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ROLE OF MULTINATIONAL CORPORATION AND SHARE OF THEIR INVESTMENT IN PRIORITY SECTORS OF ECONOMY OF RK

Kazakhstan is the leader in attraction of foreign investments among is central the Asian countries. Today multinational corporations – the main tool in business expansion internationally. This article is devoted to studying of activity of the main participants of process of globalization of economy – multinational corporations in Kazakhstan. Authors considered the main directions and volumes of streams of direct foreign investments to the country in recent years. Key indicators of PII in the country and the prospects of development are defined. In article major factors of attraction of direct foreign investments are studied. The review of scientific literature on the factors defining inflow of direct foreign investments to Kazakhstan is made. Results showed that, despite existence of various motives in adoption of investment decisions by multinational corporations, direct foreign investments to Kazakhstan are generally sent to the raw sector of economy. In article the analysis of inflow of direct foreign investments in a section from 2014 to 2019, is carried out to priority sectors of economy of the Republic of Kazakhstan which mining industry, processing industry, professionally scientific and technical activity and innovative development are. In work questions of investment into priority sectors of economy of RK were investigated. Analytical also statistical methods, a dialectic method of knowledge and observation formed a methodological basis of a research. The main volume of foreign investments still goes to the spheres which are not demanding large-scale investments and characterized by fast payback. Thus, drawing a conclusion on a research of trends of functioning, outflow and inflow of direct foreign investments on priority sectors of economy of the Republic of Kazakhstan, in industry structure of investments, the main share is occupied by the mining industry, and the oil and gas industries still are on one of the first places on the level of the involved investments. Such industries as construction and manufacturing industry receive the smallest number of foreign investments. Article has the scientific value and novelty of a research where relevance of work is application of an integrated approach to a research of the international investment activities and a role transnational corporation, in identification of the internal and external regularities defining the direction and dynamics of investment activities in the Republic of Kazakhstan.

Key words: direct foreign investments, multinational corporations, industry, priority sectors.

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ҚР экономикасының басым секторларындағы трансұлттық компаниялардың рөлі және оларды инвестициялаудың үлесі

Қазақстан Орталық Азия елдері арасында шетелдік инвестицияларды тарту бойынша көшбасшы болып табылады. Бүгінде трансұлттық корпорациялар – халықаралық ауқымдағы бизнесті кеңейтудегі негізгі құрал. Бұл мақала экономиканы жаһандандыру процесінің басты

қатысушыларының – Қазақстандағы трансұлттық корпорациялардың қызметін зерттеуге арналған. Авторлар соңғы жылдардағы елге тікелей шетелдік инвестициялар ағынының негізгі бағыттары мен көлемдерін қарады. Елдегі ТШИ негізгі көрсеткіштері және даму перспективалары анықталды. Мақалада тікелей шетелдік инвестицияларды тартудың негізгі факторлары зерттелді. Қазақстанға тікелей шетелдік инвестициялар ағынын анықтайтын факторлар бойынша ғылыми әдебиеттерге шолу жасалды. Нәтижелер трансұлттық корпорациялардың инвестициялық шешімдер қабылдаудағы түрлі себептердің болуына қарамастан, Қазақстанға тікелей шетелдік инвестициялар негізінен экономиканың шикізат секторына бағытталғанын көрсетті. Мақалада өндіру өнеркәсібі, қайта өңдеу өнеркәсібі, кәсіптік ғылыми-техникалық қызмет және инновациялық даму болып табылатын Қазақстан Республикасы экономикасының басым секторларына 2014 жылдан бастап 2019 жылға дейінгі бөліністе тікелей шетелдік инвестициялардың құйылуына талдау жүргізілді. Жұмыста ҚР экономикасының басым секторларына инвестициялау мәселелері зерттелді. Зерттеудің әдіснамалық негізі аналитикалық және статистикалық әдістер, таным мен бақылаудың диалектикалық әдісі болды. Шетелдік инвестициялардың негізгі көлемі бұрынғысынша ауқымды салымдарды талап етпейтін және тез өтелімділікпен сипатталатын салаларға бағытталады. Осылайша, Қазақстан Республикасы экономикасының басым секторлары бойынша тікелей шетелдік инвестициялардың жұмыс істеу үрдістерін, ағынын зерттеу бойынша қорытынды жасай отырып, инвестициялардың салалық құрылымында негізгі үлесті тау-кен өндіру саласы алады, ал мұнай және газ өнеркәсібі бұрынғысынша тартылатын инвестициялар деңгейі бойынша бірінші орындардың бірінде болады. Құрылыс және өңдеу өнеркәсібі сияқты саалар шетелдік инвестициялардың ең аз санын алады. Мақалада жұмыстың өзектілігі, халықаралық инвестициялық қызметтің зерттеуге және трансұлттық корпорациялардың рөлін, Қазақстан Республикасындағы инвестициялық қызметтің бағыты мен динамикасын айқындайтын ішкі және сыртқы заңдылықтарды анықтауда кешенді тәсілді қолдану болып табылады, негізгі зерттеудің ғылыми құндылығы мен жаңалығы бар.

Түйін сөздер: тікелей шетелдік инвестициялар, трансұлттық корпорациялар, өнеркәсіп, басым секторлар.

