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## **Dynamics and structure of foreign direct investment in CIS countries**

### **Abstract**

*Object:* The purpose of the study is to assess the impact of investments on the development of economic cooperation between the CIS countries and, based on this, to develop recommendations aimed at attracting foreign investment for the development of mutual cooperation between the economies of the participating countries.

*Methods:* The following methods were also used in the course of the work: scientific abstraction, system and structural analysis, logical generalization, as well as economic and statistical analysis. The study also used grouping and classification, expert assessment and detailed methods.

*Findings:* Thus, to date, the institution determining trade and economic relations between the CIS countries is the EAEU, which, according to Bella Balassa's theory, is at the fourth stage (economic union), which is characterized by the fact that member states must agree to coordinate macroeconomic policy across the entire zone, which is not always easy to implement, as experience has shown The European Union.

*Conclusions:* Thus, the investment market has two levels, both within the EAEU and with foreign countries, especially with China and other countries of the Middle East at the present stage. To increase the attractiveness of foreign direct investment, the authors recommend that the EAEU countries take the following measures. Develop an investment policy for non-resource sectors of the economy; take measures aimed at training qualified labor; increase public investment, in particular in socio-economic infrastructure, etc.

*Keywords:* foreign direct investment, CIS, EAEU, economy, Russia, Kazakhstan, Central Asia.

### **Introduction**

Foreign direct investment (FDI) is one of the most important mechanisms for ensuring the success of economic development and cooperation of States. The global processes of world integration, the development of regional associations and individual countries are determined by the density of international economic ties, in particular, the increase in mutual foreign direct investment. Foreign direct investment contributes to the introduction of advanced technologies and the implementation of projects. Opportunities to improve and attract foreign direct investment require a comprehensive approach to research, since they are constantly developing and are an integral part of international economic relations (UNCTAD, 2022).

Thus, the relevance of the scientific work is due to the importance of studying the foreign direct investment market for the development of the modern economy of Kazakhstan and the CIS countries, as well as the development of recommendations aimed at attracting foreign direct investment for the further development of the economy of Kazakhstan.

The purpose of the study is to assess the impact of investments on the development of economic cooperation between the CIS countries and, based on this, to develop recommendations aimed at attracting foreign investment for the development of mutual cooperation between the economies of the participating countries. To achieve the set goal of the study, it is necessary to solve a set of interrelated tasks:

- to study the institutional mechanisms of regional cooperation of the CIS countries;
- to study new forms and methods of economic cooperation of the Union countries;
- to make an analysis of foreign direct investment in the CIS countries;
- to develop practical measures aimed at attracting foreign direct investment to the CIS countries, contributing to the deepening of their economic cooperation.

The novelty of the study lies in the fact that this issue has not been sufficiently studied within the new realities of economic relations, including the role and place of Kazakhstan in the investment climate of regional associations.

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The hypotheses of the study are formed as follows:

Hypothesis 1: integration economic associations affect the foreign direct investment market of the countries of the region.

Hypothesis 2: integration economic associations do not affect the foreign direct investment market of the countries of the region.

### ***Literature Review***

There is not a single model in the economic literature that reveals the reasons for investing in international finance. The theories developed over the past twenty years confirm that foreign direct investment plays a direct positive role in the development of the national economy and, consequently, in economic cooperation between the countries of various integration associations.

D. McDougall (1958) was one of the first to investigate the benefits and costs of the process of direct international investment. According to the theory of foreign direct investment, capital moves freely from the country of investment to the recipient country, then with perfect competition, the marginal indicators of capital movement between the two states will be the same. After investing, the productivity of the investor country decreases without reducing its national income. This is due to the fact that the country of investors has been receiving high profits from the sale of foreign direct investment for a long time.

According to the theory of internationalization, P. Buckley and M. Casson (1976), parent companies invest through their subsidiaries, which allow them to manage risks and maintain control over the market. The theory of internationalization and foreign direct investment is based on three postulates:

- Enterprises maximize their profits in an imperfect market; when foreign markets are imperfect, enterprises have an incentive to avoid them by creating domestic markets that can reduce costs through integration, capacity savings and price shifting;
- Internationalization of markets around the world leads to the creation and development of multinational corporations (TNCs).

K. Kojima (1970) put forward his theory of private capital, according to which there is a causal relationship between foreign direct investment and foreign trade. According to this model, international trade and foreign direct investment are the driving force of economic growth in developing countries. The Japanese researcher noted that the main reasons for the export of TNC investments are economic resources, labor and the market.

