



Eurasian Development Bank

# EDB Monitoring of Mutual Investments — 2023

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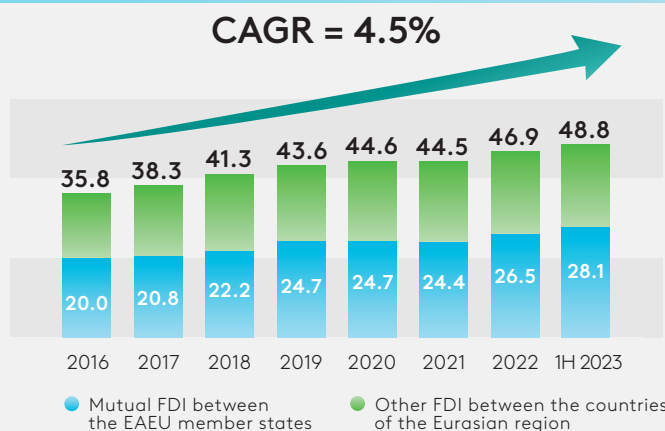


# EDB MONITORING OF MUTUAL INVESTMENTS — 2023

## KEY CONCLUSIONS

ANALYTICAL REPORT'23

**MUTUAL DIRECT INVESTMENT STOCK OF THE EURASIAN REGION COUNTRIES IS CONSTANTLY GROWING.  
THE SHARE OF MANUFACTURING INDUSTRIES IS INCREASING**



**57.6%**

+2.7 p.p. vs 2021

share of mutual direct investments of the EAEU member states in total mutual FDI in the Eurasian region

**18.0%**

+1.9 p.p. vs 2021

share of manufacturing industries in mutual FDI of the Eurasian region

## CENTRAL ASIA IS BECOMING INCREASINGLY ATTRACTIVE FOR EXTERNAL AND REGIONAL INVESTORS



**Kazakhstan is the most attractive country for investing in the Eurasian region**

**27.2%**  
+0.7 p.p. vs 2021

Kazakhstan's share in mutual FDI of the countries of the Eurasian region (as a recipient of investments)

**1.6x**

increase in mutual direct investments in Kazakhstan since 2016



**Intra-regional investment ties in Central Asia are strengthening**

**\$1.1 bn**  
1.8x vs 2016

intra-regional direct investment stock in Central Asia

**31.7%**  
-14.2 p.p. vs 2020

share of extractive industries (decrease due to increase in the share of manufacturing industries and financial services)

## INVESTMENT COOPERATION AMONG THE COUNTRIES OF THE GREATER EURASIA IS EXPANDING

**Movement and scope of mutual FDI of the countries of the Eurasian region with China, Turkey, and the Arab states of the Middle East and North Africa:**

**+24.7% vs 2016**  
\$79.9 bn



Mutual FDI with China. Extractive industries are the priority investment target for Chinese investors in the region.

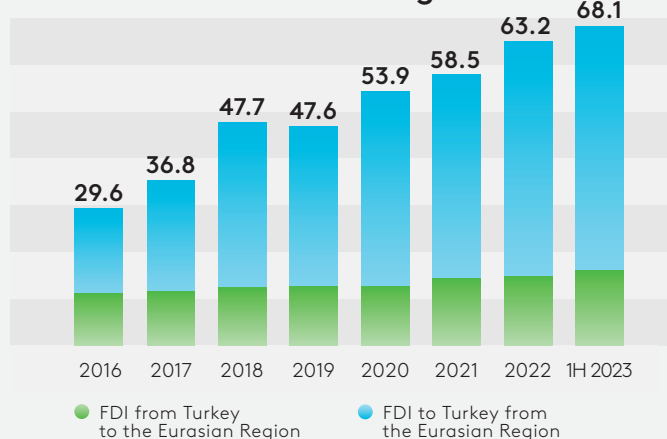
**2.7x vs 2016**  
\$8.4 bn



Mutual FDI with the Arab states (UAE, Saudi Arabia, Qatar, Egypt, Algeria, Iraq, Libya, Oman).

The power industry is the priority investment target for Arab investors in the region.

**2.3x** dynamic growth of mutual FDI between Turkey and the countries of the Eurasian region



Manufacturing industries are the priority investment target for Turkish investors.



Eurasian Development Bank

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The report continues the series of publications detailing the findings of a long-standing research project dedicated to monitoring of mutual direct investments of the countries of the Eurasian region. The analysis relies on a database maintained by the EDB on the basis of diverse data obtained from publicly available sources. The database is generated “from the bottom up”. Its main sources are corporate statements and other primary information. The project makes it possible to take into consideration investments made through offshore structures and other “trans-shipping destinations”, as well as reinvested foreign profits.

The report contains detailed information on the scope, development, geographical and sectoral structure of mutual direct investments of the countries of the Eurasian region from 2016 to 1H 2023. Special attention is paid to a review of mutual investments by companies from the Eurasian Economic Union member states, with special emphasis on their dual role as providers and recipients of capital. The authors also review mutual investments of certain individual countries, including those situated in the Greater Eurasia space (China, Iran, and the Arab states). Investment ties between the countries of the region and Turkey represent a new element of our research.

**Keywords:** direct foreign investments, mutual investments, investment projects, Eurasian Economic Union, Eurasian economic integration, transnational corporations.

**JEL:** E22, F15, F21, F23, F36, G31, G34.

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# TABLE OF CONTENTS

<b>SUMMARY .....</b>	<b>5</b>
<b>INTRODUCTION .....</b>	<b>11</b>
<b>1. MUTUAL DIRECT INVESTMENTS OF THE COUNTRIES OF THE EURASIAN REGION ...</b>	<b>12</b>
Changes in Mutual Direct Investment.....	12
Main Investment Deals in 2022–2023 .....	17
Mutual FDI Geography .....	19
Mutual FDI Sectoral Structure .....	22
Russia as the Largest Capital Provider in the Region.....	25
Kazakhstan as the Leading Recipient of Mutual FDI in the Region .....	29
Intra-Regional FDI Flows in Central Asia .....	32
<b>2. MUTUAL INVESTMENTS IN THE EURASIAN REGION: DEVELOPMENT PROSPECTS...</b>	<b>34</b>
Constraints on Investment Co-operation .....	34
High-Potential Investment Niches.....	35
Medium-Term Mutual Investment Trends in the Eurasian Region .....	36
<b>3. MUTUAL INVESTMENTS WITH THE COUNTRIES OF GREATER EURASIA .....</b>	<b>39</b>
Turkey: Active Investments in the Region’s Manufacturing Sector .....	39
China: Largest Investor in the Region with a Focus on the Extractive Industries .....	43
Middle East: Islamic Banking as a Co-operation Priority .....	46
<b>APPENDIX 1. INVESTMENT TIES BETWEEN COUNTRIES OF CENTRAL ASIA AND COUNTRIES OF GREATER EURASIA .....</b>	<b>49</b>
<b>APPENDIX 2. EAEU MEMBER STATES AND COUNTRIES OF CENTRAL ASIA IN CHINESE AND TURKISH INVESTMENTS .....</b>	<b>51</b>
<b>APPENDIX 3. EDB MMI DATABASE METHODOLOGY.....</b>	<b>53</b>
<b>REFERENCES.....</b>	<b>56</b>
<b>ABBREVIATIONS .....</b>	<b>58</b>













# SUMMARY

The EDB Monitoring of Mutual Investments (EDB MMI) Database is an ongoing analytical project of the EDB. The database contains detailed information on mutual direct investment stock in the Eurasian region. The region covers 12 countries: Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan, and Ukraine.

The EDB has been doing annual mutual direct investment reviews since 2012. The project's database forms the foundation of the EDB MMI (see [Figure A](#)). The EDB MMI database contains detailed information on investment projects, including the following: recipient sector, investor company, investor ownership type, recipient, nature of investment, estimated year-end investment value for each project from 2016 to 1H 2023. In 2023, the EDB MMI methodology was enhanced with additional parameters (sources of funds, uses of funds) to enable an even more robust analysis of ongoing investment projects.

A new feature that was added to the EDB MMI database in 2022 is information on mutual FDI of the countries of the Eurasian region with China, Iran, and the Arab states. A new element in 2023 is information on investment relations with Turkey.

↓ **Figure A. EDB MMI Database**

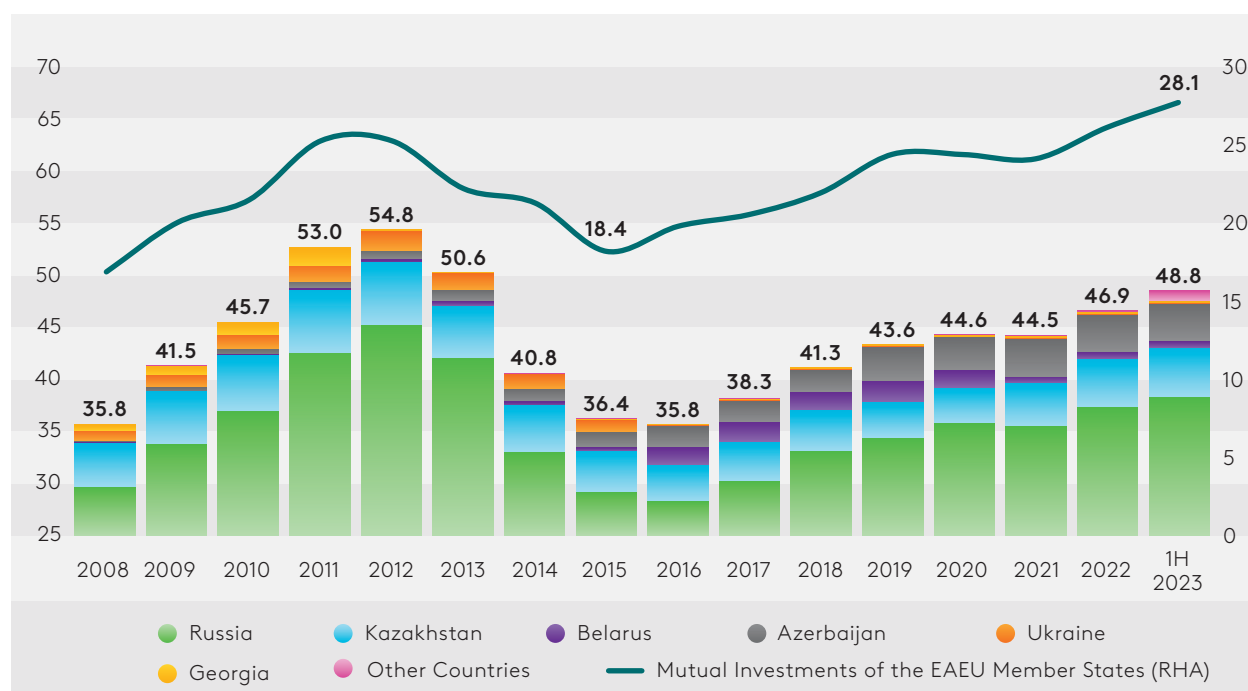
EDB MMI database — intellectual property of the Bank. The EDB has monitored investment projects since 2012				
Unique Methodology		The database is updated and supplemented on an annual basis	 Generated “from the bottom up” and <b>covers investments channelled through offshore areas</b>	 Maintained on the basis of diverse data obtained from publicly available sources
Level of Detail		Information on the scope, development, geographical, and sectoral structure of mutual FDI	 <b>Monitoring of a broad range of parameters</b> (ownership structure of the investor company, FDI form, etc.)	 OKVED-based sectoral classification (to the second digit)
Broad Coverage		1,300+ investment deals in the region	 Significant regional projects with values of \$1+ million	 <b>Mutual FDI between the countries of the region and China, Turkey, and the Middle East</b>
Benefits		Advantage in business decision-making	 Applied analysis tool. Measurement of integration processes	 <b>Supplements central (national) bank investment statistics</b>

Source: EDB.