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Роль транснациональных компаний и доля их инвестирования в приоритетных секторах экономики РК

Казахстан является лидером по привлечению иностранных инвестиций среди центрально-азиатских стран. Сегодня транснациональные корпорации – основной инструмент в расширении бизнеса в международном масштабе. Данная статья посвящена изучению деятельности главных участников процесса глобализации экономики – транснациональных корпораций в Казахстане. Авторами рассмотрены основные направления и объемы потоков прямых иностранных инвестиций в страну за последние годы. Определены основные показатели ПИИ в стране и перспективы развития. В статье изучены основные факторы привлечения прямых иностранных инвестиций. Сделан обзор научной литературы по факторам, определяющим приток прямых иностранных инвестиций в Казахстан. Результаты показали, что, несмотря на наличие различных мотивов в принятии инвестиционных решений транснациональными корпорациями, прямые иностранные инвестиции в Казахстан в основном направлены в сырьевой сектор экономики. В статье проведен анализ притока прямых иностранных инвестиций в разрезе с 2014 по 2019 годы, в приоритетные сектора экономики Республики Казахстан, которыми являются добывающая промышленность, перерабатывающая промышленность, профессионально научно-техническая деятельность и инновационное развитие. В работе были исследованы вопросы инвестирования в приоритетные сектора экономики РК. Методологической основой исследования послужили аналитический и статистические методы, диалектический метод познания и наблюдение. Основной объем иностранных инвестиций по-прежнему направляется в сферы, не требующие масштабных вложений и характеризующиеся быстрой окупаемостью. Таким образом, делая вывод по исследованию тенденций функционирования, оттока и притока прямых иностранных инвестиций по приоритетным секторам экономики Республики Казахстан, в отраслевой структуре инвестиций основную долю занимает горнодобывающая отрасль, а нефтяная и газовая промышленности по-прежнему находятся на одном из первых мест по уровню привлекаемых инвестиций. Такие отрасли как строительство и обрабатывающая промышленность получают наименьшее количество иностранных инвестиций. Статья имеет научную ценность и новизну

исследования, где актуальностью работы является применение комплексного подхода к исследованию международной инвестиционной деятельности и роли транснациональных корпораций, в выявлении внутренних и внешних закономерностей, определяющих направление и динамику инвестиционной деятельности в Республике Казахстан.

Ключевые слова: прямые иностранные инвестиции, транснациональные корпорации, промышленность, приоритетные сектора.

Introduction

The processes of economic globalization had led to forthcoming of new players in the world economic and political scene – multinational corporations (MNCs). Nowadays MNCs controls more than 50% of the world industrial production, more than 60% of international trade, 80% of new technologies and know-how patents and licenses, and almost 90% of foreign investment (Sydorov, 2019). These players fixedly conquered the world market and can influence on economic and political situation alongside with states. The United Nations defines MNCs like incorporated or unincorporated enterprises comprising parent enterprises and their foreign affiliates with an equity capital stake of 10 per cent or more. Certainly, MNCs are always interested to broaden their activities all over the world and, in particularly, in developing countries.

The purpose of the paper is to analyze the business activities of MNCs in Kazakhstan and to examine their impact on national economy.

To achieve this purpose, the following research tasks have been formulated, which are addressed in turn in this paper:

- To monitor the flow of FDI (Foreign direct investment) to the country;
- To define the role and a place of MNCs in Kazakhstan;
- To prognosticate the future impact of MNCs on the country's economy (Musaripova, 2004: 12-23).

As you know, the main task of the state investment policy of our country is to create a favorable environment for the expansion of extra-budgetary sources of financing of capital investments and attracting private domestic and foreign investments on the basis of further improvement of the regulatory framework and state support for effective investment projects (Atici, 2012: 167-178).

There are several sectors of the economy: the development of natural resources, infrastructure, communications and information, which are essential for our country. The development of these industries will have an impact not only on economic

growth, but also on the social sphere, as well as on the integration of Kazakhstan into the international community. These are capital-intensive industries, for the development of which both foreign capital and strict strategic control of the state are necessary (Birdsall, 1993:137).

Focusing on market relations, the main direction of economic reforms is the development and implementation of the investment policy of the state aimed at ensuring high rates of economic growth and improving the efficiency of the economy. In the current conditions, in order to ensure structural reforms of the economy on the basis of the government's programmer of action to deepen reforms and in conditions of limited domestic sources of financing, it is extremely important to attract foreign capital to the economy of the Republic (Smirnov, 2015: 56-61).

Foreign investments in the global economy are becoming one of the most relevant and priority forms of economic cooperation between the countries. The total volume of these investments in the world is growing at a much higher rate each year than the total gross product of the countries of the world (Chichilnisky, 1994: 874).

Attracting investment resources on a national and regional scale is one of the priorities of Kazakhstan's economic policy. At the same time, the structure of foreign investments is an important issue (Copeland, 1994: 755).

Foreign investments characterize investments of capital by non-residents in the objects of investment in the country (Caves, 1996: 895).

Prospects for the development of the country's economy are closely linked to the need to attract foreign direct investment. The formation of a favorable investment climate and the solution of problems to attract foreign direct investment in the priority sectors of the Republic of Kazakhstan, in turn, are associated with a set of economic, social, political, infrastructure and other aspects of economic development. Thus, at present, the Republic of Kazakhstan faces the task of attracting investments taking into account its own incentives and achievements of national goals (David, 2012: 275-300).

Literature review

Theoretically there are numerous studies which investigate the impact of foreign direct investment (FDI) and MNCs on economic growth of the host country. In the last two decades, a lot of domestic scientists and experts dedicated their works on the effects of MNCs' activities on Kazakhstan economy. Almost all studies on FDI have found its positive influence on economic growth of the host country. For the host country it brings advantages on standard of living and possibility for economic growth as it imports technology, managerial skills and market access, and thus accelerates growth and development. But others focus on negative effects which are more vital and can be critical to economic security.

According to independent researcher of journal "Central Asia and Caucasus" S. Smirnov (2006), the active introduction of MNCs in Kazakhstan economy started in 1994-1997. It was a time when the government of the country emphasized on attracting foreign investment – big MNCs. These corporations provided to the republic not only international recognition, but also became a guarantee the internal political stability. However, expert noted that despite of the good sides of their work in our country, MNCs lobby their interests by official and unofficial ways through key figures in the corresponding structure.