R. Aliber's (1970) theory of foreign direct investment is based on monetary stability (the theory of monetary bonuses), in which weak currencies are the most attractive for investment compared to the hard currencies of investment countries due to the possibility of receiving bonuses in the form of monetary differences. The author's empirical data on the economies of the United States, Great Britain and Canada confirm the hypothesis that the difference in exchange rates benefits premiums. This theory has made a significant contribution to economics, but does not comment on the cross-border movement of capital in developing countries, where there are equal national currencies.

In 1993, D. Dunning's (1993) scientific theory was called the OLI paradigm. According to the scientist, if three conditions were met, the company would make long-term investments:

- the company must have special property advantages in comparison with other companies in the market (special advantages for Partnership-O);
- the host country has location advantages (advantages of a certain location, (L));
- Internationalization is more effective than using market mechanisms to provide these advantages to foreign companies (domestic advantages, (I)).

An important aspect of the theory is the synthesis of some previous theories. Dunning has made a significant contribution to the development of the economic literature on foreign direct investment, as this OLI model has identified several factors affecting the activities of international companies. Based on this theory, the position of transnational corporations depends not only on the economic situation, but also on the political and social environment of the host country. Therefore, the theory of the "eclectic paradigm" has become the most popular in economics.

Based on the analysis of foreign direct investment theories, it was found that countries or private organizations invest abroad in order to make a profit in the form of reducing production costs and geographical location.

State policy plays a key role in the country's economy in attracting foreign direct investment from foreign companies. The study of the theories of international capital movement makes it possible to make sure

that foreign direct investment has a positive impact on the development of economic cooperation between recipient countries and contributes to the development of foreign trade.

Foreign direct investment will allow us to obtain new technologies and ensure long-term economic development. Foreign studies show that foreign direct investment has a positive impact on the economy of the host country. Moreover, the long-term inflow of private capital not only increases the export potential of the host country, but also creates new jobs.

### **Methods**

The object of the study is international economic relations, including FDI in the CIS region. The subject of the study is the study of the influence of regional economic structures on the dynamics of FDI in the CIS region.

The methodological basis of the research is based on systematic, historical and comparative approaches. The following methods were also used in the course of the work: scientific abstraction, system and structural analysis, logical generalization, as well as economic and statistical analysis. The study also used grouping and classification, expert assessment and detailed methods.

The information base for writing the work is regulatory documents, monographs, publications of the relevant authorities of the CIS countries, foreign resources and official statistics of organizations such as the United Nations Conference on Trade and Development (UNCTAD, 2022), the Eurasian Development Bank (Vinokurov et al., 2022), the World Bank Group (2022) and others.

### **Results**

In the framework of this study, first of all, we will study the institutional mechanisms of economic cooperation of the CIS countries, namely, the history of their formation and the current state.

After the gradual collapse of the Soviet Union (USSR) in 1991, several of the fifteen successor States, and primarily Russia, did not cease to desire the construction of a new economically integrated association. The collapse of the Soviet Union created an economic and social shock of unprecedented force, which led to the instant fragmentation of the production chain and the collapse of the centralized planning system. Faced with this situation, the first reflexes of the newly independent States were protectionist, each of which seized resources located on its territory, which led to a complete paralysis of interstate trade.

As a result, on December 8, 1991, that is, before the official collapse of the USSR (Mikhail Gorbachev's resignation on December 25, 1991), the leaders of Russia, Belarus and Ukraine proclaimed the birth of the Commonwealth of Independent States (CIS). The purpose of which was to reorganize their relationship to limit the shock wave of separation.

For other Soviet Socialist Republics, 1991 marks the beginning of various processes of economic integration in the post-Soviet space, which are still being formed to this day. But in a globalized world where size matters, the choice of subjects who have not received "critical weight" to maintain independence at any cost is becoming more and more difficult every day. That is why, since the 1990s, States have concluded many agreements on trade and regional integration. In order to influence the emerging new globalization, the former Soviet space does not go beyond this rule.

Further, on December 21, 1991, at the summit in Alma-Ata (Kazakhstan), the CIS expanded at the expense of other former Soviet republics, with the exception of the Baltic States and Georgia, which was rejuvenated in the midst of the civil war (subsequent accession on December 3, 1993). At this summit, on December 21, 1991, two CIS executive bodies were created: Council of Heads of State and Council of Heads of Government. Since 1992, the CIS has been transformed into a free trade zone (Baker, 2018).