By the end of 1H 2023, **total mutual direct investment stock of the countries of the Eurasian region amounted to \$48.8 billion (see Figure B).** Mutual FDI stock of the countries of the Eurasian region increased by 5.4% in 2022, and continued to grow in 2023.

**That upward movement was driven by several large deals, including the following:** acquisition of the Stepnogorsk Mining and Chemical Combine (Kazakhstan) by Rosatom (Russia) for \$1.6 billion; \$577 million investment by Kazakhstan's Kaz Minerals into the Baimskaya Project in the Chukotka Autonomous District (Russia); and ~\$160 million investment by EuroChem (Russia) in the construction of a new chemical fertiliser plant in Zhambyl Region (Kazakhstan).

↓ **Figure B. Scope and Structure of Mutual FDI Stock in the Eurasian Region, \$ billions**



Source: EDB MMI Database.

**Russia remains the main capital provider in the Eurasian region, with a 78.9% share** at the end of 1H 2023 (EOY 2021: 80.3%). The second position in terms of outward FDI stock is held by Kazakhstan with 9.5%. Azerbaijan comes third with 7.3% of total investment in the region.

**In 2023, Russian investors were involved in 12 of the 20 new projects, with a total value of \$1.1 billion.** Kazakhstan is the main recipient of Russian investments, largely due to the oil company KazMunaiGaz and its Russian partners — Sibur and Tatneft. Outside the EAEU, Tatneft investments in Uzbekistan produced the most impact on FDI flows.

**Kazakhstan reinforced its status as the regional leader in terms of inward mutual investment stock, with 27.2% in July 2023 vs 26.6% in 2021.** Other notable investment recipient countries in the region are Uzbekistan (19.8%), Belarus (12.0%), Russia (9.8%), and Azerbaijan (8.7%), while Armenia, Georgia, and Ukraine are at the bottom of the list with 6.8%, 6.1%, and 3.7%, respectively.

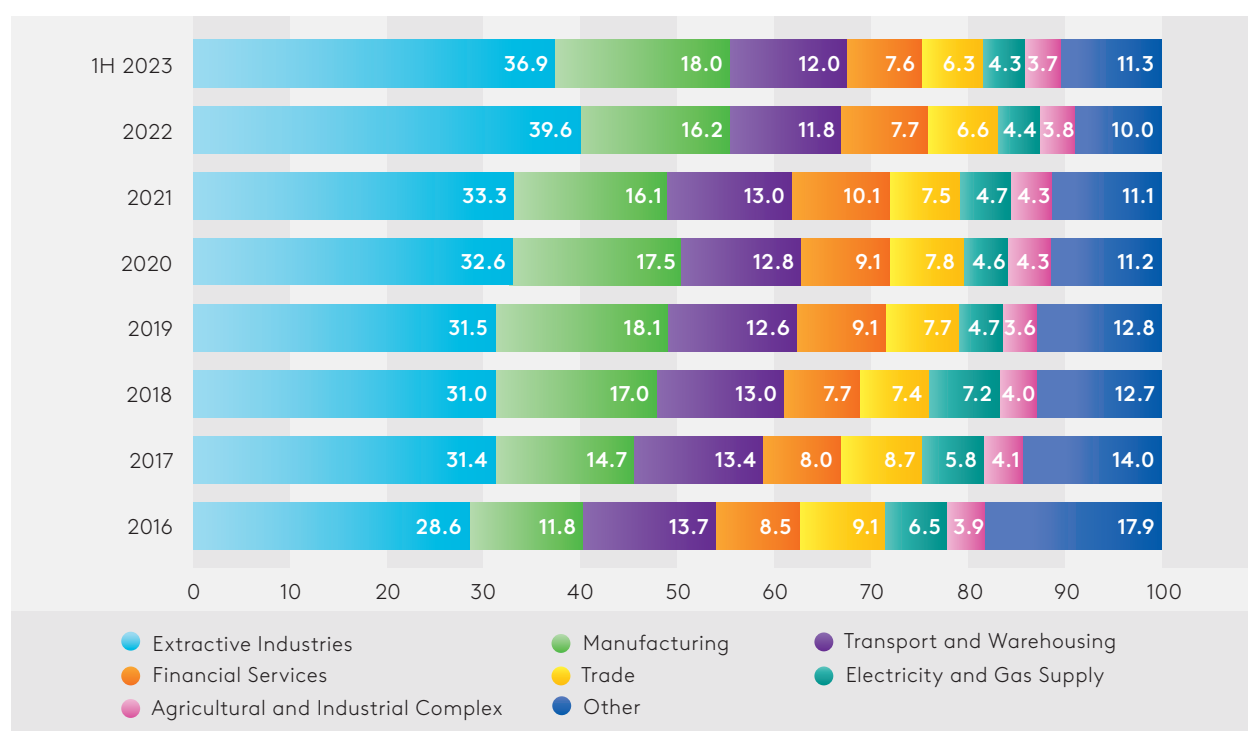
**Russia–Kazakhstan mutual FDI is the largest in the region.** The EDB MMI database has records of 119 investment projects of these two countries totalling \$16.1 billion (57.3% of total EAEU mutual FDI, and 33% of total Eurasian region mutual FDI), of which \$13 billion is represented by Russian projects in Kazakhstan. Kazakhstan is the leading recipient of Russian capital in the region.

**Mutual investments in Extractive Industries are becoming more significant for the countries of the Eurasian region (Figure C).** The share of such FDI currently stands at 37% (\$18 billion) vs 29% in 2016 (\$10.2 billion).

**Land and pipeline transport is a major component of the region's economies.** Its share in total mutual FDI stock of the region is 12%. Transport and logistics are also becoming increasingly attractive investment targets in Central Asia due to a realignment of commodity flows and the resultant expansion of distributor networks and warehousing infrastructure by Russia's largest marketplaces (Ozon, Wildberries).

**There is also an increase in the number of mutual high value-added manufacturing projects.** Nineteen out of a total of 99 such projects were launched in the last 18 months. The share of Manufacturing in total FDI is rapidly growing, having increased by 6 p.p. to 18% since 2016.

↓ **Figure C. Structure of Mutual FDI Stock in the Eurasian Region, %**



Source: EDB MMI Database.

**The geopolitical situation had the most impact on Financial Services.** The share of that sector decreased from 10% in 2021 to 8% in 2022–2023. In previous years, establishment of subsidiary companies by regional banks was the key upward driver of FDI stock in the sector. Until 2022, it was dominated by the Russian Sberbank (total FDI stock: \$1.1 billion) and Alfa-Bank (\$632 million). In 2022, after the sale of Russian banking assets in the CIS countries, the Armenian Ardshinbank had the second-largest FDI stock of \$432 million. VTB topped the chart with \$516 million.

**Mutual FDI of the EAEU member states is estimated at \$28.1 billion. The share of the EAEU in mutual direct investments of the countries of the Eurasian region reached 57.6% vs 54.8% in 2021,** as investment co-operation among the EAEU member states intensified relative to co-operation with the other investment ties in the region.

**Of the 28 new projects completed in the EAEU since 2022, 23 were in Kazakhstan, four in Russia, and one in Kyrgyzstan.** Two of the four Russian projects were implemented by the Belarusian company Amkodor, which built two agricultural equipment plants in Leningrad

Region and Ufa. Kazakhstan's \$34 million investment project for construction of a solar power plant in Kyrgyzstan was a pilot to promote investment collaboration in the Central Asia region.

**In 1H 2023, total mutual direct investments in Central Asia amounted to \$1.1 billion, increasing by a factor of 1.8 vs 2016.** The key mutual capital investment targets include Extractive Industries (31.7%), Manufacturing (25.0%), and Financial Services (21.9%). The main internal investors in the region are Kazakhstan (87%), and Uzbekistan (13%). The largest investment recipient in Central Asia is Kyrgyzstan, with 63% of total mutual FDI. It is followed by Uzbekistan (24%) and Kazakhstan (11%). The largest projects in the region are being carried out by Kazakhstan's Kaz Minerals, United Cement Group, Halyk Bank, and Verny Capital, and by Uzbekistan's Artel and Alliance Textile.

**Investment collaboration among the countries of the Eurasian region encounters a number of objective obstacles and limitations.** The main hurdles include the persistent disparity in the level of economic development and quality of legislative and regulatory frameworks, trade and customs barriers, and underdeveloped transport and logistical infrastructure, especially in some countries of Central Asia.

**In the medium term, changes in mutual investments in the Eurasian region may be somewhat erratic** due to the financial constraints faced by Russian companies, and the mounting uncertainty. **According to our estimates, mutual investment trends in the Eurasian region are as follows:**

1. **The "geopolitical distance effect" will continue to play an important role.** The share of the EAEU member states in mutual investments in the Eurasian region will be increasing.
2. **Dynamic growth in Manufacturing.** This trend will be supported by stronger industrial co-operation, spurred by dwindling western imports. One notable example is TechnoNICOL, a Russian company which started the construction of a plant for the production of rock wool heat and sound insulators in Kazakhstan in 2022.
3. **Transport and Logistics are becoming increasingly attractive for investors.** This can be attributed to the realignment of commodity flows, primarily those traversing Central Asia, and the plans of Russian marketplaces to create local distribution centres in the countries of Central Asia.
4. **Increase in capital investments by Russia in the countries of the Eurasian region.** Capital investments that were previously intended to expand markets in the west will probably be redirected to the EAEU member states and the countries of Central Asia.
5. **Mutual FDI in Financial Services and Telecommunications will likely suffer from stagnation.** The current trend is explained by the exodus of Russia's and Kazakhstan's largest banks from several countries of the region. Telecommunications projects are also ebbing away.
6. **Modest increase in "green" investments.** In 1H 2023, there were only six "green" projects in the region, accounting for 1% of total investments.

**The Eurasian region is a net recipient of investment capital from China, Turkey, Iran, and the Arab states of the Middle East and North Africa.** Kazakhstan is the largest investment recipient from these countries, with a total FDI stock of \$46 billion.

**Most mutual investments of the countries of the Eurasian region are associated with China and Turkey.** They account for \$79.9 billion and \$68.1 billion, respectively, of total

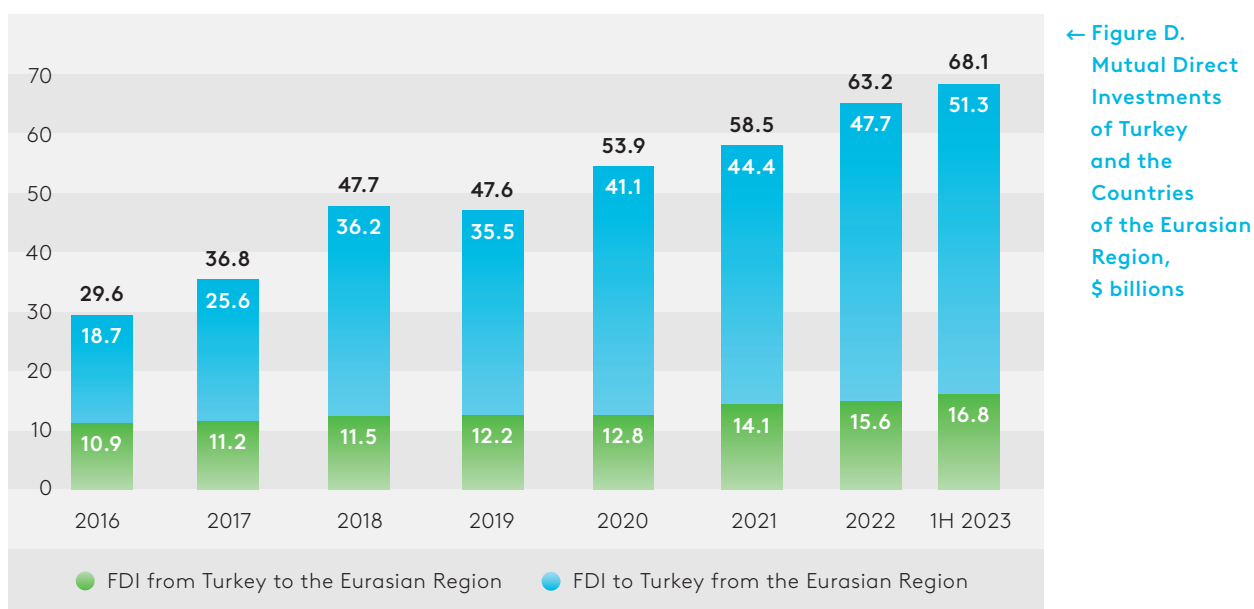


mutual FDI (\$158.2 billion). China is a net investor in in the Eurasian region, while Turkey is a net recipient of capital.