While L. Muzaparova's (2004) approaches to the tendency and peculiarities of economic transnationalization shows the necessity to set up Kazakhstan corporations; such local companies can resist to the world MNCs in the future. It shows that local MNCs will allow in certain degree to protect national economic interests, to promote further development of Kazakhstan economic structures, internationalization of its production and capital, the country's integration to the world economy, and its participation in global economic processes.

Khusainov (2013) states that the main characteristic of the current condition of the world economy is emergence and active development of the independent multinational sector which in many respects left the jurisdiction of the states. The research result shows that economic power of large multinational corporations has already exceed the economic possibilities of the small and middle states. Therefore, the current situation in the world economy can be characterized as an era of a diarchy and fight for the economic power between the national states and MNCs. In the next years and decades, the fight for economic power between MNCs and nationals will

become the defining factor of development of global processes in world economy.

Studies on FDI have used several different proxies for the infrastructure variable (Root, Ahamed, 1978; Nonnemberg and Cardoso, 2002; Jaumotte, 2004, among others). Unfortunately, however, complete time series data on most of these proxies is not readily available for the period under study (1970-2007). Consequently, this study followed Morisset (2000) and Nizar and Singleton (2001), among others and uses the number of telephone lines (landlines and mobile) per 1000 people in a country as a proxy for infrastructure. This has been reported to be a consistent and reliable measure of economic growth which has been extensively employed in the FDI literature (Asiedu, 2002; Loree and Guisinger, 1995; Khadaroo and Seetanah, 2003; Mutenyo, 2008; Opolot et al., 2008).

In fact, Opolot et al. (2008) contend that although the number of telephone lines may not be the best proxy for infrastructure, its significance nonetheless shows that infrastructure development does matter for FDI inflows to SSA (The United States Social Security Administration).

Also, Wheeler (2001) used data from three developing countries (China, Brazil and Mexico) with a high level of FDI to study its effect on pollution. In this case, he found that the level of FDI decreased the levels of pollution. For their part, Perkins and Neumayer (2008) verified the relationship between FDI and the efficiency in CO₂ and SO₂ emissions in 114 countries. The results proved that economies that started from a worse environmental situation improve their ecological efficiency faster when they adopted technologies and environmental policies similar to those of countries that started from a better situation, resulting in a convergence over time. Atici (2012) found, on the other hand, that the level of FDI had a negative and significant impact, so that they did not tend to increase pollution levels in the long term. On the other hand, the intensity of research and development activities has a great relevance on the relationship between the economic level and the level of pollution. On the one hand, there are direct effects of better efficiency on the reduction of pollution levels for a level of income. On the other hand, there is the effect of the greater benefit per unit of production, which decreases the energy intensity needed for production by each economic unit. Therefore, we assume that the greater the intensity of R&D activities, the lower the environmental impact of economic activities (Wheeler, 2001: 225).

Accordingly, in this study, the assumption was that a country with a large number of telephone lines

is more likely to have better roads, Internet access, and water/electricity supply, or in short better infrastructure. The model was specified just like Maria Delgado (2000) and Balmoral (2004), the time subscripts are omitted for presentation simplicity.

Methodology

The present study uses data from multiple sources. Primary data are obtained from the annual reports of governmental documents, newspaper and magazine news. Secondary data are obtained from previous studies on the relevant problem, such as UNCTAD (United nations conference on trade and development). Analysis of various activities of transnational corporations and trends in flows of FDI around the world have been presented in the World Investment Report (WIR) by UNCTAD annually since 1991. In addition, statistical references Committee on Statistics of the Ministry of National Economy and Committee on Investment were used as a basic data for the research. Economical methods like statistical and comparative analysis, system approach to studying of MNCs methods were applied. In addition, methods of the structurally functional analysis, synthesis, and expert estimates were used during the research process.

The paper deals with the issues of investment in the priority sectors of the economy of Kazakhstan. The methodological basis of the research is analytical and statistical methods, dialectical method of cognition and observation. The research consists in the following, which sectors of the Republic of Kazakhstan are the priority, that is, the most attractive for foreign investors with the lowest risks, with a high growth of forecasting. The impact of FDI on the economic potential and development of the country's economy (Agosin, 2000: 146).

We have developed the following research plan:

1. Analysis of trends in the functioning, outflow and inflow of foreign direct investment in the priority sectors of the economy of the Republic of Kazakhstan.

2. The main countries investors in the Republic of Kazakhstan on the indicators.

Currently, the main factor of the world economy was the direct international production of business associations, based on the international movement of business capital. Capital is characterized by a high degree of international mobility, its movement occurs in the process of moving financial flows between creditors and borrowers of different countries, between owners and their firms, which they own abroad (Eskeland, 2002: 1-23).

In the country context, the largest FDI flows are from the following countries: The Netherlands – \$ 3.1 million., US \$ 2.3 million, Switzerland – 1.2 million dollars, China – \$ 495.3 million, Russia – \$ 444.6 million., Belgium – \$ 646.4 million, France – \$ 415.6 million, Korea – \$ 246.8 million, UK – \$ 245.2 million (Sarsenov, 2017: 4).

Foreign direct investment is considered not only as an additional source of domestic investment, but also as a way to gain access to new, improved technology, to the sales system in foreign markets, to new sources of financing. Foreign investment can help accelerate the creation of new industries (Pao, 2011: 765).

At the same time, there are serious concerns that the transfer of control over resources to foreign corporations may lead to their outflow abroad at unreasonably low prices, negatively affect the potential of national economic development. Real investment policy should be based on the balance of positive and negative aspects of investment (Adeolu, 2007: 165).

Foreign investments in the global economy are becoming one of the most relevant and priority forms of economic cooperation between the countries. The total volume of these investments in the world is growing at a much higher rate each year than the total gross product of the countries of the world (Perkins, 2008: 2970).