At the economic level, the new zone was plunged into chaos. The production apparatus, already greatly disorganized by the rupture of trade ties, was experiencing a second strong shock with the opening of new states to international trade. The massive influx of Western goods confirms the unattractiveness of local goods. Only raw materials and energy carriers are competitive on world markets which led to the closure of entire industries of the former Soviet Union and, as a result, mass deindustrialization. In the period from 1991 to 1995, the CIS GDP fell by more than 50% on average. During the same period, inflation rose sharply and quickly turned into hyperinflation: more than 2,400% in Russia in 1992, more than 4,700% in Ukraine in 1993. In the period from 1991 to 1995, in this situation of maximum uncertainty, the trade turnover within the CIS collapsed by 80%. Since 1995, in order to revive bilateral trade, a customs union was established between Russia and Belarus, which Kazakhstan soon joined within a year.

During 1996, this customs union was transformed into a Community of Integrated States and expanded at the expense of Uzbekistan, Tajikistan and Kyrgyzstan. However, at the institutional level, it remained largely ineffective, and trade within the zone remained very weak.

One of the ways to understand the decrease in the inefficiency of the CIS is to compare the number of signed documents with the number that has entered into force. Thus, in the period from 1991 to 2001, out of 173 signed agreements and contracts, only 8 entered into force on the entire territory of the zone, or 4.6%. This shows that most States were not ready to embark on the path of multilateralism and the creation of a real free trade zone. Since 1992, bilateral, trilateral and even quadrilateral agreements have become the norm, especially at the military level. Russia would like to keep the single currency and armed forces within the CIS, as well as Kazakhstan, where a significant Russian minority lives (37% of the population in 1992 and 18.8% in 2020), but also Kyrgyzstan and Tajikistan, small republics located on the outskirts of Central Asia (Casella, 2019).

Indeed, most of the former Soviet States viewed the CIS primarily as an instrument of peaceful secession from the former Union and, consequently, as a transitional organization. This explains their unwillingness or refusal to conclude or ratify, without significant amendments, any agreement that would limit their newly acquired sovereignty.

In early 2005, Turkmenistan announced its readiness to refuse to participate in the organization, and in August decided to become an associated state. This event marks the beginning of the fragmentation of the CIS. Indeed, in early August 2008, Russia's intervention in South Ossetia after Georgia's "attack" on this pro-independence region gave Tbilisi a reason to question its participation in the CIS. On August 14, 2008, the Georgian parliament voted to withdraw from the post-Soviet organization. Finally, on March 19, 2014 the unrecognized annexation of Crimea to Russia entails secession from Ukraine, which will terminate all relations with the CIS on May 19, 2018. Thus, by 2023, only nine full member states and one associated state will remain in the CIS.

Given the low economic efficiency of the CIS, there was a need to create a new economic institute of the CIS countries. Thus, at the summit in Astana, the capital of Kazakhstan, on October 10, 2000, the Eurasian Economic Community, better known by its English abbreviation EAEU, was created. The founding members are Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan. From the very beginning, relying on the European process, the EAEU set ambitious goals for itself. First of all, it is aimed at reviving the integration process in the CIS. It also seeks to create a single customs tariff (customs union) and ensure the freedom of capital movement. At the same time, it is necessary to harmonize national legislation in order to facilitate the access of foreign investments to the zone's market. The creation of common markets for transport services and energy is also being considered. In addition, it was also planned to provide citizens of the Community with equal rights in terms of access to education and health care. Finally, it was necessary to create a unified legal space of the EURASEC as soon as possible, which is equivalent to the creation of an international organization independent of the CIS, which has always remained an intergovernmental organization.

From the point of view of the institutions, the EurAsEC has a Eurasian Development Bank, the purpose of which is to invest in projects of regional importance. And the anti-crisis fund, mainly financed by Russia, is supported by the Bank. In 2010, he made it possible to provide Belarus with a loan and help it overcome a serious financial crisis. However, during the first ten years of its existence, integration within the EURASEC remained mainly theoretical. Since 2010–2011, Russia, Belarus and Kazakhstan have decided to create a real customs union. Ukraine, Armenia, Moldova, Kyrgyzstan and Tajikistan are invited to participate in the new Union.

During 2012, Russia, Belarus and Kazakhstan decided to deepen their union by creating a Common Economic Space that allows goods, services, capital and labor to move freely. On May 29, 2014, in Astana, the Presidents of Russia, Belarus and Kazakhstan signed an agreement on the establishment of the Eurasian Economic Union (EAEU), the purpose of which is the further integration of its three members, starting with the Customs Union. These agreements jeopardize further cooperation within the framework of the EURASEC. Faced with this fact, on October 10, 2014, at the summit in Minsk, the Member States officially terminated its existence, which entered into force on January 1, 2015 (Garcia-Bernardo et al., 2022).

Since January 1, 2015, the new Russia-Belarus-Kazakhstan Union (EAEU-3) is designed to promote closer integration between the three countries. Armenia joins the Union on January 2, 2015, and Kyrgyzstan — on August 6, 2015 (EAEU-5). According to Russia, the driving force behind this new project, the signatory states "undertake to guarantee the free movement of goods, services, capital and labor, to pursue a coordinated policy in key areas of the economy: energy, industry, transport and agriculture".