**Mutual FDI stock with Turkey is increasing rapidly.** The average annual rate of growth of mutual direct investments with Turkey is 13%, while for China that indicator is merely 3.2%. Relative to 2016, mutual FDI with Turkey increased by a factor of 2.3, and the number of projects from 99 to 172. Turkish investors have also been increasingly active in Central Asia.

**Turkish investments in the countries of the Eurasian region cover a broad range of sectors,** with the largest amount going to Manufacturing (19.0%) and Extractive Industries (17.5%).

**Russia accounts for the largest share of mutual FDI between Turkey and the CIS countries,** with \$40.4 billion (59.3%). It is followed by Azerbaijan (\$20.5 billion, 30.1%), Kazakhstan (\$3.4 billion, 5%), and Belarus (\$1.3 billion, 2%). **Eurasian investments in Turkey are massive.** Three projects originating from the countries of the Eurasian region account for \$33 billion of total FDI stock: construction of the Akkuyu NPP by Rosatom, construction of the TurkStream gas pipeline with the participation of Gazprom, and construction of the Trans-Anatolian Gas Pipeline (TANAP) with the participation of investors from Azerbaijan.



Source: EDB MMI Database.

**The countries of the Eurasian region are regarded as high-priority targets by Turkish investors.** The share of the EAEU in Turkish direct investment stock increased from 1.6% in 2017 to 5.1% in 2022. Russia and Kazakhstan are among the non-EU countries that Turkish investors find most attractive.

**Chinese investments in the Eurasian region are strategically important for both parties.** They are related to Belt and Road infrastructure projects and power industry projects. By the end of 1H 2023, Chinese FDI stock in the countries of the Eurasian region was estimated at \$79.0 billion, a 24.7% increase vs 2016. Direct investments in Oil & Gas and Pipeline Transport account for about 70% of the total. According to official PRC data, in 2021 Chinese investment stock in the EAEU member states stood at 3.9% of total Chinese FDI, a 5.5% decrease vs 2017.

**In Central Asia, Chinese investments exceed Russian investments by a factor of 2.3.** At the end of 1H 2023, Chinese investments amounted to \$55.9 billion, Russian investments to \$23.8 billion. Both countries show the most interest in the region's Extractive Industries.

**Total mutual investment stock between the countries of the Eurasian region and their Islamic partners in the Middle East and North Africa** (Iran, Saudi Arabia, UAE, Iraq, Kuwait, Bahrain, Qatar, Oman, Egypt, Algeria, Libya, and Morocco) **amounted to \$10.2 billion**, of which \$6.8 billion was invested in the Eurasian region. The key areas of economic co-operation between the Islamic states and the countries of the Eurasian region include financing of infrastructure projects, development of hydrocarbon deposits, and banking, particularly Islamic banking.

# INTRODUCTION

The EDB project on monitoring mutual direct investments of the countries of the Eurasian region has been under way since 2012. It covers 12 countries: Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan, and Ukraine.

In 2022, the EDB MMI database was expanded by including new countries: China, Iran, and the Arab states (Saudi Arabia, United Arab Emirates, Iraq, Kuwait, Bahrain, Qatar, Oman, Egypt, Algeria, Libya, and Morocco). The new monitoring report also contains information on Turkish investment projects whose significance for the region has increased due to a steady expansion of trade and investment ties. China remains the main external investor in the region. The Middle Eastern countries and Turkey are also picking up momentum. In this research, all those states are collectively referred to as the “countries of Greater Eurasia”.

In 2023, the EDB MMI database was enhanced with additional parameters (sources of funds, uses of funds) to enable an even more robust analysis of ongoing investment projects (see the description of the EDB MMI methodology in [Appendix 3](#)).

At the end of 1H 2023, the EDB MMI database covered 1,018 projects. In 2022, it was supplemented with 262 projects. The Eurasian region accounts for 597 mutual projects, of which 452 projects, with a total value of \$48.8 billion, are ongoing.

Geopolitical challenges have a certain impact on direct investments in the Eurasian space. An analysis of the realignment of the interests of key players and of changes in geographic and sectoral diversification of their investment portfolios makes it possible to track sustainable trends shaping the mutual FDI landscape in the Eurasian region.

The report has three chapters dealing with various aspects of investment activities in the Eurasian region. [Chapter 1](#) covers mutual investments of the countries of the region, providing their detailed breakdown by the scope, movement, structure, and geography of mutual FDI. [Chapter 2](#) offers an assessment of the prospects of mutual FDI in the Eurasian region, taking into consideration potential investment niches and medium-term trends. [Chapter 3](#) focuses on mutual investments between the countries of the Eurasian region and key partners in the expansion of trade, economic, and investment co-operation in Greater Eurasia.

# 1. MUTUAL DIRECT INVESTMENTS OF THE COUNTRIES OF THE EURASIAN REGION

## Changes in Mutual Direct Investment

### Box 1. Global Capital Flows in 2022

In 2022, global FDI suffered a dramatic drop, decreasing by 12% to \$1.3 trillion ([UNCTAD, 2023b](#)) due to global geopolitical tensions, high food and energy prices, and significant debt burden. International project finance and cross-border mergers and acquisitions were particularly strongly affected by tighter financing terms, rising interest rates, and uncertainty in capital markets.

The reduction of global FDI flows in 2022 was caused primarily by the financial activity of multinational enterprises in the developed countries, where FDI decreased by 37% to \$378 billion. In the emerging economies, FDI increased by 4% to \$916 billion, reaching a record-breaking 70% of global FDI. The number of new investment projects rose by 37%. That trend, however, was not universal, with most growth occurring in several large emerging economies, such as the countries of South America (from \$92.8 billion to \$160.1 billion) and India (from \$44.8 billion to \$49.4 billion).

The CIS generally followed the global trend. The largest FDI decline was registered in Russia, where net FDI inflow in 2022 decreased from \$39 billion to -\$19 billion due to the exodus of international corporations from the Russian market, and the sale of Russian subsidiaries to local management.

Central Asia is a key target destination for investment flows. Net FDI inflow to the region increased by 39% to \$10 billion. In particular, net FDI inflow to Kazakhstan increased from \$3.3 billion to \$6.1 billion (+83%) over the course of just one year. The main sources of investment capital are transnational mining companies from the Netherlands and the USA. Uzbekistan also attracted a record-breaking volume of foreign investment, with a net FDI inflow of \$2.5 billion by the end of 2022.

The monitoring of FDI stock over the last 18 months makes it possible to trace the improvement of co-operative ties and mutual support among the EAEU member states. Because of the tense geopolitical situation in 1H 2022, international investment activity sustained a substantial decline, which resulted in partial cancellation of scheduled and/or ongoing projects, and slowed the growth of mutual direct investment stock.

The completion of several large investment deals in 2H 2022 reversed the negative trend which had shaped the mutual direct investment landscape in 1H 2022, as identified in the EDB MMI report for 2022 ([Kuznetsov, Vinokurov et al., 2022](#)).

First, in 2022 Kazakhstan's Kaz Minerals made a ₸40.6 billion (about \$577 million) equity investment in the development of the Baimskaya Project in Russia's Chukotka Autonomous



District. The company completed a strategic follow-up capitalisation to accelerate the development of the Baimskaya copper deposit. It had been engaged in active investment activities since 2019, buying additional stakes in the project, and by the beginning of 2022 total investments exceeded \$900 million.

Second, the Russian state corporation Rosatom acquired a 100% stake in the Stepnogorsk Mining and Chemical Combine (Kazakhstan) for \$1.6 billion (estimated) ([KazTAG, 2023](#)). The management of the corporation did not disclose the details of the deal.

Third, the Russian company EuroChem is building a chemical fertiliser plant in Zhambyl Region (Kazakhstan) (estimated value: \$166.7 million). The EuroChem group launched its investment programme in Zhambyl Region in 2008 by establishing Sary-Tash-Fertilisers, and subsequently built new plants in that area in 2009 and 2013, which testifies to the company's intention to build up its production chain in Kazakhstan.

As a result, by the end of 2022, total mutual FDI in the CIS countries and the EAEU member states amounted to \$46.9 billion. Relative to 2021, FDI stock increased by 6.4% in 2022, and by 9.3% by the end of 1H 2023. The total number of projects decreased from 456 in 2021 to 437 in 2022, and then increased to 449 by the end of 1H 2023. Those changes show that mutual direct investments in the region tend to concentrate around large-scale projects.

The FDI growth in the region is largely attributable to the resumption of the projects suspended during the COVID-19 pandemic and the period of heightened geopolitical tensions. Russian transnational corporations became the main driver of that growth. In 2023, Russian investors were involved in 12 of 20 projects, with a total value of \$1.1 billion. By comparison, in the relatively stable 2021, only 17 new projects were launched in the region, with Russian investors involved in seven of those with a total value of \$120 million. The regional Oil & Gas and Logistics leaders (Sibur, Tatneft, Ozon, Wildberries) were responsible for 81.3% of total investments, with Kazakhstan being the main recipient of those investments, largely due to the oil company KazMunaiGaz and its Russian partners, Sibur and Tatneft.

Outside of the EAEU, investments in Uzbekistan produced the most impact on FDI flows, mostly due to the oil and gas investment projects initiated by Tatneft.