The object of a research is the international investment activities of the multinational companies in the Republic of Kazakhstan in the conditions of globalization of world economy.

The priorities and different forms of the international investment activities of the Kazakhstan and foreign multinational corporations served as an object of research.

The relevance of work consists in application of an integrated approach to a research of the international investment activities and a role transnational corporation, in identification of the internal and external regularities defining the direction and dynamics of investment activities in the Republic of Kazakhstan.

Results and discussion

As stated in Kazakhstan International Business Magazine (2012), because of the extremely uneven distribution of capital investment, the imbalances in the industries are aggravated by imbalances at the level of economic development of the regions. According to their estimations, about 60 % of all investments in the country fall on the cities of Almaty

and Astana, and Western Kazakhstan, particularly Atyrau, Aktobe, Mangistau and Kyzylorda regions (where the raw material sector enterprises are concentrated). In these regions, more than 80 % of all the enterprises with foreign participation and affiliates of the fuel-and-energy sector operate (Smirnov, 2006: 56-61). To support this, we can say that at the end of 80s and at the beginning of 90s, during the economy reforming in Kazakhstan, the first MNCs, which were the main components of international business elite, entered to the country like Chevron, British Gas, Exxon Mobil, BP/Statoil, Royal Dutch/Shell, Texaco, Total, Coca-Cola, ENI, Mitsubishi, Samsung and Agip. In other words, most of foreign MNCs are concentrated in oil-gas sector. It is important to notice that foreign companies during the last 15 years played a vital role in identification, exploration and development of oil deposits in our country. As there was allowed to setting up not only the joint production in Kazakhstan, but also the companies with 100% participation of foreign capital, by that moment 85% of oil production capacity belonged to nongovernmental structures, mainly to foreign MNCs (Musaparova, 2004: 62).

For briefly conclude the literature review we can identify some main ideas. MNCs in Kazakhstan oriented mostly on raw materials production. They are mostly interested in this sector of economy and sometimes use their position to lobby own interests. Today we still do not have powerful corporations which can act in the world scene and be competitive. In this case, we need to carry out diversification and direct MNCs to production of finished goods within joint venture with Kazakhstani companies.

Foreign direct investment includes both the investor's initial acquisition of property abroad and all subsequent transactions between the investor and the enterprise in which his capital is invested. The composition of direct investment includes:

- investment of equity capital by companies abroad – capital of branches and shares in subsidiaries and associates;
- reinvestment of profits – the share of the direct investor in the income of the enterprise with foreign investments, not distributed as dividends and not transferred to the direct investor;
- intra-corporate capital transfers in the form of loans and borrowings between the direct investor, on the one hand, and subsidiaries, associates and branches, on the other.

In most studies on foreign investment, there is a positive role played by investment in the development of the economy of each country, not an exception, and our country – Kazakhstan.

In recent years, investment attractiveness accounts for the share of industrial real sectors of Kazakhstan, which attracted almost 2/3 of all capital investments. One of the strategic plans of the Ministry for investment and development of the Republic of Kazakhstan for 2017-2021 is the development of a diversified economy by improving the investment climate, including the involvement of TNCs in the manufacturing industry rather than in the raw materials sector of the economy.

The inflow of foreign direct investment in Kazakhstan is carried out through the establishment of joint ventures and subsidiaries, privatization of state-owned enterprises with foreign capital, transfer of large industrial enterprises to the management of foreign firms and investment in the banking sector. The main form of attracting direct investment in the Republic are joint ventures (JV), to a lesser extent – with 100% foreign capital-subsidiaries. The largest number of them was organized jointly with Turkey, Russia, China, Germany, United States of America, Italy, South Korea, Great Britain and other countries.

As shown in figure 1 for the period 2014-2016yy. gross inflow of foreign direct investment (hereinafter-FDI) in Kazakhstan amounted to 59.6 billion dollars. United States of America (of which in 2014 stands at 23.7 million. US \$14.8 million in 2015 – United States of America and in 2016 – about us \$21 million).

As can be seen from figure 1, there is still a steady trend of investment in the extractive industry, with a decrease in the level of scientific and technical activities. At the same time, there is a positive trend in investment in the manufacturing industry.

Due to the fall in prices for the main export commodities, there has been a decline in FDI inflows to our country.

Thus, in comparison with 2014 (\$23.7 million). The volume of gross FDI for 2016 decreased by 11.5 % to \$ 21 million. At the same time, despite the decline in FDI in a number of industries, compared with 2014, FDI in the manufacturing industry increased in 2016:

- production of chemical products 4.8 times (2016 – \$173 million), 2014 – \$35.9 million.);
- production of textiles, clothing and leather 2.8 times (2016y. – \$ 16.8 million), 2014y. – \$ 6.1 million.);
- production of vehicles and equipment – 2.4 times (2016y. – \$ 20.8 million), 2014y. – \$ 8.6 million.);
- production of the metallurgical industry by 1.2 times (2016y. – \$ 3.5 million), 2014y. – \$ 3 million.).

According to the National Bank of the Republic of Kazakhstan in the 1st half of 2017, the volume of gross FDI inflow amounted to \$ 10.5 million. that is 8.6% more than in the same period of 2016 (\$9.6 million).

The largest increase in gross FDI inflows is seen in industries such as:

- trade-by 54.2% (\$1.3 million);
- mining-2.2% (\$5.7 million);
- manufacturing-by 46.7% (\$2.4 million);
- transport – 10.3% (\$308.4 million);
- agriculture – by 13.7% (\$14.3 million).

The largest fall in gross FDI inflows in the following sectors:

- professional, scientific and technical activities-95% (\$151.2 million);
- in exploration decline of 95.3%;
- information and communication-94.2% (\$21.7 million).

