization, insurance, bank accounts etc.)
- payroll for more than 70 employees
- invoices, payment orders, bank transactions
- corporate statutory and tax reporting

## Results:

Thanks to our "One-Stop-Concept" of service-providing, the client could focus entirely on business development since the very first days of its presence in Armenia, while SCHNEIDER GROUP successfully accomplished the entire relocation process.

## Contact

Yeva Voskanyan, Director, Yerevan  
yerevan@schneider-group.com



You face ongoing difficulties in your Russian business activities?

**International sanctions impede your Russian business?**

You plan to transfer your Russian business to the local management?

**You need new import logistics chains to be developed?**

You need to switch from SAP to Russian 1S system?

# SCHNEIDER GROUP

## Legal and Tax Services

your choice for restructuring  
your business in Russia\*

- \* MBO
- \* Sale of business to third party
- \* Stepping in legal entity as minor shareholder
- \* Interim management services
- \* Maintaining dormant company
- \* Interim management services:
- \* Accounting outsourcing
- \* Outstaffing / Employer of Record

### Contact Thomas Mundry

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# Tax and legal news

# Belarus 2023

## #1 Taxation

### #1.1 Tax registration and tax-deregistration of foreign companies

From 01/01/2023, when registering a foreign company planning to perform works and (or) provide services on the territory of Belarus for a period exceeding 180 days, it is no longer required to file a tax certificate from the tax authority of the country where such foreign is located (Subclause 1.5 of Article 70 of the TCB). The tax authority is now obliged to notify a foreign company or a foreign individual entrepreneur about their tax registration, if the tax authority on its own has made the tax registration (clause 2, article 70 of the TCB). Foreign individual entrepreneurs are now subject to tax deregistration in Belarus in the same manner in which such a procedure is applied to foreign companies (clauses 4, 5 of article 70 of the TCB).

### #1.2 Tax accounting and reporting for electronic remote sale of goods and provision of services in electronic form

From 07/01/2022, the need for tax registration in Belarus of foreign companies and foreign individual entrepreneurs providing

services in electronic form, carrying out electronic remote sale of goods, has been established, if the turnover for the sale of such services, goods to Belarusian buyers exceeds an amount equivalent to 10,000 euros (without VAT).

From 2023 such foreign companies and entrepreneurs:

- are required to report information about the address in Belarus of the place and method of delivery of goods to the buyer for VAT purposes (clause 3, article 39 of the TCB).
- An obligation to submit VAT tax returns by non-residents providing services in electronic form, carrying out electronic remote sale of goods, before their tax deregistration has been eliminated, provided that such non-residents filed a notice of termination of activities in the territory of Belarus (paragraph 3, part 3, paragraph 2, art. 40 of the TCB).

### #1.3 Transfer Pricing

From 01.01.2023 certain Tax Code provisions on transfer pricing control (hereinafter referred to as “TP”) have been adjusted:

- Changes in the list of controlled transactions - from 2023, transactions concluded by Belarusian companies with payment system operators involving VISA, MasterCard, American Express bank payment cards registered in off-shore zones are no longer subject to TP control;
- Sources of information for comparing the terms of transactions, if the analyzed party to the transaction is a foreign company - when forming a range of market profitability indicators for comparing profitability indicators of the analyzed party to the transaction - a foreign organization it is now allowed to use accounting or financial data of Belarusian companies (in the absence of such information - data from companies registered in the EAEU) and there is no available information on profitability determined on the basis on foreign companies reporting (clause 1, article 90 of the TCB).
- Changing the deadline for submitting TP documentation - the tax authority will be able to request documentation on transactions performed in 2023, no earlier than 08/01/2024
- Penalty interest will not be charged when adjusting CIT base for tax periods 2023 and 2024 underestimated due to transfer pricing, if the company pays the CIT amount no later than 5 days from the date of filing of adjusted CIT return.