Thus, we see that since 1992, integration in the post-Soviet space has followed the stages of economic rapprochement outlined by the Hungarian economist Bela Balassa (1961). The first step is a free trade zone, during which tariff and non-tariff barriers are abolished within the zone, as was the case in the CIS in 1992. The second stage is the creation of the customs union. Since January 1, 2010, Russia, Belarus and Kazakhstan have reached this stage by setting a common external customs tariff. The third stage of economic integration is the common market. This adds to the customs Union freedom of movement of goods, services, as well as labor and capital factors within the zone. This step was achieved in 2012 by Russia, Belarus and Kazakhstan. Since 2015, the EAEU-5 has also passed this stage. In general, these first three steps are relatively easy to implement, as the path of the European Economic Community (EEC) has shown. The fourth and fifth stages are more complex, since they involve a significant qualitative leap in the degree of integration. Indeed, at the fourth stage (economic union), member States must agree to coordinate macroeconomic policy across the entire zone, which is not always easy to implement, as the experience of the European Union has shown. The EAEU-5 aims to reach this stage by the mid-2020s. By 2025, it provides for the creation of a financial regulator and a financial and monetary policy, as well as an antimonopoly policy and an antimonopoly regulator.

At the fifth stage (monetary union), member States will have to transfer national powers to supranational structures. Thus, monetary policy will become the exclusive competence of the Central Bank of the Union, which will also have a monopoly on issuing a new single currency, as in the case of the ECB for the Eurozone. This last step is the most difficult and controversial to implement. Indeed, more than twenty years after the introduction of the euro (January 1, 2002), experts and politicians continue to discuss the feasibility of switching to a single currency, given the continuing economic and social heterogeneity of the member States.

Thus, today the institution determining trade and economic relations between the CIS countries is the EAEU, which, according to Bella Balassa's theory, is at the fourth stage (economic union). This stage is characterized by the fact that Member States must agree to coordinate macroeconomic policy across the entire zone, which is not always easy to implement, as the experience of the European Union has shown.

### Discussions

Further, the authors propose to study the issue of foreign direct investment in the CIS. After the collapse of the Soviet Union, the competition that Member States conduct with each other for attracting foreign investors is getting tougher every year. This issue is crucial because it is one of the keys to their economic development. In this and other areas, the gap between Russia and eleven other post-Soviet states is significant. According to the latest UNCTAD World Investment Report (2022), as of the end of 2016, Russia concentrated 1.42% of the world's foreign direct investment reserves totaling \$379 billion on its territory, compared with only 1.12% (\$299 billion) in the remaining eleven States. In addition, it was by far the largest investor: the volume of Russian investments abroad was estimated at \$336 billion, the volume of investments of all the other eleven post-Soviet states — at \$50 billion.

In addition to the fact that we will study the effects of FIRS that came from outside the CIS, it should be noted that there is also a flow of mutual FIRS within the region (Fig. 1). However, it is worth noting that since 2018, due to the geopolitical situation, the dynamics of mutual investments has remained extremely low, and in 2022 there is no mutual investment in Russia at all.

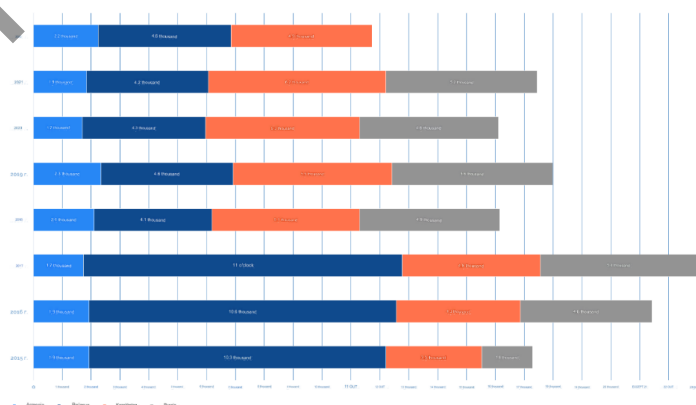


Figure 1. The volume of accumulated mutual FDI of the EAEU member countries, USD million, for 2015–2022.

Note — compiled by the authors on the basis of (UNCTAD, 2022)

It is also important to emphasize that the CIS market and the EAEU are not identical, and have different institutional mechanisms and scales, which can be confirmed by statistics (Fig. 2)

Russia is the main cross-border investor in the CIS: 79.2% — Russia's share in the structure of FDI exports.

