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### **Importance of foreign investment in the development of the economy of Kazakhstan**

Nowadays it is almost impossible to ensure the competitiveness of producers in the domestic and foreign markets without investments. The processes of qualitative and structural changes in world commodity producers and market infrastructures are taking place via investments. Investing determines the economic growth, the social situation in the region, providing jobs, and also it determines country's economy. Today, attracting investments by issuing financial instruments are getting more popular. This is facilitated by a favorable investment climate in the country. In any country the investing level is directly related to the level of investment climate and its determinants. The article discusses the importance of foreign investment in Kazakhstan, as well as analyzes the ways of their attraction. Considering the features, it is possible to identify barriers of capital inflow in Kazakhstan and main ways of investment policy.

**Key words:** Investments, investment climate, foreign investors, investment projects, foreign capital.

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### **Шетел инвестицияларының Қазақстан экономикасының дамуындағы маңызы**

Қазіргі кезде инвестициясыз ішкі және сыртқы нарықтардағы тауар өндірушілердің бәсекеге қабілеттілігін қамтамасыз ету мүмкін емес. Нарықтық инфрақұрылымдардың және әлемдік тауар өндірушілердің құрылымдық және сапалық өзгерту процестері инвестициялау есебімен жүзеге асырылады. Инвестициялау экономикалық өсуді, аймақтың әлеуметтік жағдайын, халықтың жұмыспен қамтылуын және сонымен қатар, ел экономикасының дамуын анықтайды. Инвестицияларды әртүрлі қаржы құралдарын шығара отырып тарту – бүгінгі күні кеңінен дамыған. Оған елдегі қолайлы инвестициялық климат өз әсерін тигізуде. Қай елде болмасын инвестицияның келуі инвестициялық климат дәрежесіне және оны анықтайтын факторларға тікелей байланысты. Мақалада Қазақстан үшін шетел инвестицияларының маңызы қарастырылып, оларды тарту жолдары талданған. Қарастырылған ерекшеліктерді ескере отырып, Қазақстандағы шетел капиталының құйылуы үшін күрделі кедергілерді және инвестициялық саясаттың басты бағыттарын анықтауға болады.

**Түйін сөздер:** Инвестициялар, инвестициялық климат, шетел инвесторлары, инвестициялық жоба, шетел капиталы.

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### **Значение иностранных инвестиций в развитии экономики Казахстана**

В данное время без инвестиций практически невозможно обеспечить конкурентоспособность товаропроизводителей на внутреннем и внешнем рынке. Процессы качественного и структурного изменения мировых товаропроизводителей и рыночных инфраструктур происходят с помощью инвестирования. Инвестирование определяет экономический рост, социальное положение региона, обеспечение рабочими местами населения, а также развитие экономики страны. В наши дни широко распространено привлечение инвестиций с помощью выпуска финансовых инструментов. Этому способствует благоприятный инвестиционный климат в стране. В любом государстве приход инвестиций напрямую связан с уровнем инвестиционного климата и определяющими ее факторами. В статье рассмотрена важность иностранных инвестиций для Казахстана, а также проанализированы пути их привлечения. Учитывая рассмотренные особенности, можно определить преграды для вливания иностранного капитала в Казахстан и главные пути инвестиционной политики.

**Ключевые слова:** инвестиции, инвестиционный климат, иностранные инвесторы, инвестиционный проект, иностранный капитал.

**IMPORTANCE OF  
FOREIGN INVESTMENT  
IN THE DEVELOPMENT  
OF THE ECONOMY OF  
KAZAKHSTAN**

Currently, Kazakhstan is a full member of the world economy. Development of the economy of our republic requires establishing the investment direction. Inflow of investments in the economy and the expansion of the scale, as well as social and economic development will provide a new level of quality in the economy. The volume of investment in economic growth is determined by the structure and the pace of implementation of their qualities.

Development of the economy of the Republic of Kazakhstan is closely related to the involvement of domestic and foreign investments. The object of business activity in the territory of the Republic of Kazakhstan is investing to the intellectual and other properties.

The investment climate in the country, regions and cities, which defines the legal, regulatory, organizational, economic, social, political, cultural factors and etc., is formed under the influence of factors related to each other. In other words, the investment climate can be measured by several indicators. They are: economic reform; stability of the banking system; political stability; provision of labor and natural resources; degree of legal regulation of investment activity in accordance with international standards, laws and regulations; inflation rates; degree of external economic relations; availability of skilled labor force; market infrastructure and the development of the foreign exchange market, and many others.

Foreign investors evaluate the indicators of investment climate to determine the performance of the investment climate, which can be positive or negative. If the investment climate is positive, then the investors decide to invest.