### #1.4 Submission of accounting policy to the tax authority

From 2023, newly created Belarusian companies, as well as foreign companies that, on the basis of an agreement, perform work and (or) provide services on the territory of Belarus for a

period exceeding 180 days, are required to submit an accounting policy for the current tax period to the relevant tax authority, not later than 20 business days from the date of their state registration - for Belarusian companies or from the date of tax registration - for foreign companies (part 1 sub clause 1.4.2 clause 1 article 22 of the TCB).

### #1.5 Corporate Income Tax

Basic changes affected the following matters:

- Base tax rate increased from 18% to 20%
- Accounting for exchange rate differences – these are now represent tax deductible costs for CIT purposes;
- Provision for vacation pay - the amount of provision is now treated as tax-deductible costs for CIT purposes in part attributable to the expenses for those vacations that are tax deductible and provided that the provision is formed in accounting in the manner established by the legislation or the accounting policy of a company (sub clause 2.8. Article 170 of the TCB);
- Premiums, bonuses and remuneration to buyers - from 2023, such amounts are considered tax deductible, subject to certain conditions which buyers shall fulfill (sub clause 2.12, article 170 of the TCB);
- Tax Loss carry forward – the period for tax loss carry forward has been reduced from 10 to 5 years. Losses incurred preceding 2022 can be carried forward for next 10 years, and losses incurred in 2022 and subsequent years - for 5 years only.

### #1.6 VAT

From January 01, 2023:

- When acquiring objects from foreign individual entrepreneurs who are not registered with the tax authorities of Belarus, companies and individual entrepreneurs that purchase such objects from foreign individual entrepreneurs (and not only from foreign companies) must calculate VAT from now on;
- Electronic VAT invoice – (i) an obligation for relevant companies and individual entrepreneurs to create an e-VAT invoice when acquiring objects in the territory of Belarus from foreign individual entrepreneurs has been established, (ii) appropriate buyers are also required to create e-VAT invoice on purchase of goods in electronic distance selling from foreign companies and individual entrepreneurs registered in Belarus;
- Changes and clarifications in terms of VAT calculation procedure on the provision of services in electronic form and the implementation of electronic remote sale of goods by foreign companies and individual entrepreneurs have been introduced.

## #1.7 Withholding Tax

Basic changes affected the following matters:

- The tax rate on dividend and other related income accrued (paid) to foreign companies from has been increased from 12% to 15%;
- The 12% tax rate is applied only on income from sales of participation interest (shares or part thereof) in the charter capital of local BY companies, including income arising from shareholder's exit from the mentioned companies (sub clause 1.11.4 article 189 of the TCB).
- Beneficial owner of income - if a foreign company (recipient of income) is not the actual owner of income, and provides information about another foreign company (which is beneficial owner of income), tax benefit on respective income can be applied under Double Tax Treaty with a foreign state in which the beneficial owner of income has a permanent seat.

## #2 Economic insolvency

From 01.10.2023, a new Law «On Insolvency Settlement» has come into force, which significantly changed the regulation of economic insolvency and bankruptcy, namely:

- Bankruptcy proceedings, rehabilitation and liquidation proceedings were separated into distinct procedures;
- New conditions for the commencement of insolvency and bankruptcy proceedings have been established;
- The deadline and grounds on which the debtor is obliged to file for bankruptcy have been changed;
- The creditor has been granted the right to file for bankruptcy of a debtor without providing documentary information about the debtors insolvency;
- A new procedure for bringing to subsidiary liability has been established – only within the framework of bankruptcy case.

## #3 External labor migration – work permits

From 01.10.2023, the Belarus Law «On External Labor Migration» has been amended significantly:

- BY companies (employers) are no longer required to obtain a work permits for foreigners. Previously issued work permits will cease to be valid from 01.07.2023;
- The list of foreign nationals who are not covered by the Law «On external Labor Migration» was expanded to include among others, expatriates seconded for up to 2 months to Representative Offices in Belarus, students, etc.