At the same time, the share of the manufacturing industry in the production of oil and coal, processing of petroleum products in the investment structure increased from 16.9% (in the 1st half of 2016) to 22.8% (in the 1st half of 2017).

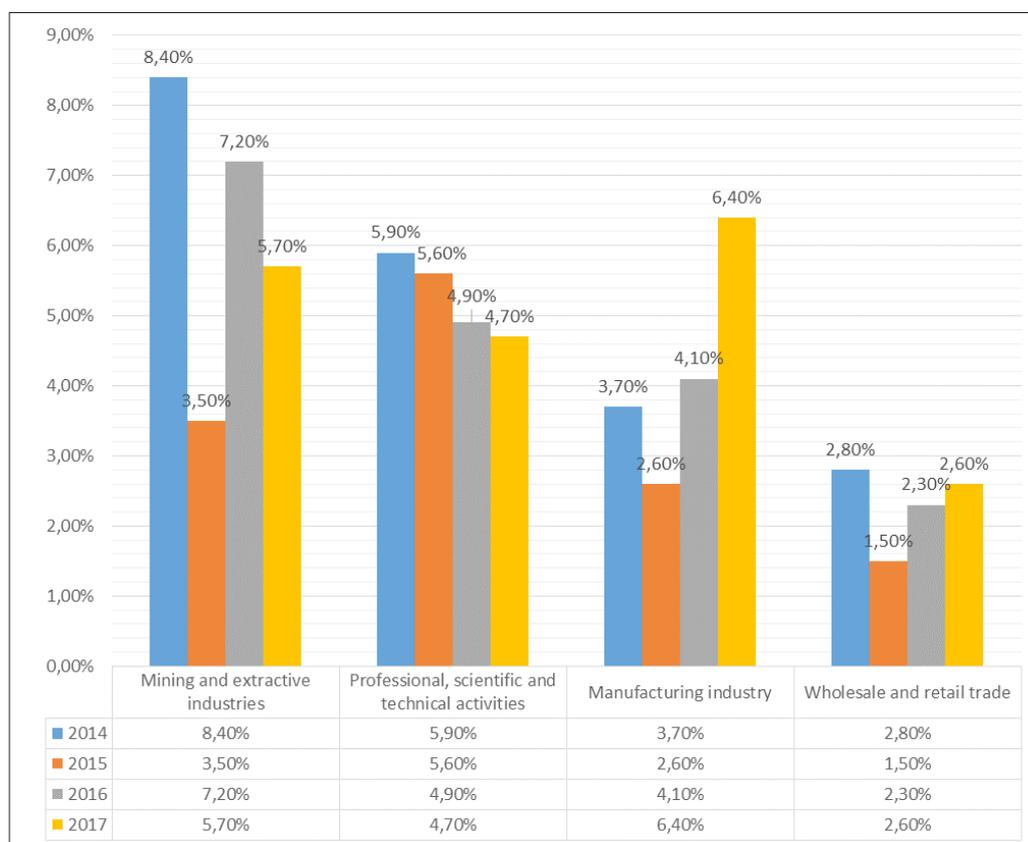


Figure 1 – Gross inflow of direct investment by industry for 2014-2017 years, in %

Note – calculations Ranking.kz on the basis of data of NB RK

In the context of the new economic reality – the outflow of capital from emerging markets and falling prices for the main export commodity positions, the Government of the Republic of Kazakhstan faces the task of finding new sources of investment in the development of production in non-commodity sectors of the economy.

In order to improve the investment climate, significant measures are being taken to support investors, including:

- a package of incentives has been introduced, providing for investment preferences, stability of legislation;

- a detailed plan was adopted to improve the investment climate, aimed at improving the visa and migration regime, the import of foreign labor, tax and customs legislation, etc.;

- since 2016, the WORLD is a “one window” for investors, where they can get the public services necessary for the implementation of investment

projects. Also, “one window” was created in all regional centers of Kazakhstan;

- there is an investment Ombudsman, which protects the rights and legitimate interests of investors;

- a Government Council has been established to coordinate the work on major investment projects involving TNCs.

Also, in all regions there are councils to attract investment under the leadership of government structure to address issues at the local level.

As part of the implementation of the National action plan for the implementation of The President’s address to the people of Kazakhstan dated November 30, 2015 “Kazakhstan – a new global reality: growth,

reform, development” and “national Plan – 100 steps to implement five institutional reforms”, special attention will be focused on further improvement of the investment climate and attraction of TNCs.

In the long-term dynamics it is noticeable how the interest of countries to Kazakhstan increases. After a sharp decline in global investment flows in 2014 (up to 1.3 trillion. doll.) in Kazakhstan, their volume fell by a significant 38.7% next year.

However, since 2016, there has been a systematic restoration of the investment attractiveness of industries against the background of modernization of the investment climate of the country in favor of “effective” investments aimed at increasing production and trade turnover (Figure 2).