The attraction of foreign direct investment in the country, on the one hand, is necessary to increase the efficiency of the production and creation of jobs in the country. On the other hand, the Kazakhstani market will have a negative impact on foreign direct investment in domestic manufacturers.

In the future, stimulating farmers to work with foreign investors, as well as a set of institutional mechanisms for attracting foreign direct investment will help to create a general investment system [1].

Nowadays our country expects using three levels of investment encouragement:

1. The investment projects in priority sectors of the economy: investment benefits provided by the Law of the Republic of Kazakhstan «About investments»; immediate and free access to foreign experts on the basis of a special procedure for the issuance of visas

2. For investment projects to be implemented in the territory of SEZ (special economic zone) – special regime of taxation. Discounts will be selected according to criteria established by the Government of the Republic of Kazakhstan; a special mechanism for the import of foreign labor.

3. Individual investment agreements, which have a support of state, will be done with foreign investors and transnational companies. They include:

- tax benefits and privileges;
- the compensation of the grant on the basis of investments;
- the long-term state orders;

In general, an individual approach to attract foreign direct investment should include carrying out the implementation of the following measures:

- searching for potential investors among TNCs (transnational companies);
- prepare and realize the work with the investor in the framework of «Road map»;
- supporting doing business in Kazakhstan;
- **the organization of meetings with key political leaders and leading companies in Kazakhstan;**
- the investment in the development of the project, as well as the stage of implementation and consulting services

As for the current state of foreign investment in the Republic of Kazakhstan, in terms of the investing of foreign capital to the country's economy,

Kazakhstan is one of the leaders of Central Asia. Between 2005 and 2014, our country attracted 177.8 billion. US dollars of foreign direct investment. 100 billion dollars were attracted during the last 5 years in terms of the dynamics of this total amount. In addition, during the global financial crisis stable macroeconomic situation and investment climate still remains in the country [2].

One of the main competitive advantages of Kazakhstan is the geographical location. There are big neighbors of our country, such as fast-growing markets of Republic of China and Russia. At the same time, Kazakhstan will be the main transcontinental route for the APR (Asia-Pacific Region), Europe and the Middle East.

The integration processes within the framework of the Customs Union plays an important role. The Customs Union 2 trillion GDP US dollars and 170 million single commodity market creates new opportunities for investors and entrepreneurs of our countries.

Currently in Kazakhstan there are about 10 thousand companies with foreign capital participation, including Fortune 500 (Alcatel-Lucent, Alstom, AREVA, Vicat, Danone (France), ENI/Agip, Bonatti, Saipem, Augusta, Westland, Italcement (Italy), GE (USA) companies.

Due to a decrease in the rate of economic growth there is a drop in the flow of foreign investments in the years 2013-2014 (Figure 1). At the same time, the beginning of the crisis in the oil sector effects to an attraction of foreign investment in this sector. By the way the oil sector has significant proportion in the economy of the Republic of Kazakhstan. So, this has a direct impact on the amount of investment.

The volume of investments in all areas in the last 3 years can be seen in the following table (Table 1).

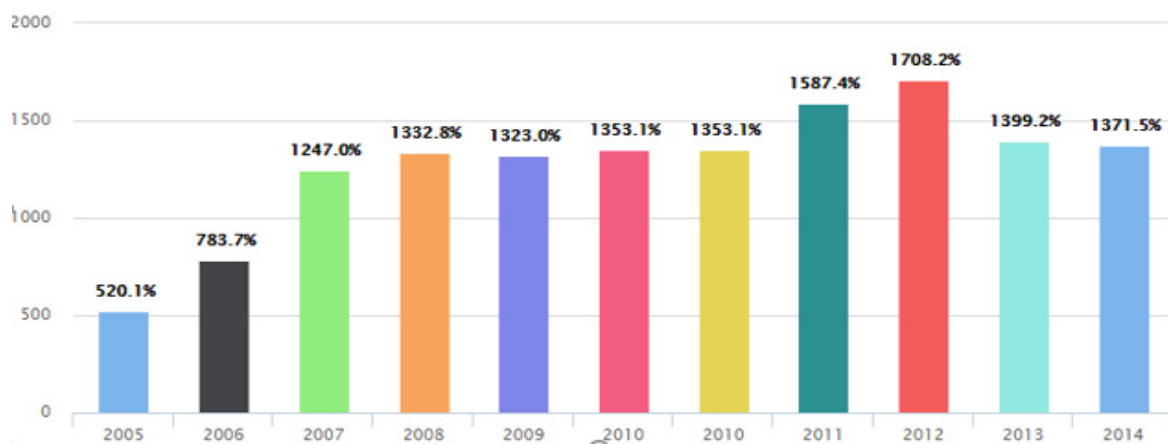


Figure 1 – The gross inflow of direct foreign investments per capita in the Republic of Kazakhstan [3]