Kazakhstan is a leader in the CIS among recipients of mutual FDI: 24.3% — Kazakhstan's share in the structure of FDI imports.

Azerbaijan is the leader in the CIS in terms of exported FDI as a percentage of GDP: 6.7% of GDP — in Azerbaijan, 2.2% of GDP — in Kazakhstan, 2.0% of GDP — in Russia.

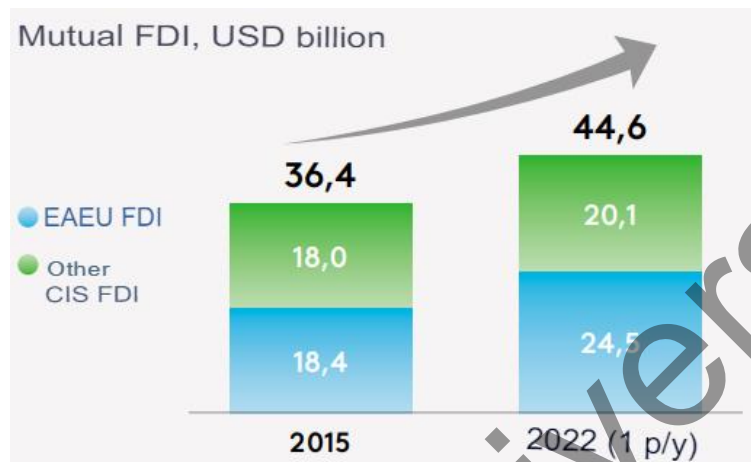


Figure 2. Accumulated mutual direct investments in the CIS and the EAEU

Note — compiled by the authors on the basis of (UNCTAD, 2022)

The annual data provided by UNCTAD is the first publicly available reference source and allows you to have a base for comparing both flows and stocks of foreign direct investment, but they come from different bodies (Ministries of Economy, statistical institutes, banks, etc.). Each of which has developed its own methodology. Thus, there may be some error rate in the data.

#### *Hydrocarbons: priority sector*

The first investment sector is undoubtedly the hydrocarbon sector. Immediately after gaining independence, Azerbaijan decided to return to its pre-1917 past by appealing to major international oil companies to expand production in the Caspian Sea. Back in September 1994, he signed the “contract of the century” for the development of deep-sea oil fields, the operator of which was British Petroleum (BP). At the end of 1998, the Baku-Tbilisi-Ceyhan (BTC) oil pipeline project with a length of 1,768 kilometers was launched, the first one that bypassed the territory of Russia, that is, the one that calls into question Russia's monopoly, was launched in Ankara, and the first batch of oil arrived in Ceyhan at the end of May 2006. The Southern Gas Corridor pipeline, designed to export gas from the Shah Deniz deepwater field discovered by BP in 1999, was built in parallel with BTC. As of June 2017, according to one of BP's vice presidents, the company and its partners had invested \$66 billion in this sector in Azerbaijan. The total volume of FDI indicated by UNCTAD is significantly less (\$27 billion). In any case, the investment is huge (Barclay et al., 2021).

Kazakhstan also attracted large Western oil companies to develop very complex fields, which it could not afford without external assistance. Western “majors” have invested heavily in its three main areas. The Tengiz (oil and gas) field was developed back in 1993 by a consortium led by Chevron, which invested \$37 billion in the development of the second stage in June 2016. The Karachaganak (gas) field, managed by Shell and ENI, has required investments of \$22 billion since its launch in 1997. Production at Kashagan (oil), which is managed by Agip, has cost more than \$50 billion over twenty-three years (construction of an artificial island and treatment facilities). Transportation of hydrocarbons also required the construction of new oil and gas pipelines to the Black Sea and China. The Central Asia-China gas pipeline today connects Turkmenistan with China through Uzbekistan and Kazakhstan. In this country, the hydrocarbons sector in a broad sense accounts for more than three quarters of the reserves of foreign direct investment.

To resume oil production, Uzbekistan turned to Russian and Chinese companies: Lukoil and CNPC invested about \$4 billion in this country. In the gas sector, Tashkent has signed several exploration and development contracts with Lukoil, Gazprom, CNPC, as well as Kogas (a Korean company) and Petronas (a Ma-

laysian company) totaling about \$10 billion. In general, according to the National Company Uzbekneftegaz: \$31 billion has been invested in Uzbekistan's hydrocarbons since independence. President Mirziyoyev, who was elected in December 2016 after the death of Islam Karimov, is showing more and more signs of economic openness, and Russia is striving to maintain its position as a major investor: it recently committed to new projects worth three billion dollars. Apparently, his goal is to attract Uzbekistan to the EAEU.