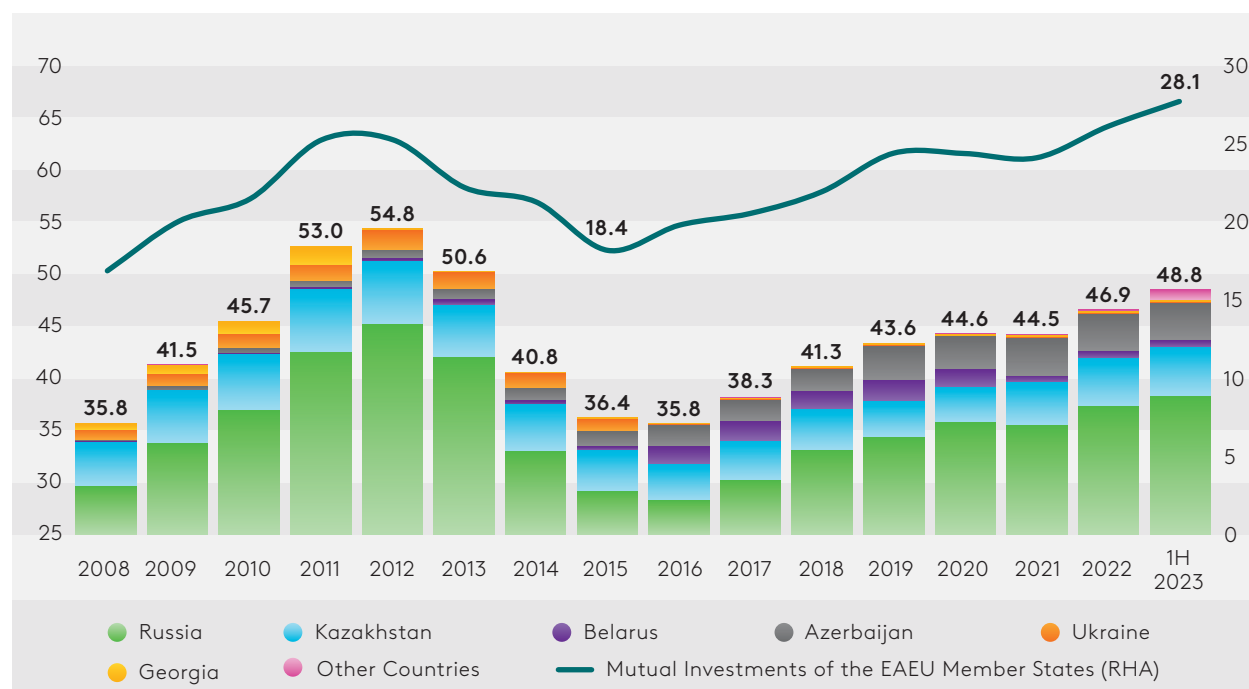
By the end of 1H 2023, total mutual investment stock of the countries of the Eurasian region approached \$48.8 billion.

Generally, over the last eight years, total investment stock in the region has been on the rise (see [Figure 1](#)). Since 2016, mutual FDI increased by 36%, with a year-on-year decrease reported only in 2021, due to the sale by the Belarusian shareholder of a stake in the Russian company Uralkali ([Kuznetsov, Vinokurov, 2021](#)).

It is expected that Russian capital investments, previously intended to expand the country's presence in the western markets, will be redirected to finance projects in Belarus, Armenia, Georgia, or Central Asia.

One of the notable examples of that investment strategy reversal is TechnoNICOL, a Russian company which started the construction of a \$61 million plant for the production of rock wool heat and sound insulators in Kazakhstan in 2022. The plant is scheduled to be launched in 3Q 2023, with a second plant to be built by March 2024. The plan is that those plants will form a new cluster for the manufacture of heat insulation products ([TechnoNICOL, 2022](#)). The company previously announced a new strategy envisaging the acquisition of the assets of foreign companies withdrawing from the Russian market ([Interfax, 2023b](#)).

↓ Figure 1. Scope and Structure of Mutual FDI Stock in the Eurasian Region, \$ billions



Source: EDB MMI Database.

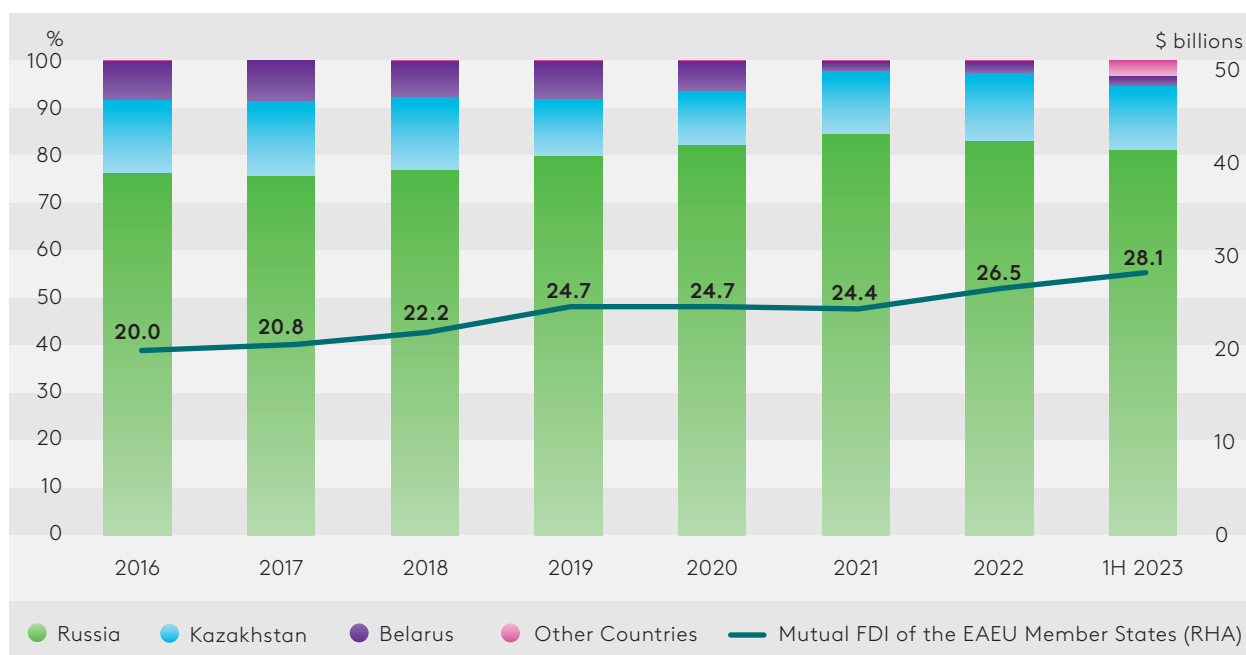
It should be stressed that several trends are emerging in the CIS region. First and foremost is the deceleration of the rate of attraction of foreign investments into Azerbaijan, and their outflow from the country. For three years since 2018, Azerbaijan increased its total FDI in the CIS (from \$2 billion to \$3.6 billion) at an average annual growth of \$500 million. In 2022, the flow of investment capital slowed down, and eventually stabilised at \$3.6 billion. It is likely to remain at that level in the short term, as investment strategy is modified to focus on domestic projects due to the overall uncertainty in the world markets.

Kazakhstan's companies are taking an interest in the construction of logistical centres and investments in alternative power generation. Over the next 3–5 years, PTC Holding and TGS Energy Limited intend to realise several projects with a total value of \$120 million in Georgia, Uzbekistan, and Kyrgyzstan.

Despite the supply chain problems and the complex economic situation in the region, by the end of 1H 2023 total mutual FDI stock in the EAEU member states increased by 6.2% year-on-year, and reached \$28.1 billion (see Figure 2). One of the notable growth drivers is the increase of equity of banks operating in Belarus and Armenia by their Russian shareholders. All in all, investments in VTB, Alfa-Bank, and Sberbank subsidiaries, as well as in a group of local banks (Ardshinbank — \$161 million, Evocabank — \$90 million, Ameriabank — \$82 million), reached \$660 million. At the same time, investment stock in Financial Services decreased as a result of outflow of capital from the Sberbank subsidiary in Kazakhstan and the sale of Alfa-Bank Kazakhstan to the local Bank CentreCredit, leading to a \$549 million decline in mutual investments.

More than 81% (\$22.8 billion) of total mutual investments in the EAEU is represented by investment projects carried out by Russian companies in the other countries of the Union. Kazakhstan is the second-largest FDI provider with \$3.9 billion (13.7%), followed by Armenia (3.2%) and Belarus (2.0%). The list of the main FDI recipients is dominated by the same three countries, but in a different order: Kazakhstan comes first with \$13 billion, while Belarus and Russia occupy the second and third positions with \$5.7 billion and \$4.5 billion, respectively.

↓ Figure 2. Scope and Structure of Mutual FDI Stock in the EAEU



Source: EDB MMI Database.

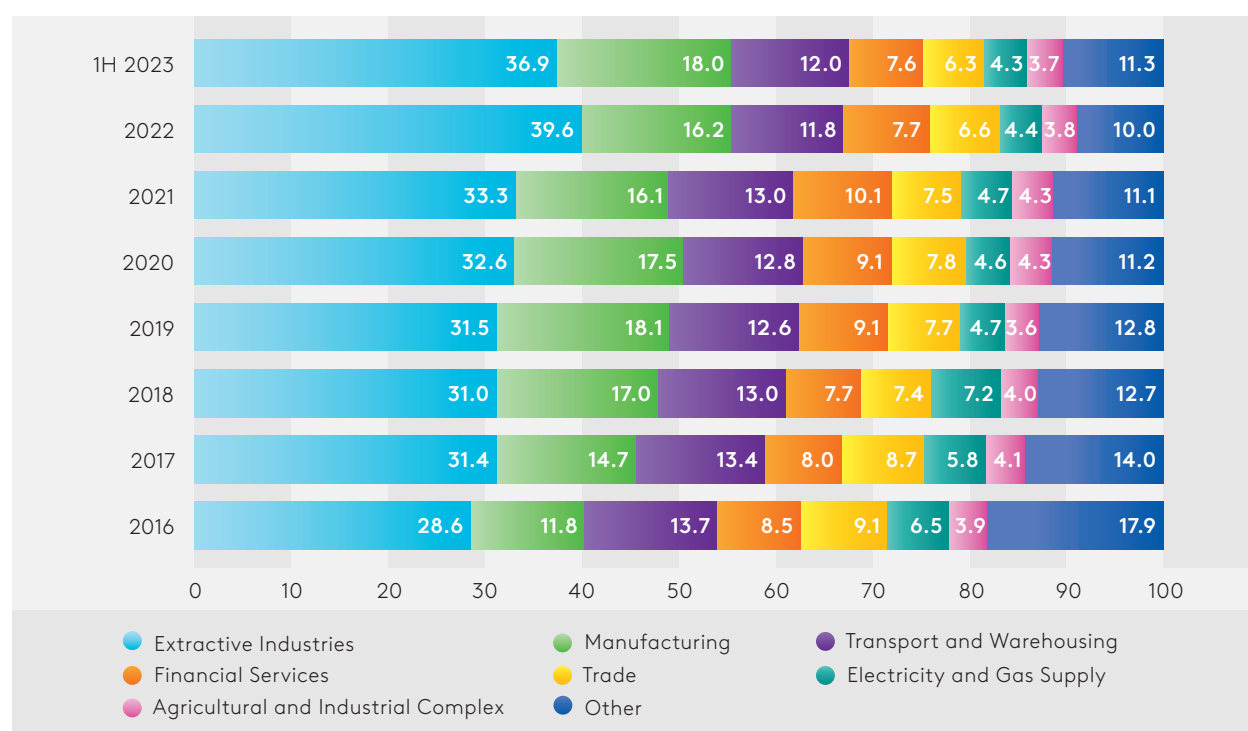
Despite some diversification attributable to the large overall number of projects in various sectors of the economy, Kazakhstan continues to concentrate its investments in Oil & Gas. The three largest investment projects in the CIS are also the most significant EAEU projects, as they are realised by companies from Kazakhstan and Russia, which testifies to the dominating role of those two countries in shaping the investment flows in the region.

Investments in the development of primary resources continue to form a significant portion of total CIS and EAEU FDI. In 2022, despite the global trend of accelerated growth of renewable energy (green FDI projects may account for 5–25% of all new TNC projects (Gurova, 2019)) and information and technology services (in 2023, the global IT market is projected to increase by 5.5% to \$4.6 trillion (Rudychева, 2023)), in the CIS and the EAEU investors remain focused on extraction of raw materials. The share of FDI directed into those sectors exceeded the previous local maximum to reach about 37% (\$18 billion) of total FDI in the Eurasian region.