**Table 1** – Operating activities Investment in fixed assets [3]

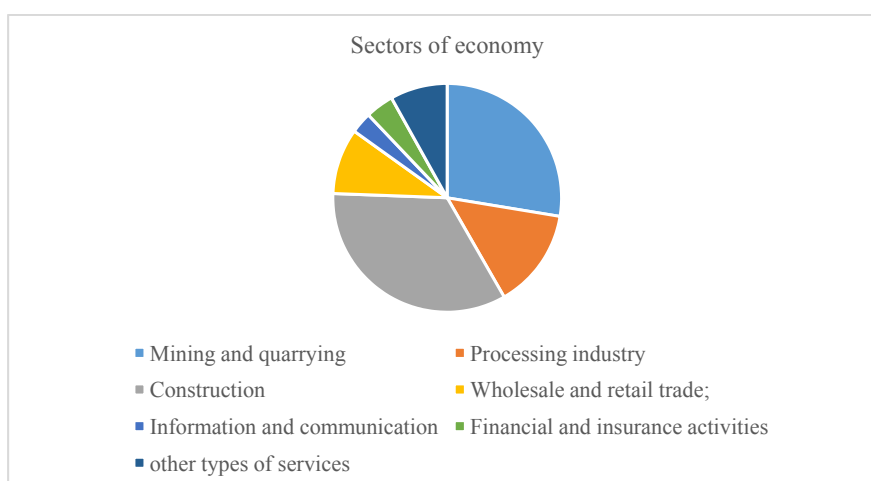
	2012 year	Difference (previous year)	2013 year	Difference (previous year)	2014 year	Difference (previous year)
Total	5 473 161	104,1	6 072 687	106,9	#####	104,2
in particular:						
Agriculture, forestry and fisheries	133 945	116,5	139 627	100,7	173 281	119,1
Industry	2 864 313	102,9	3 069 814	103,3	#####	109,7
Mining and quarrying	1 599 703	95,7	1 769 433	106,6	#####	107,7
Processing industry	610 666	120,8	686 852	108,4	728 557	101,8
Electricity, gas, steam and air conditioning	416 356	113,5	441 512	102,9	570 185	124,5
Water supply; sewerage, waste management and remediation activities	237 589	98,9	172 017	69,7	225 155	125,4
Construction	70 137	115,1	60 159	82,6	69 221	110,4
Wholesale and retail trade; repair of motor vehicles and motorcycles	117 551	117,2	113 608	93,1	136 040	114,9
Transport and storage	1 038 745	109,7	1 453 656	134,7	#####	78,6
Other types of services	6 947	54,3	7 821	108,3	9 745	119,4

The volume of investment in fixed assets in 2014, according to the table 1 6591.5 billion tenge. It is made up 4.2% higher than in 2013.

The technological structure of investment in fixed assets: 55.7% – the construction and repair of buildings and works, 28.7% – machinery, equipment, tools, 15.6% – other expenses.

The main source of financing of capital investments with private funds (56.8%). 5.7% of the funds raised banks' loans, 20.3% – budget resources, other borrowed funds – 17.2%.

33.9% of the foreign investments are in the mining industry. The next 27.6% share – the processing industry, 14.1% share – geological researches.

**Figure 2** – Share of the foreign investments by industry in RK

Today, in cooperation with Italy, France, South Korea, and China, foreign companies are involved in large-scale projects. They are worth more than 40 billion US dollars for the implementation of joint projects in a wide range of agreements [2].

The attractive factor for foreign investors is the one-sided development of the economy of Kazakhstan. In the future our country should focus on extracting and processing raw materials sectors of the industry. Transit service sector development is a key indicator of the level of the process. It is important in order to strengthen the position of Kazakhstan in the international market and increase the export potential of the industry. The purpose of the investment and long-term policy priority is to achieve equality in the development of various sectors of the economy. The opportunity to benefit from the investment, regardless of the fairness of the investment policy, is the main factor that hinders the flow of investments. Investors require reliable and stable policy.

The measures, taken by the country to foreign investment, and regulation in order to ensure

national security should be considered first. The country should stop using the human potential via natural resources. Unfortunately, foreign companies have such kind of situations. The state should ensure a certain level of employment in foreign enterprises, where work the Kazakhstani citizens. It means a creating new standards of regulation in labor relations [4].

Generally, investment climate in Kazakhstan is appropriate, but there are some major impediments to the inflow of foreign capital:

- bureaucratic barriers;
- financial risk;
- the lack of financial and tax regimes;
- the lack of sufficient legal infrastructure.

Finally, the government regulation is necessary to improve the process of attracting foreign investments in the Republic of Kazakhstan. The President of the Republic of Kazakhstan Nursultan Nazarbayev has said that Kazakhstani embassies in foreign countries should participate in the process of attracting investments.

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