As for Turkmenistan, it prefers to conclude agreements on joint activities. Acting through his national company Turkmenogas, he restricts the participation of foreign companies with technical services, without granting them any rights to hydrocarbon deposits. Radical changes have taken place in this gas-rich country. For a long time, dependent on Russia in terms of exports, today it is connected with Iran and China thanks to the construction of new gas pipelines, for which the latter provided him, in exchange for gas supplies, a loan of \$9 billion. Since the beginning of 2016, Gazprom has stopped purchases, and in January 2017, due to growing debts, Ashgabat stopped deliveries to Tehran. China also reportedly reduced its purchases in 2017 due to undisclosed legal disputes.

In this hydrocarbon sector, Russia is still widely represented in many states of the region. In addition to the already mentioned cases in Central Asia, it occurs, in particular, in Armenia and Belarus. Gazprom controls gas distribution networks in both of these countries: in Armenia, it built them back in 1997; in Belarus, it bought them in two stages (2007 and 2011) in exchange for debt cancellation.

#### *Other sectors*

The mining and metals sector ranks second after the hydrocarbons sector. At the end of 1995, Arcelor Mittal acquired a metallurgical complex in Termitau in Kazakhstan, and then in 2005 — a metallurgical complex in Krivoy Rog in Ukraine for a record amount of \$4.8 billion. Kazakhstan, which is the largest producer of uranium, has opened joint ventures with Canada (Cameco) and France (Katco). The Kumtor gold mine in Kyrgyzstan and the Talco aluminum plant in Tajikistan are the leading enterprises in these two countries of industry and major foreign investment. Georgia and Armenia also welcome foreign investors to implement small projects in the field of mining (Gaukrodger, 2021).

The agricultural and agri-food sector has attracted the interest of many investors, mainly in Ukraine, where the largest companies in this sector (Cargill, Louis-Dreyfus or Bunge) have been present since independence. They have built and continue to build port terminals for grain exports. Dairy products also attracted foreign companies: for example, French groups (Lactalis, Danone, Bel, etc.) all settled in Ukraine, some in Kazakhstan or Moldova. In this sector, the size of investments per unit of output is smaller, but they contribute to improving the quality of products and, consequently, the diversification of the economy. After the Maidan, Russia failed to form a “grain cartel”, which it proposed back in 2010 to influence prices (Damgaard et al., 2019).

However, Russia is still firmly established in two other sectors: telecommunications and banking. The former is becoming a key sector for Russian companies (MTS, Vimpelcom and Megafon), which are based in all countries of the region, with the exception of Moldova, while Western companies — Orange, Telenor (Norway) or TeliaSonera (Sweden) — have a smaller presence. In the 2000s, the banking sector caused a wave of overbought by Western banks, especially in Ukraine and abroad.

In Kazakhstan, the results did not meet expectations. Since their customer base was in a difficult position after the devaluation that followed the financial crisis that began in 2008, Unicredit, HSBC and RBS decided to sell their subsidiaries in Kazakhstan at a loss, as did Unicredit, Commerzbank, Erste, Swedbank, etc. in Ukraine. For their part, Russian state-owned banks maintain strong positions in Belarus and Kazakhstan, while they are trying to sell their subsidiaries in Ukraine. As for Chinese banks, they are present only in Kazakhstan and remain limited to Chinese-Kazakh operations.

#### *Special Economic Zones: limited success*

To attract investors, the states of the region have created special economic zones (SEZs) with various tax benefits. Moldova, Kyrgyzstan and Belarus were the first to embark on this path since 1995. And the movement resumed after the 2008 financial crisis, with the exception of Ukraine, which, on the advice of the IMF, closed those that were created after the “Orange Revolution”. In the absence of reliable data, it is difficult to make a general judgment. However, according to several managers of these SEZs, their success is still below expectations. Of course, they made it possible to attract industrial enterprises with higher added value, such as helicopter or locomotive assembly plants in Astana. But country risk, disagreements with numerous regulatory authorities, awareness of the fragility of the rule of law, which is still in its infancy, remain powerful deterrents for new settlements.

To insure against these risks, foreign companies apply to international financial institutions: for insurance to the Multilateral Investment Guarantee Agency (MIGA), for equity participation and/or financing from the EBRD, the International Finance Corporation (IFC) or others. But these organizations support only those projects that have a critical size that varies from country to country. Before considering the possibility of placement, their investors can also refer to international ratings and analytical materials prepared by international organizations, in particular the IMF (with the exception of Turkmenistan, which has always opposed their publication, as well as Uzbekistan since 2008). Eurobond issue prospectuses, when available, are another very useful source of information, as they give a complete picture of the economy of the issuing country: in 2017, Belarus, Ukraine and Tajikistan thus became the world's largest issuers of Eurobonds and Uzbekistan is expected to do the same in the near future. In the eyes of Western investors, transparency is crucial: it is the key to success (Bolwijn et al., 2018).