In 2023, the share of FDI in Manufacturing increased from 16% to 18% due to the completion by the Russian Sibur and Tatneft of polyethylene and butadiene production projects in Kazakhstan. The aggregate contribution of those projects to FDI growth amounted to about \$600 million.

An analysis of the financing structure makes it possible to identify the nature of each investment project and its significance for the relevant company. According to EDB estimates, 52.5% (236) of all projects in the Eurasian region relied on equity financing, accounting for 60% of total FDI stock by the end of 1H 2023. The next category includes investment projects with combined debt and equity financing. They represent 20.2% of total FDI, despite the relatively small number of projects (28). Only 18 projects, accounting for merely 4.3% of total FDI stock, used only debt financing. It should be noted that financing sources for 162 projects were not disclosed in media publications or financial statements filed by public companies, meaning that those projects could not be assigned to any specific category.

↓ Figure 3. Structure of Mutual FDI Stock in the Eurasian Region, %



Source: EDB MMI Database.

Of the 18 debt-financed projects, 14 were relatively less capital-intensive, with total investments not exceeding \$50 million. The highest FDI was reported for the project for acquisition by Azerbaijan's NEQSOL Holding of a 100% stake in the mobile operator Vodafone Ukraine for \$848 million. To finance the deal, the acquirer negotiated a credit line with a syndicate of international financial institutions headed by JP Morgan Securities and Raiffeisen Bank. It should be stressed that one third of all Russian debt-financed projects are Kazakhstan's Ivolga-Holding projects designed to promote Russian agricultural producers. By the time the company had withdrawn from those projects in 2019, its total investments stood at 38% of total FDI stock associated with debt-financed projects.

Combined debt-equity financing is typical for investment projects realised by Russian companies (23 of 28 companies in that category). Notably, Russian TNCs (Lukoil, Rosatom, Gazprom, etc.) accounted for 94.5% of total FDI stock associated with such projects (\$7.9 billion). Lukoil was the absolute leader with \$5 billion invested in the Kandym gas refinery and South-West Gissar projects. According to media publications, the company raised about 20% of the total required financing in the debt market ([Interfax, 2018](#); [Radio Ozodlik, 2016](#)).

Equity financing is widely used by banks and other financial institutions to expand their business. Of the 62 projects classified under Insurance and Reinsurance (OKVED Code 65) and Provision of Financial Services (OKVED Code 64), 56 projects were probably financed with investor profits. Following the withdrawal of Sberbank from Kazakhstan in 2022, Ardshinbank, with a total equity of more than \$400 million, became the main direct investor in the country. Our analysis shows that financial institutions tend to steadily strengthen their internal resources, thereby ensuring their independence and long-term sustainability.



## Main Investment Deals in 2022–2023

The EDB MMI database currently contains records of 597 projects involving 12 countries of the Eurasian region, each such project with an FDI stock of more than 1 million.

Due to the difficult geopolitical situation, some companies were forced to make a strategic decision to withdraw from the Russian market. One such company is Kazakhstan's Halyk Bank, which in December 2022 announced the sale of its subsidiary Moscommerzbank for \$15.8 million. The decision was based on an analysis of Moscommerzbank activities in the Russian market, and its long-term prospects ([Balasyan, 2023](#)).

A large investment deal was made in 2H 2022 by Rosatom, which acquired a 100% stake in Kazakhstan's Stepnogorsk Mining and Chemical Combine from the offshore companies Ganberg and Gexior Limited. The deal was significant because the combine's assets included a 49% stake in Budyonnovskoe JV developing a uranium deposit. The remaining 51% stake is owned by Kazatomprom. The official selling price of the deposit was not disclosed, but is estimated at \$1.6 billion (see [Table 1](#)). The deal was strategically important, as it enabled Russia to reinforce its position in the nuclear power generation market, become the world's second-largest owner of uranium reserves, and secure a place in the world's top three countries in all nuclear fuel cycle stages ([TASS, 2023a](#)).

The second place in terms of outward FDI is held by Kaz Minerals (Kazakhstan), with its Baimskaya Copper Combine project in the Chukotka Autonomous District (Russia). The down payment (\$675 million) was made in 2019, with the second payment (\$225 million) deferred to a later date. However, after the company had been delisted from the London Stock Exchange in 2021, it was forced to complete the payment in the same year. Taking into consideration the second payment and additional project capitalisation payments, the company increased its total investments from \$0.9 billion in 2021 to approximately \$1.5 billion in 2023.

↓ [Table 1. Top 5 Largest FDI in the Eurasian Region, 2022–2023, \\$](#)

Investor Company and Country	Recipient Facility and Country	Investment Type	Project Start Year	FDI Stock Increase, 2022–2023	FDI Stock as of June 2023
<b>Atomenergo-prom / Atomredmet-zoloto (Rosatom) (Russia)</b>	Stepnogorsk Mining and Chemical Combine (Kazakhstan)	Purchase	2022	1.6 billion	1.6 billion
<b>Kaz Minerals (Kazakhstan)</b>	Baimskaya Copper Project (Russia)	Purchase + Expansion	2019	577 million	1.48 billion
<b>SIBUR (Russia)</b>	Polyethylene Production Complex (Kazakhstan)	Greenfield (JV Stake)	2023	456 million	456 million
<b>Tatneft (Russia)</b>	First Rubber Plant (Uzbekistan)	Purchase + Expansion	2023	233 million	233 million
<b>Tatneft (Russia)</b>	Butadiene (Kazakhstan)	Greenfield (JV Stake)	2022	197 million	197 million

Source: EDB MMI Database.

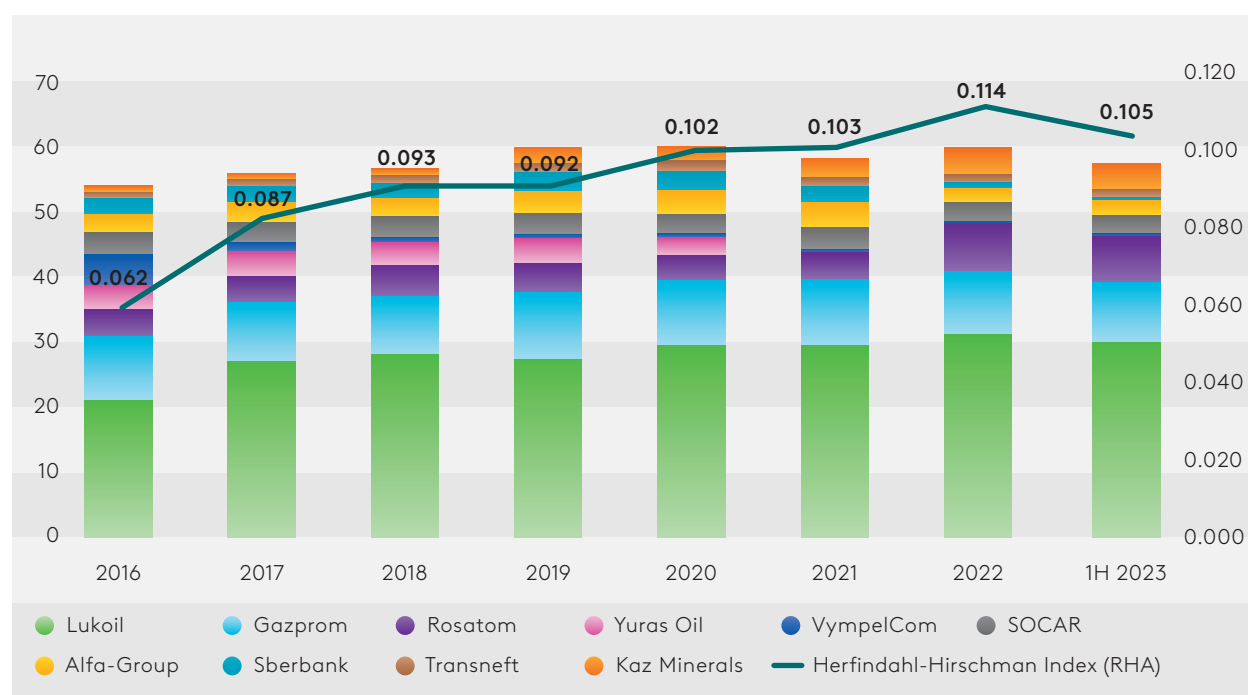
Those investment projects partially offset the effect of the withdrawal from Kazakhstan of Sberbank and Alfa-Bank, two key Russian banks. In total, the two deals resulted in a \$825 million decrease in mutual investments, considering that the two banks had been operating in Kazakhstan since 2006 and 1994, respectively.

Total FDI related to the projects fully/partially realised since the beginning of 2023 currently stands at \$2 billion, with a substantial number of such projects owned by Russian oil and gas companies. SIBUR, the leading Russian petrochemical holding, is announced as the investor with a 30% stake in the joint venture for construction of an integrated polyethylene production facility in Atyrau Region (Kazakhstan). The second-largest new project for the acquisition and subsequent modernisation of a tyre production plant in Uzbekistan is being implemented by Tatneft. In addition to a \$80 million investment, the company undertook to pay off the plant's \$153 million debt. It should be noted that this is not Tatneft's first investment in tyre production: in 2020, the company, together with Kazakhstan's Allur Auto, launched a tyre production plant in Karaganda Region.

Figure 4 shows how the regional FDI scope is correlated with major player activities. Our analysis covers investments by ten leading companies: Lukoil, Gazprom, Rosatom, Yuras Oil, Vympelcom, SOCAR, Alfa-Group, Sberbank, Transneft, and Kaz Minerals.

The Herfindahl-Hirschman Index is used to measure the concentration of mutual investments. Index values below 0.15 indicate the existence of competition. During the period under review, it increased from 0.06 to 0.11, meaning that investment projects are becoming increasingly concentrated in the hands of large players, which may potentially impair market competitiveness.

↓ Figure 4. Concentration of Mutual FDI Around Large Investors in the Eurasian Region, %



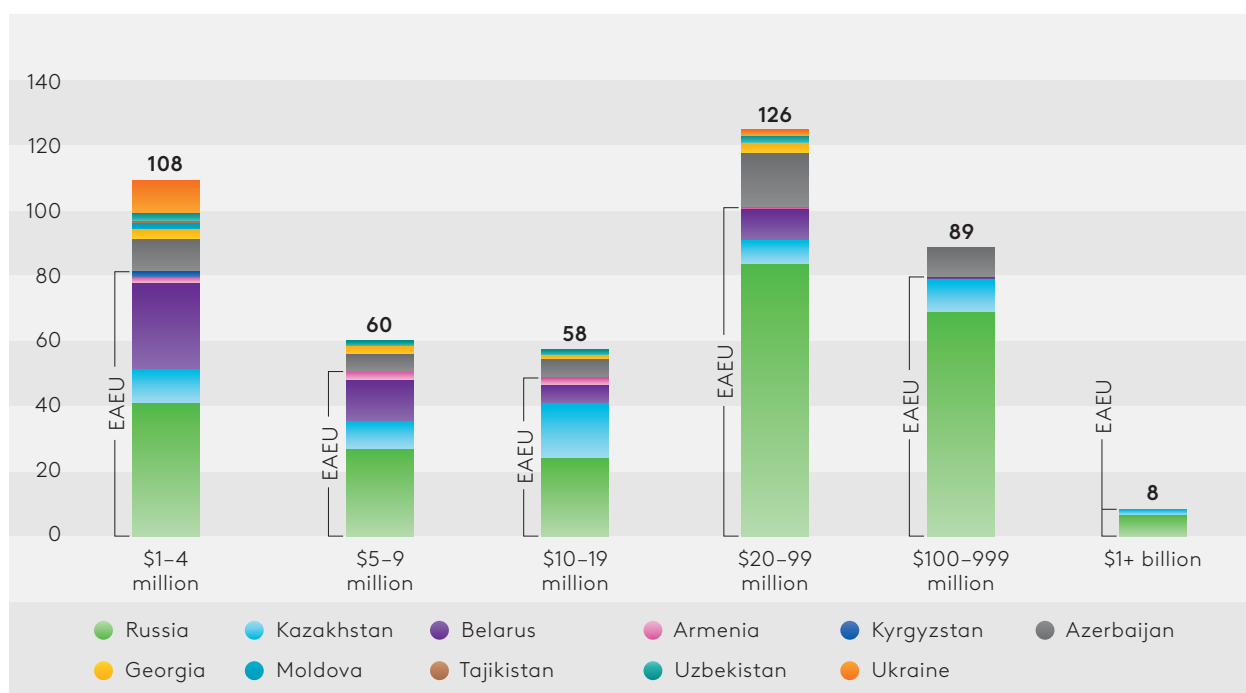
Source: EDB MMI Database.