## #4 Land law

A new edition of the Land Code of the Republic of Belarus has been put in effect since 01.01.2023. Key highlights:

- Significantly expanded the rights of foreigners to acquire land plots in private ownership and lifetime inheritable possession. From now on, land plots may be owned by foreigners in the case of inheritance of a land plot, inheritance of buildings located on a land plot, including unfinished ones, as well as in the case of acquisition based on a civil transaction of shares in ownership of buildings located on a land plot.

## #5 External Management

New Law « On issues of transfer under temporary external management» (hereinafter – the Law) dated 03.01.2023 N 239-3 has come into force since 17.01. 2023.

Key Highlights:

- From 01/17/2023 to 12/31/2025, commercial companies owned by foreigners from the list of the so-called unfriendly states, may be transferred under temporary external management. The decision on such a transfer will be made by the regional and Minsk City Executive Committees;

Transfer under temporary external management is possible if:

- the management of a legal entity is actually terminated;
- the management bodies of a legal entity carry out economically unjustified actions that may lead to actual termination of its activities, liquidation and (or) bankruptcy, or causing damage to a legal entity;
- In other cases determined by the Government.



# Russia 2023

## #1

### **The Pension Fund and Social Insurance Fund merge into the Russian Social Fund**

Federal Law No. 236-FZ "About Fund of Pension and Social Insurance of the Russian Federation" of 14 July 2022 and other related laws came into force on 1 January 2023.

From 1 January 2023, the Pension Fund and the Social Insurance Fund merge into the Social Fund of Russia, which will administer the social contributions for pensions, social insurance and compulsory health insurance, previously administered by three different funds.

Social contributions will be calculated from a single social contributions base which for 2023 is RUB 1,917,000. Employers (acting as insurers with respect to their employees) are now required to pay social contributions as part of the single payment at a rate of 30% for all payments not exceeding this social contributions base, and at a rate of 15.1% for all payments in excess thereof.

This new flat rate of 30% is equal to the previously applicable rates (22% for pensions + 5.1% for compulsory health insurance + 2.9% for compulsory social insurance). Until now, social contributions were calculated and paid as three different types, which caused considerable difficulties for companies

and individual entrepreneurs. The calculation of social contributions must be submitted by each insurer until the 25th day of the month following each reporting period (previously – until the 30th day). Insurers must also submit personalized information for each employee (including personal data and the amount of social contributions until the 25th day of each month for the previous month).

Social contributions will be distributed by the new Russian Social Fund among insurance types as follows: 72.8% for pension insurance, 18.3% for health insurance, and 8.9% for compulsory social insurance.

Another important change is that social contributions also became compulsory for foreigners and stateless persons temporary staying and working in Russia (except for highly qualified specialists), whose income was not subject to social contributions until 2023.

## #2

### **Unified Tax Payment**

Federal Law No. 263-FZ of 14 July 2022, amending the Tax Code came into force 1 January 2023.

The Unified Tax Payment (UTP) is a new simplified way of paying taxes and other compulsory payments. This system allows almost all taxes and social contributions to be covered by one single payment to a special unified tax account (UTA) of the tax payer. This will greatly simplify payments and reporting procedures and help avoid overpayments and arrears in mandatory payments. Before this system was introduced, each tax payer had to pay and report each tax / compulsory payment separately (e.g., CIT, property tax, land tax).

The amounts paid to the UTA will then be allocated by the tax authority according to the taxpayer's accrual data: the tax with the earlier due date will be 'closed' first, then the accruals with the current due date and lastly penalties, interest and fines. If the tax due dates are the same, the sums of money will be allocated to the different taxes in proportion to the amounts owed.