As for other investors, at the current stage, special attention should be paid to Chinese, Iranian, Turkish and Arab investments (Fig. 3).

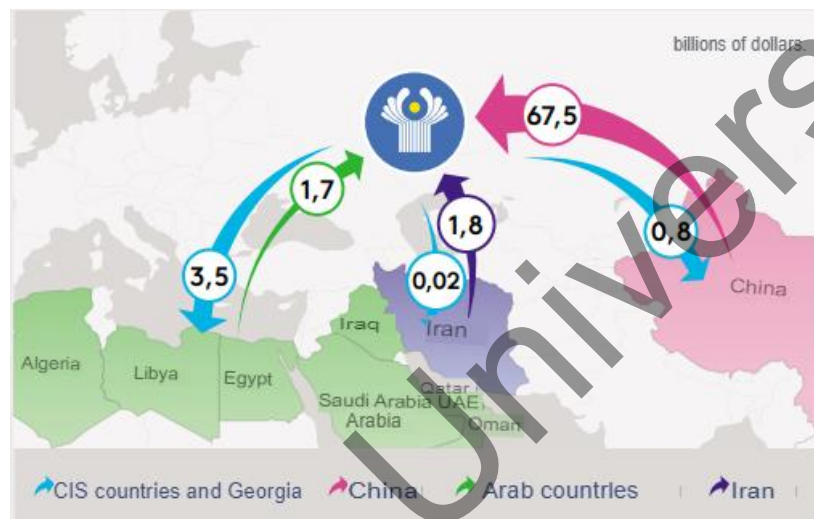


Figure 3. The volume of mutual FDI between the CIS and foreign countries in the middle of 2022, billion dollars

Note — compiled by the authors on the basis of (Vinokurov et al., 2022)

According to UNCTAD, Iranian FDI in the world barely exceeds \$4 billion, so this country does not stand out too much against the CIS countries as an exporter of capital. However, the Iranian FDI recorded by us in Azerbaijan is approaching \$1.5 billion, in Armenia, Belarus and Russia the figure has almost reached or even exceeded \$0.1 billion. Taking into account the geopolitical factor, Iran has every chance of eventually becoming a full-fledged participant in mutual FDI flows of the post-Soviet integration core within Greater Eurasia.

The Arab world is very heterogeneous in many ways, among which FDI is no exception. The largest sources of direct investment in the world in this region are the UAE (according to UNCTAD, \$215 billion at the end of 2021) and Saudi Arabia (\$151.5 billion). Notable TNCs have emerged in other Arab States, so it also makes sense to pay attention to accumulated FDI from at least such prosperous Gulf countries as Qatar (\$47.7 billion), Kuwait (\$36.4 billion) and Bahrain (\$19 billion).

China, which seems to care little about transparency, is now a leading player in this region. The OBOR project has been critically analyzed by the World Bank, which believes that the overland route will be able to cover only 1 to 2 % of the volume that is currently carried out by sea. However, this will represent investments in the amount of several tens of billions of dollars and will lead to the financing of large projects allocated to Chinese construction companies, financing that is not clearly reflected in the statistics of the respective countries. Since compensation for these infrastructure facilities depends on long-term contracts for the supply of raw materials, China thus guarantees its supplies. In Tajikistan, it exchanged part of its claims for 800 square kilometers of territory (Vinokurov et al., 2021).

### Conclusions

Thus, the authors came to the conclusion that the key regional institution of trade and economic cooperation is the Eurasian Economic Union (EAEU). As of 2023, the EAEU represents a total territory of more

than 20 million square kilometers and a population of more than 184 million people. The implementation of the third integration stage is still ongoing. This should lead to the modernization of the participating economies, which will contribute to increasing their international specialization, which is still too dependent on energy and raw materials. The EAEU seeks to become a bridge between the European Union and China (Celani et al., 2022).

Thus, the investment market has two levels, both within the EAEU and with foreign countries, especially with China and other countries of the Middle East at the present stage.

As part of the scientific work, the authors formulated some recommendations for attracting PPI to the Eurasian region:

- Strengthen efforts to finance the education sector and take measures aimed at training a workforce with the technical and professional skills necessary to meet the needs of national and international investors; since human capital is the central channel through which FDI influences economic growth;
- Develop an investment policy aimed at non-resource sectors of the economy, which will allow innovation to develop them at national levels, although such a recommendation is quite general and is the goal of many economic policy directions;
- Increase public investment, in particular in socio-economic infrastructure;
- Activate the development of the financial and banking system. Indeed, financial deepening would reduce the liquidity risk (uncertainty regarding the conversion of a financial asset into a means of payment), diversify the investor's portfolio and, thus, contribute to the development of the real sphere;
- Increasing the attractiveness of the Union by creating the conditions necessary to attract more FDI, taking into account national and regional development prospects, as well as to increase the effectiveness of the technological, informational and organizational impact of deferral on local enterprises. We are talking about the introduction of sectoral incentives focused on sectors that give a stimulating effect, in the interests of other sectors of the economy.