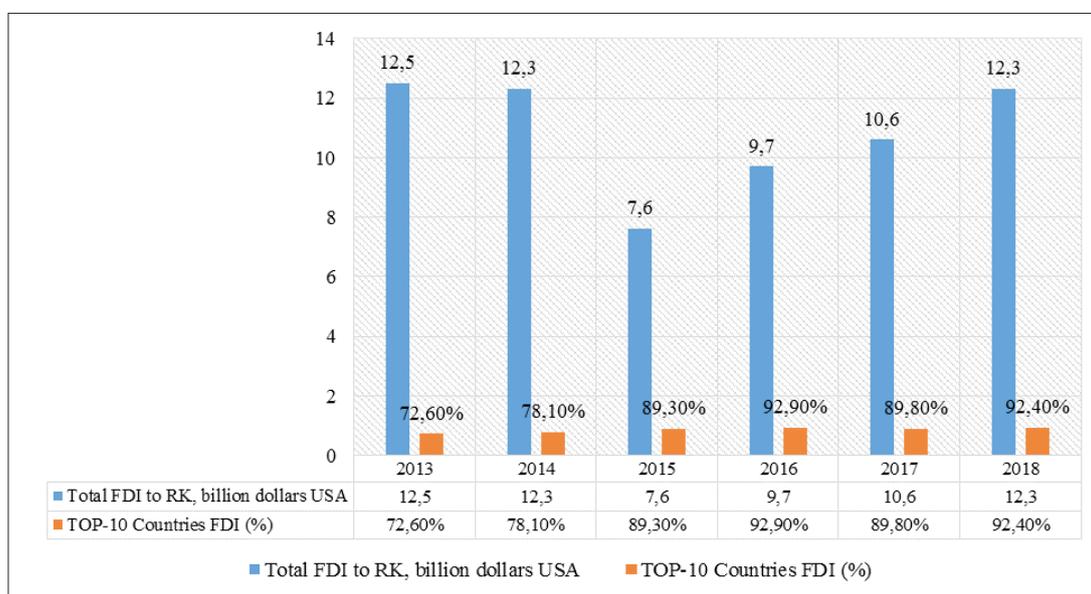


Figure 2 – The histogram of FDI inflows to Kazakhstan, billion dollars USA

Note – calculations Ranking.kz on the basis of data of NB RK

As shown in Figure 2, investments in fixed assets for January-April 2018 amounted to 2.6 trillion tenge – this is 41.6% more than in 2017 (it was 1.9 trillion tenge). The main areas of investment are:

- industry – 1.7 trillion tenge (2017 – 1.1 trillion tenge);

- operations with real estate – 335.9 million tenge (2017 – 251,9 million tenge);

- transport and storage – 304.1 million tenge (2017 – 191,9 million tenge).

Collectively, the share of these three areas is 88.4%, or 2.3 trillion tenge.

In industry, the main share of investments is directed to the production of crude oil and natural

gas – 1.1 trillion tenge (65%), production of coke and petroleum products – 215 million tenge (12.8%), and production of metal ores – 98 million tenge (5.8%).

But successful integration of the country into the international community assumes formation of the mechanism of optimum interaction with all its elements, including, with its main subjects – multinational corporations. For today in Kazakhstan, according to data of UNCTAD, more than 1600 branches of multinational corporations with number of employees – about 18 thousand people registered the activity that makes about 0.12% of the total number of the population of the country. It should

be noted that the dominating positions in economy of Kazakhstan, by the number of branches of multinational corporation, occupy the companies of countries of Western Europe – 13, they are followed by the companies of the countries of Asia – 7 and the USA – 5.

It is caused, first of all by the fact that activity of multinational corporation is to some extent carried out by means of an investment of direct foreign investments in the organizations and the enterprises of various sectors of the economy. By means of direct foreign investments of multinational corporation exercise effective control over the domestic enterprises.

The analysis of the volumes attracted with FDI over the countries investors during 1995-2018 showed that the main volume of FDI arrived from the developed countries, such as: Netherlands (24.1%), USA (15.3%), Great Britain (7.7%), France (6.1%), Italy (3.9%), Canada (3.3%) and Switzerland (3%). Besides, rather large investors in economy of Kazakhstan are Russia (3.9%), China (3.9%) and South Korea (2.8%), the contribution of the investment capital which arrived from offshore zones is also essential (The Virgin Islands – 5%). Shares of other countries are insignificant and make about 3%. In total invests about 116 states in economy of Kazakhstan (Figure 3).

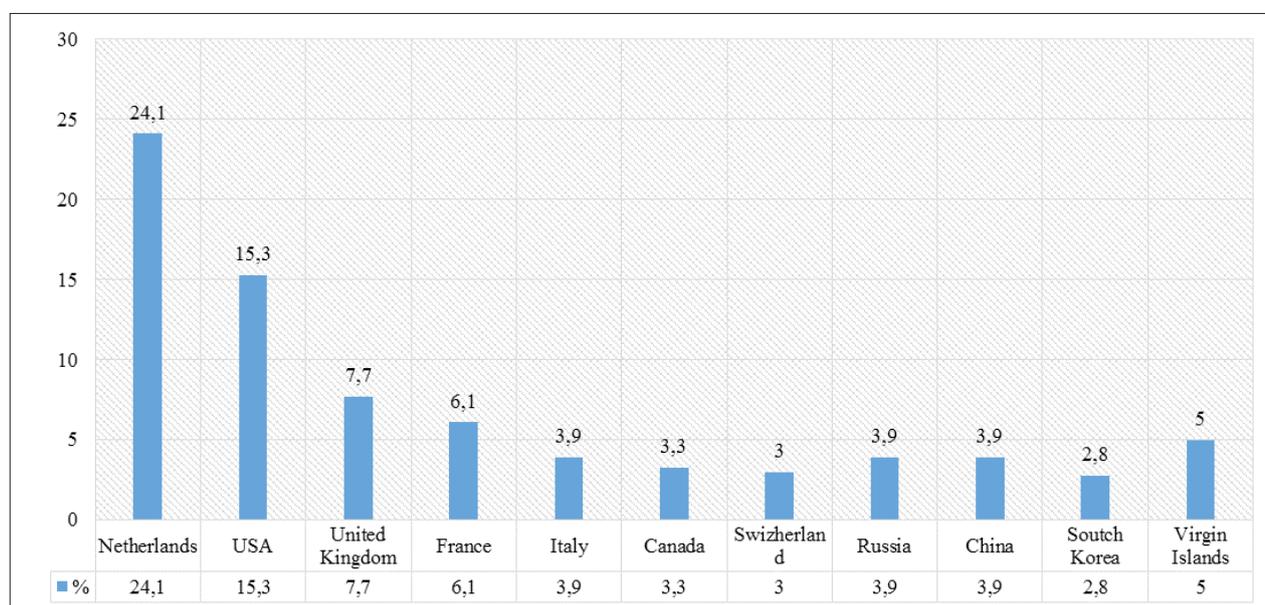


Figure 3 – The analysis of the volumes attracted with FDI over the countries investors during 1995-2018, in %
 Note – calculations Ranking.kz on the basis of data of NB RK

Besides, a small part of foreign direct investments fell on development of trade and car repairs and products of house use (5.7%), the financial sector (4.9%), activity of the professional organizations and associations (2%), civil engineering (2.3%) and transport and communication (1.6%). A little more than 1% of all PII fall to the share of other industries. Such distribution of FDI on the industries, first of all, is connected with the high level of profitability of the raw sector of economy.