Distribution of deals by the amount of investments (see Figure 5) helps one to understand the nature of competition in the region. The \$1–7M band and the <\$10M band are characterised by the relative prevalence of investments originating from Belarus, which can be attributed to the nature of regional expansion carried out by wholesalers and retailers with dominant positions in that country, such as Belarusian Products.

Russian investors prioritise \$20M+ projects: the country's FDI portfolio has about 160 such projects, which amounts to 63% of all investment projects. The predominance of capital-intensive projects can be explained by the sectoral structure of FDI, as most projects focus on construction of plants, development of deposits, and establishment of subsidiary banks. Example: acquisition of the Akhangarancement cement plant in Uzbekistan for \$132 million in 2022.

The participation of Kazakhstan and Azerbaijan in the region's investment projects is more balanced. The bulk of Azerbaijan's investments is represented by acquisitions of companies to be used as valuable holding assets, while Kazakhstan's investors tend to focus on the banking sector, venture capital, and acquisition of stakes in mineral deposits. Notably, Russia is no longer the only country in the region with investments in capital-intensive projects valued at \$1+ billion. The situation changed after the acquisition of the Baimskaya copper mine by Kaz Minerals (Kazakhstan).

↓ **Figure 5. Distribution of Investment Deals in the Eurasian Region by Capital Intensity in 1H 2023**



Source: EDB MMI Database.

## Mutual FDI Geography

By 2023, Russia reinforced its status as the main FDI provider in the CIS with 79% of total FDI in the region. The second place in terms of outward FDI stock is held by Kazakhstan with 9.5%, which is consistent with the fact that it has the second-largest economy in the region. Azerbaijan comes in third with 7.3% of total investments in the region.

The same picture is observed in the EAEU due to the membership in the Union of the two largest providers of outward FDI originating from the CIS countries, namely, Russia and Kazakhstan. Of the 28 investment projects completed in the EAEU since 2022, 23 were realised in Kazakhstan, four in Russia, and one in Kyrgyzstan. Two of the four Russian projects were implemented by the Belarusian company Amkodor, which built two agricultural equipment plants in Leningrad Region and Ufa. All in all, the company realised four projects in the country with a total investment stock of more than \$100 million, which shows that industrial co-operation between Russia and Belarus tends to become deeper with time. Kazakhstan's \$34 million investment project for the construction of a solar power plant in Kyrgyzstan was a pilot to promote investment collaboration in the region.

Distribution of investment stock among the recipient countries is more uniform: Kazakhstan holds the leading position with 27.2% of total stock, ahead of Uzbekistan with 19.8% and Belarus with 12.0%. Russia follows them with 9.8%, while Azerbaijan is firmly entrenched in the fifth position with 8.7% of total FDI stock. Notably, Azerbaijan's standing is supported by 24 investment projects originating from the CIS countries, with just one of those projects, namely, investment by the Russian company LUKOIL in the Shah Deniz gas condensate field, bringing approximately \$3 billion into the country's economy. Armenia, Georgia, and Ukraine are at the bottom of the list with 6.8%, 6.1%, and 3.7%, respectively.

↓ Table 2. Country Structure of Mutual FDI Stock in the Eurasian Region, \$ billions

Country	Mutual Outward FDI Providers, \$ billions (EoP)				Mutual Outward FDI Recipients, \$ billions (EoP)			
	2016	2018	2020	1H 2023	2016	2018	2020	1H 2023
<b>Azerbaijan</b>	1.92	2.05	3.11	3.56	2.48	2.67	2.76	4.23
<b>Armenia</b>	0.04	0.04	0.06	0.92	2.91	2.85	2.93	3.30
<b>Belarus</b>	1.81	1.90	1.78	0.74	3.55	4.23	5.41	5.86
<b>Georgia</b>	0.11	0.11	0.20	0.22	2.81	3.04	3.22	2.97
<b>Kazakhstan</b>	3.45	3.80	3.35	4.66	8.44	9.53	11.49	13.29
<b>Kyrgyzstan</b>	0.00	0.00	0.00	0.00	1.35	1.58	1.57	1.63
<b>Moldova</b>	0.01	0.01	0.01	0.00	0.44	0.49	0.59	0.61
<b>Russia</b>	28.37	33.30	35.96	38.54	4.32	4.63	3.96	4.80
<b>Tajikistan</b>	0.00	0.00	0.00	0.00	0.77	0.65	0.67	0.68
<b>Turkmenistan</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Uzbekistan</b>	0.01	0.01	0.03	0.15	4.39	7.82	9.13	9.66
<b>Ukraine</b>	0.11	0.12	0.05	0.04	4.37	3.86	2.81	1.79
<b>Total</b>	<b>35.84</b>	<b>41.35</b>	<b>44.55</b>	<b>48.82</b>	<b>35.84</b>	<b>41.35</b>	<b>44.55</b>	<b>48.82</b>

Source: EDB MMI Database.

Turkmenistan has weak investment ties with the other countries of the Eurasian region. The country is involved in only two regional projects featuring inward FDI: construction of the Belarus-Turkmenistan trading house for apparel manufacturers in 2020, and modernisation of the Maryazot chemical plant with the participation of Nitrogen Industry and Organic Synthesis Research and Design Institute (GIAP) from Russia. Notably, Turkmenistan acts only as a recipient of investments from the CIS, and does not invest outside the country.

Figure 6 shows substantial changes in the structure of inward mutual FDI in 2016–2023. From 2016, Kazakhstan improved its position, having increased its share in total inward FDI to almost 28%. The share of Uzbekistan also rose quite significantly from 12.1% to 20%. Over

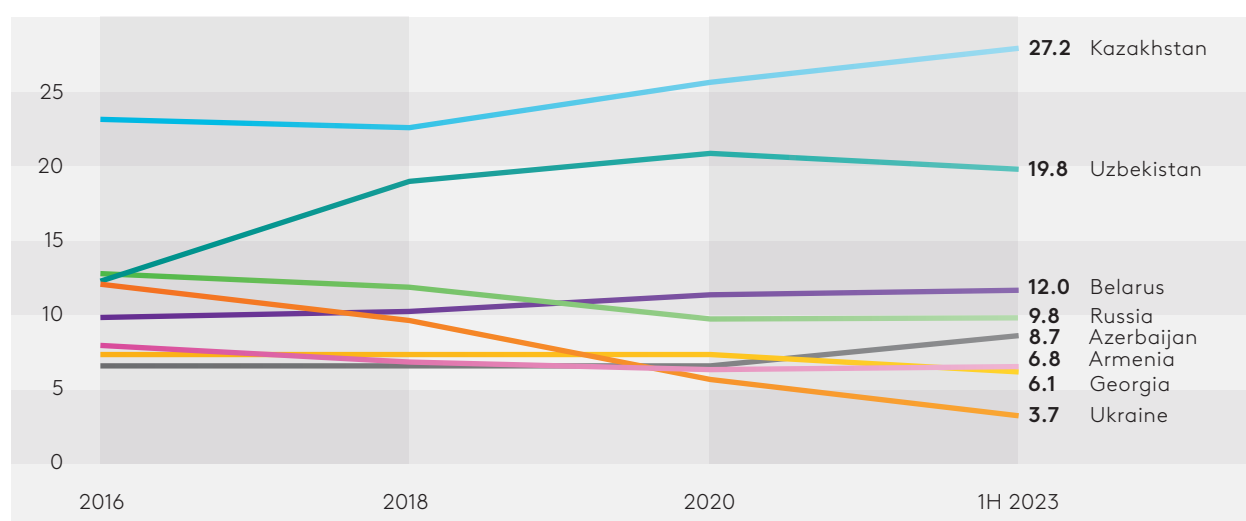


the last seven years, Ukraine's inward FDI stock originating from the CIS countries dropped from \$4.3 billion to \$1.8 billion, with 90% of the remaining stock represented by investments originating from Azerbaijan. Those investments include two NEQSOL Holding projects: acquisition of the mobile operator Vodafone Ukraine for \$848 million in 2019, and acquisition of the Ivano-Frankovsk cement plant for \$400 million in 2021.

Deterioration of the geopolitical situation forced some companies to sell their assets in Russia, which resulted in a decrease of its share in total inward FDI originating from the CIS countries from 13% to 10%.

One of the notable examples of foreign companies that relocated from Russia is Ural Motorcycles, the world's leading maker of vintage heavy motorcycles with 50 dealerships in the US. Previously the company's production base was situated in Irbit (Russia). However, because of restrictions on import of components to and export of finished products from Russia, its assembly facilities were relocated to Petropavlovsk (Kazakhstan). This case is different from numerous similar examples, as the company not only changed the site of its head office, but also created a full-cycle subsidiary production facility in the neighbouring country. Another example from Manufacture of Basic Metals is Zavod LSTK (lightweight thin-walled steel structures plant) which started the construction of a production facility in the Qyzyljar Special Economic Zone (Kazakhstan). The Ministry of Foreign Affairs of Kazakhstan notes that project investors plan to invest about ₸2 billion (\$4.3 million).

↓ Figure 6. Shares of Recipients of Mutual Inward FDI in the Eurasian Region, %



Source: EDB MMI Database.