Thus, the authors conclude that foreign direct investment has a positive impact on economic growth and employment in the EAEU, that they stimulate productivity and innovation, which confirms the hypothesis put forward by 1.

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### **ТМД елдеріндегі тікелей шетелдік инвестициялардың динамикасы мен құрылымы**

**Аңдатпа:**

**Мақсаты:** Зерттеудің мақсаты — ТМД елдері арасындағы экономикалық ынтымақтастықты дамытуға инвестициялардың әсерін бағалау және соның негізінде қатысушы елдердің экономикаларының өзара ынтымақтастығын дамыту үшін шетелдік инвестицияларды тартуға бағытталған ұсыныстарды әзірлеу.

**Әдісі:** Жұмыс барысында келесі әдістер қолданылды: ғылыми абстракция, жүйелік және құрылымдық талдау, логикалық жалпылау, экономикалық және статистикалық талдау. Сонымен қатар зерттеуде топтастыру мен жіктеу және сараптамалық бағалау, толық есептер пайдаланылды.

**Қорытынды:** Бүгінгі күні ТМД елдері арасындағы сауда-экономикалық қатынастарды айқындайтын институт ЕАЭО болып саналады, ол Белла Баласса теориясына сәйкес төртінші кезеңде тұр (экономикалық одақ). Бұл кезең оған мүше мемлекеттердің бүкіл аймақ бойынша макро экономикалық саясатты үйлестіруге келісуі керек екендігімен сипатталады, мұны Еуропалық одақтың тәжірибесі көрсеткендей, оны жүзеге асыру әрдайым оңай бола бермейді.

**Тұжырымдама:** Осылайша, инвестициялар нарығы ЕАЭО ішінде және шетелдермен, әсіресе қазіргі кезеңде Қытаймен және Таяу Шығыстың басқа елдерімен екі деңгейге ие. Тікелей шетелдік инвестициялардың тартымдылығын арттыру үшін авторлар ЕАЭО елдеріне мынадай шараларды қабылдауды ұсынады. Экономиканың шикізаттық емес секторлары үшін инвестициялық саясатты әзірлеу; білікті жұмыс күшін даярлауға бағытталған шараларды қабылдау; мемлекеттік инвестицияларды, атап айтқанда әлеуметтік-экономикалық инфрақұрылымға және т.б.

**Кілт сөздер:** тікелей шетелдік инвестициялар, ТМД, ЕАЭО, экономика, Ресей, Қазақстан, Орталық Азия.

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### **Динамика и структура прямых иностранных инвестиций в странах СНГ**

**Аннотация:**

**Цель:** Целью исследования является оценка влияния инвестиций на развитие экономического сотрудничества между странами СНГ и, исходя из этого, разработка рекомендаций, направленных на привлечение иностранных инвестиций для развития взаимного сотрудничества между экономиками стран-участниц.

**Методы:** В ходе работы были применены следующие методы: научная абстракция, системный и структурный анализ, логическое обобщение, а также экономико-статистический анализ. В исследовании использовались группировка и классификация, экспертная оценка и детализированные методы.

**Результаты:** Таким образом, на сегодняшний день институт, определяющий торгово-экономические отношения между странами СНГ, является ЕАЭС, который, согласно теории Беллы Баласса, находится на четвертом этапе (экономический союз), который характеризуется тем, что государства-члены должны согласиться на координацию макроэкономической политики в масштабах всей зоны, что не всегда легко осуществить, как показал опыт Европейского союза.

**Выводы:** Резюмируя сказанное выше, заключаем, что рынок инвестиций имеет два уровня, внутри ЕАЭС, так и с зарубежными странами, в особенности с Китаем и другими странами Ближнего Востока на современном этапе. Для повышения привлекательности прямых иностранных инвестиций авторы рекомендуют странам ЕАЭС принять следующие меры: разработать инвестиционную политику для несырьевых секторов экономики; принять меры, направленные на подготовку квалифицированной рабочей силы; увеличить государственные инвестиции, в частности в социально-экономическую инфраструктуру и др.

**Ключевые слова:** прямые иностранные инвестиции, СНГ, ЕАЭС, экономика, Россия, Казахстан, Центральная Азия.