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Almaty Blooms as Oasis of Luxury on Silk Road

By Lena Smirnova

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Boutiques have opened in the Esentai Mall to attract wealthy customers. **Lena Smirnova**

ALMATY, Kazakhstan – A Friday-night traffic jam consisting of bumper-to-bumper German luxury cars and only one scratched-up Lada — with a hood that didn't fully close — exemplifies the startling economic growth of this former Silk Road stopping point.

While the Lada kept driving, many of the expensive vehicles were turning into the parking lot of Almaty's first luxury mall, whose grand-opening celebration was a glittery affirmation of growing opulence in the oil-rich state.

Where wealthy locals previously trudged through the city's low-comfort airport to head for fashion boutiques in Russia, Europe and the United Arab Emirates, now they can go across town to the Esentai Mall, which opened last month and promises to help make the city a high-end retail mecca for all of Central Asia.

And since such posh guests had waited so long for the chance to spend big locally, it was only fitting to begin the opening ceremony with an apology.

"We were hoping to be with you earlier. We're sorry we're late," said Turkish-born Burak Oymen,

of Capital Partners, which developed the Esentai Park complex. Oymen started the company with a partner, Kazakh mogul Serzhan Zhumashov.

Construction on the 52,000-square-meter mall started in 2006, but the 2008 global economic downturn put the project on hold, and work resumed only in early 2011.

Capital Partners invested $450 million to build the mall, which is a mixed-use complex and includes a five-star hotel, office towers and high-end apartments selling for $6,000 per square meter.

Oymen expects the retail center, which has both luxury and mass-market brands, to draw 10 million to 12 million people in the first year. His overall confidence is high.

"We're not limited to Kazakhstan," Oymen said. "We work in other markets. We work globally, but we continue to come back and invest here on a large scale because it makes commercial sense."

Jackpot on the Silk Road

The Esentai Mall is not the only luxurious element of Almaty. The former capital is a so-called "presidential town," where top politicians make use of a palace and ordinary visitors can book a room in a hotel topped with a giant golden crown. On the city's outskirts, the fitness club Luxor offers its members access to an ice rink, spa complex, VIP areas and indoor and outdoor pools. HSBC provides wealth-management services to international businessmen, while the Intercontinental and soon-to-be opened Ritz-Carlton hotels promise a comfortable overnight stay.

Most of the designer luxury brands in Esentai are making their first Central Asian appearance. The elite roster includes Gucci, Ralph Lauren, Dolce and Gabbana, Giorgio Armani, Stella McCartney, Lanvin and Saks Fifth Avenue, which boasts a children's designer section.

These are not the first boutiques to open in Kazakhstan. Like any fashion-conscious city, Almaty has a shopping road whose windows display Swarovski, Rolex and Carolina Herrera merchandise. The difference this time is that the brands are opening their own boutiques instead of working through franchises, Oymen said.

Austrian jeweler FreyWille worked with Kazakh customers through a local distributor for more than seven years before opening its own outlet in the mall. The company is also looking into opportunities in Astana, the city 1,000-plus kilometers to the north that became the nation's political capital in 1997.

"We see great passion of the [local] audience toward beauty, fashion, luxury, art. Our clients understand what they want," said Olga Kuzmina, international area manager for FreyWille.

Newcomers to the Kazakh retail market share this enthusiasm.

"We have had very good success already with Kazakh customers purchasing in our stores all over the world, and thus, looking to the development of the city of Almaty, we felt it was time to enter directly in the market," said Eduard Faure, general manager of Louis Vuitton in Eastern Europe.

Faure added that Kazakhstan appealed to the brand because it is a "country of genuine nomadism," which matches up well to Louis Vuitton's passion for travel.

Most of the luxury brands represented at Esentai Mall have stores in Moscow and sometimes in the Russian regions, but Saks Fifth Avenue skipped this step. Its three-floor outlet at Esentai is its only facility in the former Soviet Union.

"Kazakhstan, with its rapidly expanding affluent population, is a great fit for Saks Fifth Avenue," said company spokeswoman Julia Bentley. "Saks is able to provide an unparalleled offering of luxury goods in the new location."

Regional Appeal

The country's population of 16 million includes an economic elite that is small compared with Russia's but significant by the region's standards. The country has five billionaires and 12,000 millionaires, of whom 140 are worth at least $30 million each.

Luxury-goods suppliers are looking beyond the country's borders to target wealthy customers farther along the Silk Road and beyond.

The historical silk route that linked trade points across the Afro-Eurasian landmass runs through Almaty and is nicknamed the Tashkent Road. It connects the city to the capitals of Kyrgyzstan and Uzbekistan.

Though Almaty is also only a three-hour flight from northern India and western China and four hours from Moscow, there is no intention to lure these foreign customers into Central Asia, but Esentai Mall can serve as a complete shopping destination for locals, Oymen said.

Stereotypes and Surprises

Until 2006, most of the world knew Kazakhstan as the home of the Soviet Union's Baikonur Cosmodrome, but the Hollywood film "Borat" brought an unwelcome infamy to the former republic.

"I know how kind Kazakhs are and how young of a society this is, how young of an independent state this is," Oymen said. "I wish they'd chosen a target other than Kazakhstan, and I wish they'd chosen a name other than Borat, because it's so close to my name."

Despite the unwelcome media coverage, the country is now getting recognition as a financial center of Central Asia and outpacing Russia in terms of business-climate ratings.

According to the World Bank's Doing Business ranking, Kazakhstan came in 49th out of 185

countries in 2013, up seven spots from 2012. The country jumped 30 spots in terms of climate for starting a business, to 25th place, and got its best scores in the categories of protecting investors and taxation policy, at 10th and 17th places, respectively.

In comparison, Russia was 112th in the overall rankings. It came in 117th in terms of protecting investors and 64th in taxation.

Political stability has helped private investors get their foot in the door. The country's first and only president, Nursultan Nazarbayev, who tends to put economic growth ahead of political reform, has led Kazakhstan for more than 20 years, introducing free-market reforms and increasing oil exports.

In the 19 years since the breakup of the Soviet Union, Kazakhstan has attracted $122.2 billion in foreign investment, though most of this was in the oil-and-gas sector, according to the U.S. Department of State.

As in Russia, the oil wealth is not spread equally, but ordinary Kazakhs are also getting some of the share. Kazakhstan's GDP per capita has doubled since 2006 and came in at $11,245 in 2011, according to the World Bank. Russia is slightly higher, at $13,089 GDP per capita for the same year.

This success and stability leads to a sense of patriotism, even from foreign investors.

"I'm a fan of Kazakhstan, and I think that Kazakhstan is the most promising country among the CIS countries," Oymen said. "I think so because of the economic fundamentals. I think so because of the nature of the people here."

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