Accruals by type of tax are accounted for in the UTA, as before, on the basis of declarations, calculations and notifications of accrued amounts. At the same time, the procedure for calculating taxes and the composition of reporting remains unchanged. The amendments to the tax legislation also provide for a new unified payment deadline: the 28th day of each month for the previous month. Tax reports must be submitted by the 25th day of the month following the reporting period.

The new payment procedure also allows the concepts of "taxes paid in excess" and "taxes collected in excess" to be removed from the Tax Code. Now, overpaid tax amounts will be considered a surplus in the UTA and will be offset against taxes paid in the future. The taxpayer can also initiate a refund of such surpluses to their bank account at any time.

## #3

### Golden Residence Permits

Government Decree No. 2573 of 31 December 2022, approving special criteria for foreign investors to obtain Russian residence permits, came into force on 11 January 2023.

Foreign citizens can now obtain residence permits in Russia, if they meet one of the following conditions:

- Investment of at least RUB 15 million in socially important projects in the Russian regions over last three years;
- Investment of at least RUB 30 million in a Russian legal entity doing business in Russia over last three years;
- Establishment of a Russian legal entity as the sole shareholder, provided that such legal entity has been doing business in Russia for the last two years and has paid taxes and social contributions of at least RUB 4 million per year;
- Purchase of any type of real estate in the Russian Federation during the construction phase or within two years after commissioning and ownership of such real estate for at least one year, provided that the real estate is free from encumbrances, such as mortgages. The aggregate cadastral value of real estate owned by a foreigner must be at least RUB 50 million in Moscow, RUB 20 million in the Far Eastern Federal District, and at least RUB 25 million in other regions.

The simplified residence permit procedure also applies to family members of the foreign citizen who meets the above criteria.

## #4

### Extension of anti-crisis measures for companies in 2023

Government Decree No. 1743 of 1 October 2022 came into force on 3 October 2022 and Government Decree No. 2516 of 29 December 2022 came into force on December 30, 2022.

The Russian Government has decided to extend for 2023 most of the corporate anti-crisis measures, which were introduced back in the days of COVID. In particular, general meetings in JSCs and LLCs can be held in absentia. Measures are also envisaged to extend the powers of a JSC's board of directors in a simplified procedure.

Another preferential measure exempts Russian companies from scheduled inspections and controls by supervisory authorities (does not apply to tax and some other types of inspections). This rule does not apply to particularly hazardous and high-risk controls and companies operating particularly hazardous production facilities. In addition, special inspections may be carried out in 2023 in a limited number of cases.

## #5

### Currency control violations: moratorium on liability extended to 2023

Federal Law No. 518-FZ amending the Code on Administrative Offences came into force on 19 December 2022.

The moratorium on liability for certain currency control violations introduced in 2022 was extended to 2023. It applies to violations that were caused by the application of sanctions against Russian citizens or legal entities by "unfriendly" countries, and includes such violations as failure to return foreign currency paid for non-delivered goods or services or loan provided to non-resident, failure to carry out transactions, and conducting illegal currency transactions.

Under the new law, the moratorium on liability also applies to currency control violations if the amount of currency not returned exceeds RUB 100 million per contract or per year, which the moratorium did not previously apply to. In addition, administrative proceedings in previously initiated cases must be terminated for those violations now covered by the moratorium.

## #6

### Cash payments under foreign trade contracts

Government Decree "On rules of cash settlements between residents and non-residents" No. 2433 of 26 December 2022 came into force on 27 December 2022.

Russian currency residents are now allowed to receive cash payments in any currency from currency non-residents under foreign trade contracts and loan agreements in the following cases:

- Payments for goods and services under foreign trade contracts;
- Return of advance payments for undelivered goods or services under foreign trade contracts;
- Loan repayments by foreign debtors to Russian currency residents.