According to data of National Bank of Kazakhstan, during 2005 on 1 on since 2011 significant increase in volumes of investment is observed that it is connected with an active phase of development of the Kashagan Field entering number

5 of the most large-scale deposits in the world on oil reserves. The NCOC company which shareholders are KazMunaiGas, ENI, Total, “Exxon Mobile”, “Shell” (on 16.81%), “Konoko Phillips” (8.40%), “Inpeks” (7.56%) acts as the operator of this field. The sum of the attracted FDI per capita in 2011 was 1,207.3 US dollars of the people that more than by 2.5 times exceeds an indicator of 2005 and values of 2010 are 7.3% higher. The volume of the saved-up FDI during 1993-2011 per capita in Kazakhstan was 8,793.4 dollars of the USA/people, 90% of stocks of JSC Shymkentnefteorgsintez are sold to Vitol Munay (Switzerland) now. Also Vitol Munay is large (43%) Arawak Energy joint stock company – the public company, quoted at the exchange of

Toronto. 90% of stocks of JSC Yuzhneftegaz – firm of the Kumcoil Hurricane of Ltd. (Canada), 60% of stocks of JSC Aktobemunaygaz – China National Petroleum Corporation, 60% of stocks of JSC Mangistaunaygaz – the Indonesian company Centralaziya Ltd Petrol, 95% of stocks of JSC Karazhanbasmunay – the Triton (Canada).

In general, the analysis of activity of foreign multinational corporations in Kazakhstan allows to allocate the following number of the developed trends:

- concentration of the transnational capital in a mineral and raw complex is caused by the fact that in the conditions of globalization actually there was new international division of labor according to which Kazakhstan is considered as the large supplier of raw materials, in particular hydrocarbon.

- the existing low efficiency of the mechanism of a contract control system. In general, results of programs of privatization and a contract control system were unambiguous. On the one hand, production was stabilized, and plants continued to provide with jobs and social services settlements, in those regions where they worked. For example, the Ispat International company (Great Britain-India) took over pig-iron and steelmaking production of ArcelorMittal on the control and control, Samsung (South Korea) concluded bargains with Zhezkazgan and Balkhash copper plants, “Glencore Trading” (Switzerland) concluded commercial bargains with Kaztsink.

- there is unresolved a problem concerning activity of multinational corporation and respect for human rights. So, the mechanism of recognition, observance and protection of human rights in developing countries, in particular, and in Kazakhstan is insufficiently effectively developed.

Now experts note the insufficient number of strong independent labor unions, there is no united movement “green” and the powerful movement in consumer protection. Access for citizens to justice and adoption of ecologically significant decisions is to some extent limited. It in turn causes the fact that foreign multinational corporations, for receiving higher profit in some cases violate fundamental human rights. Multinational corporations (multinational corporation) will relocate the branches in the countries of Central Asia to Kazakhstan.

Almost three quarters of all investments in the industry are directed to the mining sector – 73.5%, or 1.6 million tenge, which is 56.6% more than a year ago. Another 19% was in the segment of processing – 404.8 million tenge, which is 33.6% more than a year earlier. Less than 8% of all investments in

the industrial sector have contributed to energy and water supply.

In the refining segment, the main volume of investments also fell on the sphere related to oil – 225.4 million tenge was poured into the production of coke and refined products, plus 38.3% for the year. In second place – the metallurgical industry – 15% of investment in processing, 62.9 million tenge, followed by the food industry – 46.3 million tenge is 11.4% of the investments of the manufacturing industry.

In the first half of 2018, Kazakhstan attracted 12.3 million us dollars to the national economy, which is 15.4% more than a year earlier – 10.6 million us dollars.

It is noteworthy that 92.4% (\$11.3 billion) all investment flows to the country formed a total of 10 countries (Figure 4).

The absolute leader in investments is the Netherlands, for 6 months the volume of investments amounted to 3.8 million dollars. The second strategic investor-the US is 2.8 million dollars. Switzerland closes the top three insurance leaders – \$1.3 million. The nearest neighbor Russia in 2018 invested in joint projects in the amount of 821 million dollars, against 586.3 million a year earlier.

Representatives of the 10 largest investor countries formed a pool of the most attractive industries. Dutch investors in the history of economic relations with Kazakhstan have invested 54.2 million dollars (75.8% of all investments) in the mining industry. In the manufacturing industry and professional, scientific and technical activities directed 5.3 million and 5 million dollars, respectively (a total of 14.5%).

Us investors have a similar industry investment portfolio: the mining industry accounts for 91.6% (\$28.2 million). all investment volumes. Also, investors from the US see the potential in the financial sector of Kazakhstan, cumulative investments in which amount to 1.3 million dollars (share – 4.3%). Close the list of investments in professional, scientific and technical activities – 479.6 million dollars (share – 1.6%).