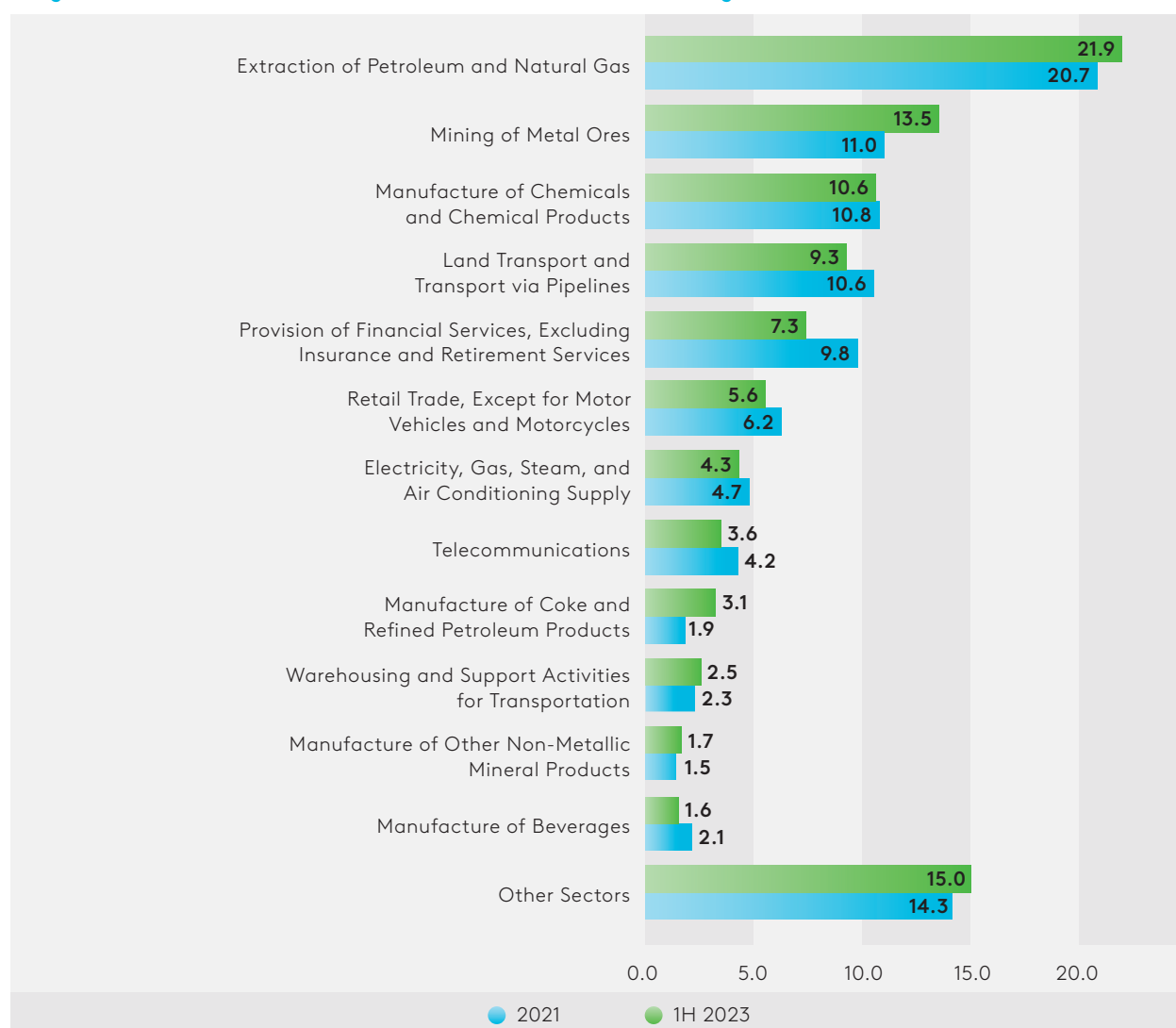
IT and Financial Services players, including the game designer Playrix, the online banking services provider Tinkoff, and the SPB-Exchanges representative office, were the most "mobile" in relocating their offices and experts to Central Asia. In particular, a programme launched by the Expat-Centre operating under the auspices of the Astana International Financial Centre and envisaging express residence and employment registration of IT specialists was the decisive factor in attracting capital to Kazakhstan. A pivotal role was also played by the innovative start-up cluster Astana Hub, which offered tax incentives and exemptions alongside supplementary start-up financing options.

## Mutual FDI Sectoral Structure

Investment projects included in the EDB MMI database are divided into 56 classes based on two OKVED code digits.

Due to the fact that the economies of the leading investor countries have a heavy Extractive Industries orientation, diversification of the sectoral structure of mutual FDI stock proceeds at a slow pace (see [Figure 7](#)). Despite the increased relevance of the ESG agenda and sustainable development principles ([Interfax, 2023a](#)), during the period from 2016 to 1H 2023 the share of Extractive Industries in mutual direct investments increased: Extraction of Petroleum and Natural Gas (OKVED Code 06) from 17.8% to 22%, and Mining of Metal Ores (OKVED Code 07) from 8.9% to 13.5%.

↓ **Figure 7. Sectoral Distribution of Mutual FDI Stock in the Eurasian Region, %**



Source: EDB MMI Database.

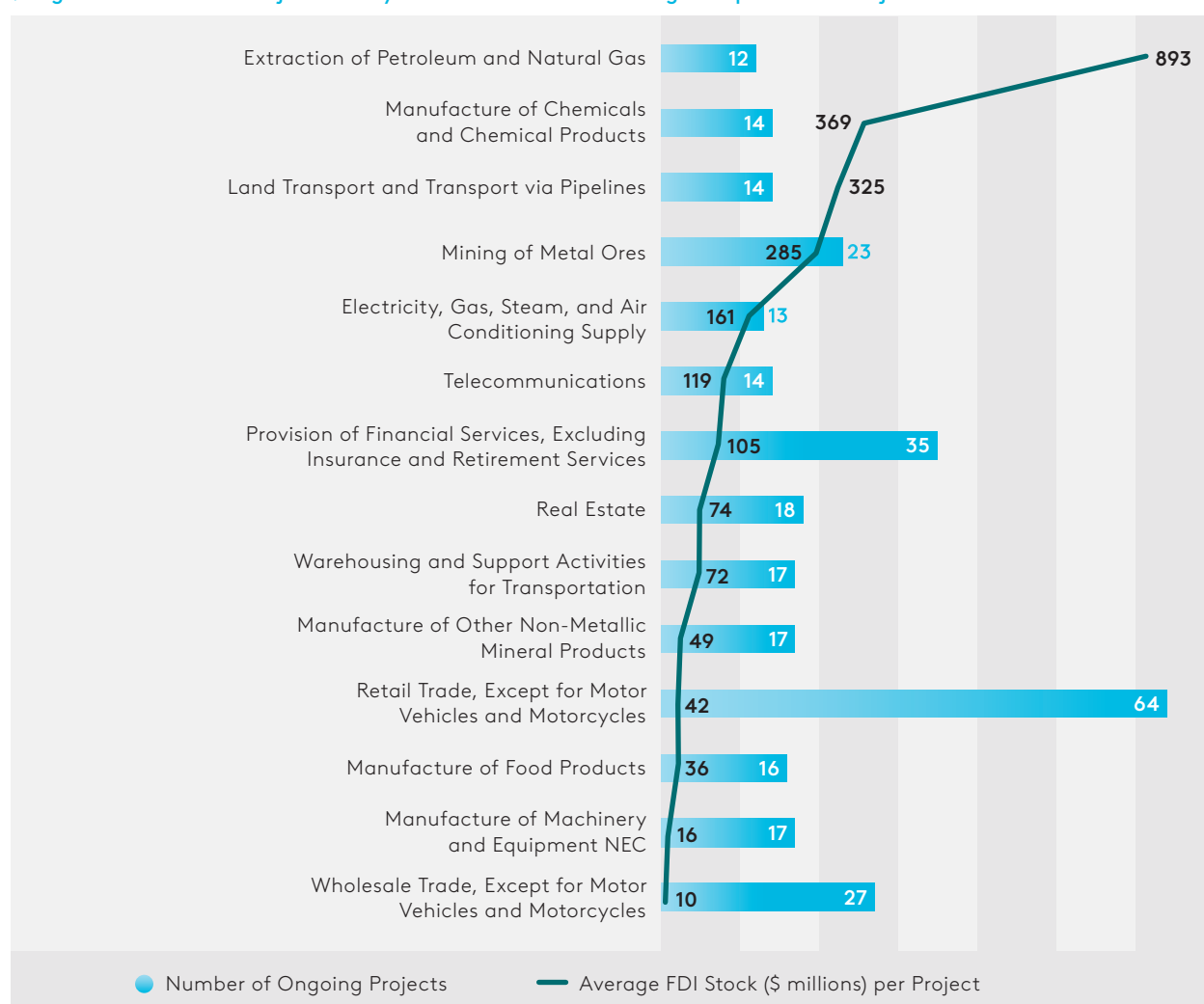
Different sectors dominate the mutual direct investments of the countries of the Eurasian region and the EAEU member states. In the Eurasian space, the key sectors in 1H 2023 were Extraction of Petroleum and Natural Gas (21.9% of total FDI stock), Mining of Metal Ores (13.5%), and Manufacture of Chemicals and Chemical Products (10.6%). In the EAEU, the leading mutual investment sectors were Mining of Metal Ores (23.5%), Land Transport and Transport via Pipelines (13.1%), and Financial Services (10.9%).

Land Transport and Transport via Pipelines (OKVED Code 49) represent a substantial component of oil- and gas-dominated economies. In the Eurasian region, the share of that sector is 9.3%, making it the fourth-largest sector in terms of FDI stock.

In 2022, there was a significant decrease in the share of investments in Retail Trade (OKVED Code 47) and Telecommunications (OKVED Code 61). In Telecommunications, the decrease was largely attributed to the changes in the asset structure of the Russian operator Vypelcom. The company sold its subsidiary Kar-Tel Kaz to its parent entity Veon for ₸54 billion (~\$825 million). Later Vypelcom itself was excluded from the register of subsidiaries following a \$2.1 billion local management buyout. It should be noted that, despite those changes, Russian investments in Kazakhstan's telecommunications business were not reduced to zero (decreasing instead by 53%), as LetterOne, Veon's main shareholder, is owned by Russian businessmen (VEON, 2023).

In Retail Trade, FDI stock is almost evenly distributed among large distribution networks and petrochemical companies expanding their petrol station chains (see Figure 8). This diversification eliminates the sector's dependence on specific projects, with the aggregate impact generated by all such projects becoming the key driver. However, most projects in the sector are owned by Russia's Tatneft and Rosneft. The aggregate share of those companies in the expansion of petrol station networks amounts to 27.3%, with total investment in the sector valued at \$2.8 billion. In addition, following the exodus of Russian companies from Ukraine, total mutual FDI stock in Retail Trade decreased by \$700 million.

↓ Figure 8. Number of Projects in Key OKVED Sectors and Average FDI per Sector Project in 1H 2023



Source: EDB MMI Database.

Investment projects in Mining of Metal Ores (OKVED Code 07) are highly capital-intensive. There are 23 ongoing projects with a total value of \$6.6 billion. This is typical for Extractive Industries, which require sophisticated infrastructure. Two large investment projects realised in 2022–2023 by Kaz Minerals and Rosatom are related to Mining of Metal Ores.

The highest rate of growth of mutual direct investments during the post-COVID-19 period was observed in Manufacture of Textiles (OKVED Code 13). Total FDI stock in the sector increased from \$1 million to \$51 million. This is attributable to the lack of large-scale investment projects prior to 2019. In 2020, Kazakhstan concluded a \$45.0 million deal with Uzbekistan's Alliance Textile to restore an abandoned spinning mill in Shymkent. In addition, in 2022–2023 the Russian company Ultrastab realised a \$4.1 million geosynthetic fabric manufacturing investment project in Atyrau.

By 2023, total FDI stock in Manufacture of Chemicals (OKVED Code 20) increased by a factor of 1.9 vs 2016, and amounted to \$5.2 billion. The main growth drivers were the ongoing construction of a Lukoil gas refinery in Uzbekistan, and the launch of a mineral fertiliser production facility in Kazakhstan with the participation of Russia's EuroChem. In 2016–2020, Lukoil investments in the construction of the Kandym gas refinery increased from \$1.1 billion to \$3.5 billion, boosting its share in the sector to 67.8%. In turn, in 2019 EuroChem made a \$1+ billion deal within the framework of that project.

Manufacture of Electrical Equipment (OKVED Code 27) is a high-appeal investment target in the CIS region. Eight projects with a total FDI stock of \$161 million had been realised in the sector by the end of 1H 2023. In 2H 2022, Uzbekistan's Artel started a \$52.5 million project for the manufacture of household appliances in Karaganda (Kazakhstan). Notably, Central Asia has an ample potential for attracting large institutional investors following the exodus from Russia of foreign manufacturers of household appliance and electrical equipment. For example, in late 2022, it was announced that South Korea's LG facility might be relocated to Kazakhstan or Uzbekistan ([Batyrov, 2022](#)).