Previously, all currency operations had to be conducted through bank accounts with authorized Russian banks and, in some cases, through electronic money or bank accounts with foreign banks. However, from 8 August 2022, the obligation to use bank accounts with authorized Russian banks was suspended. Cash can be used by currency residents for payments to non-residents under foreign trade contracts. In this case the recipients of the cash do not need to credit the cash to their bank accounts. If cash amounts are not used for payments abroad and are not credited to the resident's foreign bank accounts, the money can be brought into Russia and sold to an authorised bank in Russia, credited to the resident's foreign currency account or deposited in its cash register.

# Kazakhstan 2023

## #1

### Corporate income tax

- Intangible intercompany services are limited for corporate income tax deduction at 3% of a taxpayer's taxable income.

## #2

### Added turnovers exempted from VAT in respect of:

- precious metals to the subjects of the production of jewelry and other products operating in the Republic of Kazakhstan;
- household appliances and (or) appliances of household electronics, as well as their components;
- vehicles and (or) agricultural equipment, household appliances and (or) appliances of household electronics.
- A legal entity in respect of turnovers from sale of goods, commercial fishing, the production of yeast, the production of chocolate, sugar confectionery, cookies and flour confectionery of long-term storage, if a taxpayer concludes an agreement as determined by the authorized body in the field of development of the agricultural complex, is eligible for an additional amount of VAT offset.

## #3

### WHT

- "Participation exemption rule" in respect of dividends does not any more provide an exemption from taxation of dividends paid, instead it provides a reduced tax rate at 10%.

## #4

### Single payment

- Introduction of single payment for small and micro business in relation of salary fund.

## #5

### Stimulation of business development in Kazakhstan

- the list of activities limiting the implementation of investment projects under the investment contract as well as reviewing conditions for the conclusion of a contract on investment obligations with a legal entity, has been expanded. One of the main change is a decrease in the previously determined volume of investments from 150 mln MCI to 75 mln MCI of a legal entity;
- fiscal incentives were introduced in respect of complex oil and gas projects (sea, complex on land and gas projects) in terms of an improved model contract;
- introduced an exemption for 5 years from paying for the primary registration of saddle tractors, with a year of release up to 7 years, within an international road transportation of goods.

# Uzbekistan 2023

## #1 VAT

From January 1, 2023, the VAT rate is reduced from 15% to 12%.

## #2 Tax Rates

From January 1, 2023, excise tax rates for the import of alcohol and tobacco products are reduced by 5%.

## #3 Income tax

From November 1, 2022, profits from the sale of goods (services) for export are subject to taxation at a tax rate of 0%, regardless of the share of export income in total income. At the same time, a tax rate of 0% is not applied on profits received from the provision of services to non-residents of the Republic of Uzbekistan operating in the Republic of Uzbekistan through permanent establishments from January 1, 2023.

## #4 Turnover tax

Turnover tax rates are unified, with the introduction of a single rate of 4% for all categories of taxpayers. From 2023, turnover tax payers have the right to voluntarily choose to pay tax in a fixed amount. Newly established entities have the right to choose to pay tax in a fixed amount upon state registration.

## #5

### Shoe manufacturers will be exempt from income tax

Taxpayers engaged in the procurement, storage and processing of leather, fur raw materials and wool, automated slaughter of livestock, the production of wool products, astrakhan and artificial leather, leather goods, shoes, are exempt from income tax for this activity, sales tax and property tax until January 1, 2026,

## #6

### Additional benefits for Karakalpakstan region

For business entities located in all districts of Karakalpakstan:

- income tax, turnover tax, property tax and land tax for legal entities is reduced by 50%
- social tax is set at 1% until January 1, 2028

## #7

### Electric vehicle charging stations are exempt from taxes and customs duties

Until January 1, 2026, they are exempt from:

- land tax for legal entities
- income tax
- VAT on income from the provision of vehicle charging services;
- customs duty – electric vehicle charging stations, their components and service infrastructure equipment imported from abroad.