Investment preferences of active investors from Switzerland are radically different from those of the previous two countries. For example, the main Kazakh industry investment magnet for Swiss investors is the manufacturing industry: \$3.1 billion US (65.8%) accumulated investments. Next is the wholesale and retail trade, repair of motor vehicles and motorcycles: 480,1 million USD (a share of 10.1%). In the TOP 3 industries also got information and communication – 408.2 million dollars (8.6%).

The total investment from Switzerland at the end of the first half of 2018 is 4.7 million dollars (Figure 3).

At the same time, it is noted that the Northern neighbor – Russia is not only one of the key investors of the national economy, but also an important strategic partner. The flow of investments from Russia to Kazakhstan for all years of relations is 12.2 million dollars.

Russian investors, unlike their counterparts (TOP 10 investor countries), have made a more diversified portfolio, distributing investments in relatively equal shares 24.3% (\$3 million) was allocated to the manufacturing industry all means. The mining industry attracted 2.6 million dollars (21.2%) of Russian assets. Closes the three potential industries of wholesale and retail trade,

repair of cars and motorcycles: 1.9 million dollars (15.9%).

According to the research of the analytical review, by 2022 the inflow of foreign direct investment should grow by 26% compared to the data of 2016, and the ratio of FDI to GDP should be at the level of 19%, while at the moment this figure is 16.5%. Taking into account the investment restructuring and the focus of investments in the service segment of the economy, by 2022 the volume of foreign investments in fixed assets of the non-commodity sector of the economy should increase to 50%, also compared to 2016.

The bulk of foreign investment continues to be directed to areas that do not require large-scale investments and are characterized by rapid payback.

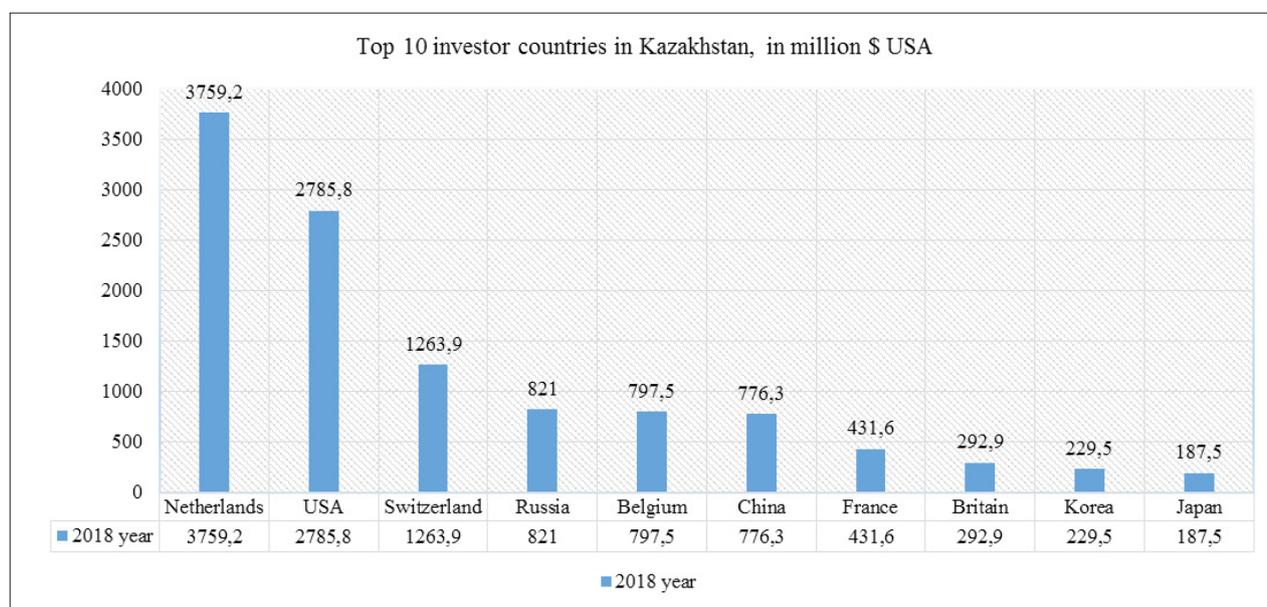


Figure 4 – Chart of the main countries investing in Kazakhstan’s economy, in million dollars USA
 Note – calculations Ranking.kz on the basis of data of NB RK

Conclusion

To sum up, authors attempted to show FDI inflow to Kazakhstan economy and its future prospects. As KISS (Kazakhstan Institute for Strategic Studies) experts predict the tendencies of the world economic development in the short run are mostly negative and at least with high level of probability of GDP growth rates delay in global scale and also in leading economies. Delay of economic growth rates is predicted in reviews practically of all authoritative international organizations worsened estimates of growth of

world economy prospects. In this situation of delay in economic growth all over the world, there is a question how FDI flows and MNC activities will change globally and particularly in Kazakhstan. As analysis show within the Central Asia and CIS countries Kazakhstan is one of the rapidly growing and one of the most FDI attractive countries. Kazakhstan government has already formed the most favor condition for investors. From our point of view, the number of MNCs in Kazakhstan will continue to grow, as they can find good opportunities for their business: the extension of the market with population up to 182 million

people as a result of Eurasian Economic Union; in addition, the important location on New Silk Road strengthens its geopolitical role as a bridge between Europe and Asia.

Thus, making a conclusion on the study of trends in the functioning, outflow and inflow of foreign direct investment in the priority sectors of the economy of the Republic of Kazakhstan, in the sectoral structure of investments, the main share is occupied by the mining industry, and the

oil and gas industry is still one of the first places in terms of attracted investments. Industries such as construction and manufacturing receive the least foreign investment. These figures for the last two industries have not changed significantly over the past 5 years. Investors are still reluctant to invest in these industries. The main investors in Kazakhstan are developed countries such as the Netherlands, the USA, Switzerland, China, Russia, Belgium, France, Korea and the UK.

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