## #8

### Starting an experiment on the return of VAT to foreign tourists

Partial VAT refund ("tax free") mechanism will be introduced on an experimental basis when purchasing certain goods from retailers from January 1, 2023. For a refund, it is necessary that the amount of purchases is at least 1 million Uzbek soums (including VAT). You can apply for a return within 3 months from the date of purchase.





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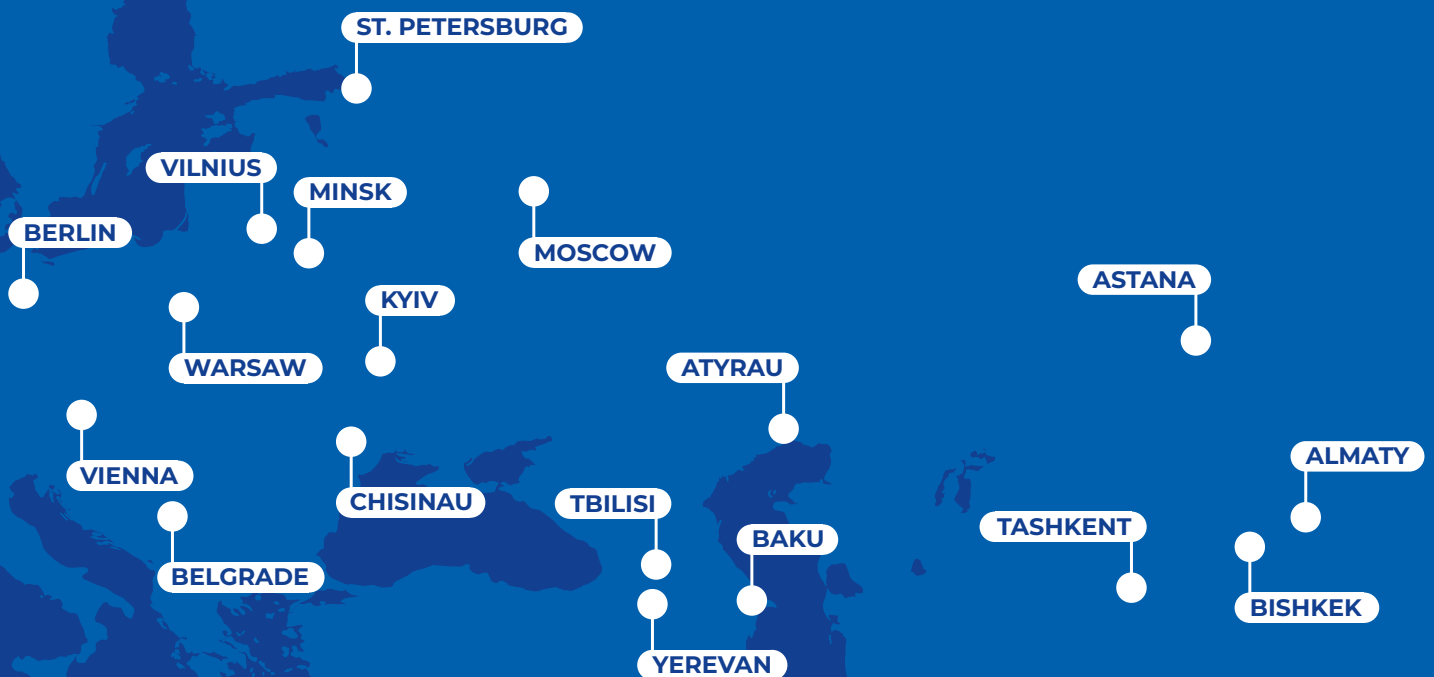


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with professional  
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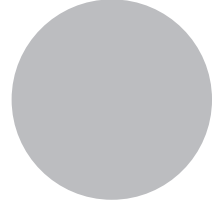
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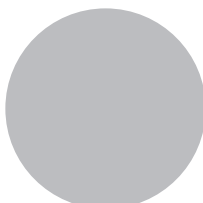
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# east



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