In 2023, a substantial portion of completed and ongoing projects involved expansion of Russian marketplaces to Central Asia. They came to the conclusion that the prospects of extending their footprint to Central Asia were rather favourable. For example, Ozon opened logistical hubs in Astana and Almaty, and Wildberries launched a logistical centre in Almaty. All in all, logistical centre projects increased the value of Russia's direct investments in Kazakhstan by \$290 million.

The Power Industry (OKVED Code 35) was among the sectors which experienced an outflow of capital. Until 2019, total FDI in that sector had been increasing at an average annual rate of 14.2%. That growth had been supported by expansion of the Russian company VS Energy into Ukraine. The company's assets included power stations in a number of regions. In 2019, total mutual FDI stock decreased by 32% as a result of the exodus of Russian investors from Ukraine. Over the last two years, only one debt-financed project was realised in the sector, namely, construction by Kazakhstan's TGS Energy Limited of the Toru-Aygyr 2022 solar power station in Kyrgyzstan, with total investments at \$34 million. It should be noted that in the immediate future, Kyrgyzstan may benefit from several renewable energy projects ([KaktusMedia, 2022](#)).

Until 2023, the growth of FDI stock in Financial Services (OKVED Code 64) had been attributable to the establishment of bank subsidiaries. Until 2022, the list of sector leaders included the Russian companies Sberbank (total FDI stock \$1.1 billion), Alfa-Bank (\$895 million), and VTB (\$474 million). In 2022, after the sale by the parent banks of their assets in Kazakhstan, Ukraine, and Georgia, the Armenian Ardshinbank had the second-largest FDI stock of \$432 million, with VTB topping the foreign investors chart with a total FDI stock of \$516 million at the end of 1H 2023. It should be noted that Financial Services has one of the highest diversification levels among the sectors, with \$1+ billion FDI stock (35 ongoing projects with a total value of \$3.5 billion).

## Russia as the Largest Capital Provider in the Region

An analysis of relations between Russia and the CIS countries shows a steady and accelerating growth of investments. Russia is the largest capital provider in the region. Since 2016, the minimum share of Russian FDI in the region was 78.9%. In terms of inward investment flows, the country receives considerably less capital from the CIS countries because of the differences in the size of their economies and the high competition in the Russian market.

According to EDB estimates, in 1H 2023 there were 320 ongoing investment projects involving Russia and the CIS countries, with a total value of \$43.3 billion (see [Table 3](#)). In 2022, there were 306 such projects. FDI stock increased by \$800 million. Most mutual projects between Russia and the CIS countries involve Russia's EAEU partners — Kazakhstan and Belarus (202 projects with a total value of \$22.3 billion). Armenia is the next-largest investment partner, with a mutual FDI stock of \$4 billion. All in all, mutual investments of Russia and the EAEU member states comprise 234 projects with a total value of \$27.3 billion, including 187 projects with a total value of \$22.8 billion that Russia is implementing in the EAEU member states.

↓ **Table 3. Number of Ongoing Investment Projects and Value of Mutual FDI Stock between Russia and the Eurasian Region Countries in 1H 2023**

	Projects Realised by Russia in the Eurasian Region Countries		Projects Realised by the Eurasian Region Countries in Russia		Total Mutual Projects	
	Number	Value, \$ millions	Number	Value, \$ millions	Number	Value, \$ millions
<b>Total</b>	<b>256</b>	<b>38,536</b>	<b>64</b>	<b>4,801</b>	<b>320</b>	<b>43,337</b>
<b>EAEU Member States</b>	<b>187</b>	<b>22,796</b>	<b>47</b>	<b>4,532</b>	<b>234</b>	<b>27,328</b>
<b>Kazakhstan</b>	99	12,981	20	3,178	119	16,159
<b>Belarus</b>	60	5,649	23	514	83	6,163
<b>Armenia</b>	21	3,211	3	838	24	4,049
<b>Kyrgyzstan</b>	6	946	1	2	7	948
<b>Other Countries</b>	<b>69</b>	<b>15,749</b>	<b>17</b>	<b>269</b>	<b>86</b>	<b>16,018</b>
<b>Azerbaijan</b>	15	4,201	15	264	30	4,465
<b>Uzbekistan</b>	26	9,296	1	4	27	9,300
<b>Moldova</b>	16	469	1	1	17	470
<b>Georgia</b>	7	1,124	0	0	7	1,124
<b>Tajikistan</b>	4	657	0	0	4	657
<b>Turkmenistan</b>	1	1	0	0	1	1

Source: EDB MMI Database.



Outside of the EAEU, Russia has 86 ongoing joint projects with a total value of \$16 billion, of which \$15.7 billion (69 projects) are Russian capital investments. Mutual FDI of Russia with Uzbekistan and Azerbaijan amounts to \$9.3 billion (27 projects) and \$4.5 billion (30 projects), respectively. FDI stock with Georgia also exceeds \$1 billion.

**Russia — Kazakhstan.** Kazakhstan, a country with which Russia has strong trade, economic, and transport ties, is the absolute leader among the recipients of Russian capital. In 1H 2023, Russia's FDI stock in Kazakhstan reached \$13.0 billion. According to EDB estimates, there are 99 ongoing large-scale Russian investment projects in that country, with a total value of \$12.9 billion.

↓ Table 4. Top 5 Russian Projects in Kazakhstan (end of 1H 2023)

Investor Company	Recipient Sector	Investment Target	FDI Stock, \$ millions
<b>LUKOIL</b>	Extraction of Petroleum and Natural Gas	Karachaganak Petroleum Operating B.V.	2,205
<b>Rosatom</b>	Mining of Metal Ores	Mining and chemical combine, uranium deposit	1,600
<b>EuroChem</b>	Manufacture of Chemicals and Chemical Products	Mineral fertilisers production plant	833.5
<b>Transneft and LUKOIL</b>	Land Transport and Transport via Pipelines	Caspian Pipeline Consortium	755
<b>Atomenergoprom/ Atomredmetzoloto (Rosatom)</b>	Mining of Metal Ores	Karatau mine	592

Source: EDB MMI Database.

In terms of capital investments, Russian investors in Kazakhstan focus primarily on Extraction of Oil and Natural Gas, Mining of Metal Ores, and Manufacture of Chemicals and Chemical Products. The history of large-scale one-off investments started in 1996–1997 with two projects: the Caspian Pipeline Consortium, and the Karachaganak Petroleum Operating (KPO) Consortium created for the development of the Karachaganak field in Western Kazakhstan. In 2023, Lukoil investments in KPO were estimated at \$2.2 billion, while Transneft and Lukoil jointly invested more than \$755 million in construction of the pipeline and pumping infrastructure.

In 2022–2023, Russian companies became the key partners of Kazakhstan companies in joint projects for the construction of integrated petrochemical plants for the production of butadiene and polyethylene. Tatneft owns a 75% stake in Butadiene, a joint venture with KazMunaiGaz. Over the next five years, Tatneft plans to invest \$1 billion in that joint project. Production of polyethylene requires more substantial investments in the amount of about \$7.2 billion, of which 30% will be provided by SIBUR.

It should be noted that in 2022, Kazakhstan-based subsidiaries of two large Russian banks (Sberbank and Alfa-Bank) were acquired by Kazakhstan's national management holding Baiterek and Bank CentreCredit, bringing to an end two of the three then-existing banking investment projects. VTB Kazakhstan, the only remaining Russian banking subsidiary in Kazakhstan, had an FDI stock of \$100 million as of the end of 1H 2023.

Expansion of trade and technology integration between the two countries is accompanied by construction of logistical centres for Russian marketplaces, and of primary/backup corporate data centres. Ozon and Wildberries have been operating in Kazakhstan since 2018. In the absence of distribution centres, buyers from Kazakhstan suffered from delivery delays, which led to the opening of two new Wildberries hubs in Astana and Almaty, and of Kazakhstan's largest Ozon logistical centre in Almaty Region.

Companies providing physical IT infrastructure facilities (servers, computers) have so far limited their attempts to penetrate Kazakhstan's market to pilot projects. In 2022, RuVDS invested ₸50 million (about \$0.7 million) in equipment for data centres to be used by the Russian companies operating in the region.

One of the new large players in Kazakhstan's market is TechnoNICOL, which started the construction of a \$61 million plant for the production of rock wool heat and sound insulators in 2022. The plant is scheduled to be launched in 3Q 2023, with a second plant to be built by March 2024. Previously, the company announced that its development strategy for the next several years envisages acquisition of the assets of foreign companies withdrawing from the Russian market. Concurrently, the company will redirect its expansion plans from Europe to the CIS countries and the EAEU member states.

As Russian companies relocate to Kazakhstan, taking advantage of simplified registration procedures and various business incentives, Zavod LSTK and GORTEK.KZ initiated construction of production facilities in the Qyzyljar Special Economic Zone (Petropavlovsk).

## Box 2. Relocation of Russian Companies to Kazakhstan

Zavod LSTK invested more than \$4 million in a facility designed to manufacture up to 4,000 tonnes of lightweight thin-walled steel structures per year.

Gortek.KZ started a \$6 million project for the manufacture of reinforced concrete pipes using the vibrocompression method. The facility will make up to 30,000 tonnes of such pipes per year.

Khleboprom started a ~\$73 million project for the manufacture of bakery products in the Qyzyljar SEZ.

**Russia — Uzbekistan.** The second position in terms of inward FDI stock is held by Uzbekistan, with 27 mutual projects, 26 of which are direct investments originating from Russia. According to the Statistical Agency under the President of the Republic of Uzbekistan, Russia is the largest investor in the country, with a share of 20.3% at the end of 2022 ([Prime, 2023](#)).

Four oil and gas projects account for 91.5% of total outward FDI. Lukoil is the largest Russian investor in Uzbekistan, with an FDI stock of about \$8 billion as of the end of 1H 2023. The state company Gazprom comes in second, with a \$476 million investment portfolio.

The inflow of new Russian capital investments to Uzbekistan has intensified. For example, Sberbank has filed for the registration of its trademarks. Tatneft is expanding its oil refining operations (tyre manufacture). Last year, Russian companies acquired a 58% stake in Elektrqishloqqurilish, a company specialising in construction of power networks, for \$8 million, and the Akhangarancement cement plant for \$132 million. However,

a significant portion of Russian capital investments is used to provide additional capital and to increase shares in mining assets.

Uzbekistan, like Kazakhstan and Armenia, is one of the most attractive relocation targets for Russian companies. The operation of the Technological Park of Software Products and Information Technologies, established by the Government of Uzbekistan in 2019, made it possible to promptly accommodate specialists and provide required support. The list of companies that have relocated from Russia includes iTechArt and EPAM.

**Russia — Belarus.** Belarus is the second-largest recipient of Russian capital investments in the EAEU, with \$5.6 billion directed primarily into Logistics, Petroleum and Gas Refining, and Financial Services. As Lukoil holds the leading positions in Uzbekistan, so Gazprom is the largest Russian investor in Belarus: the company invested \$1.25 billion in the development of transport infrastructure to support gas exports to Europe through its subsidiary Gazprom Transgaz Belarus.

Five Russian banks have branches in Belarus: Sberbank, VTB, Gazprombank, Alfa-Bank, and Vnesheconombank. Their aggregate FDI stands at \$1.6 billion. By comparison, their total investments in Kazakhstan prior to withdrawal in 2022 amounted to \$1.2 billion.

Russian companies are actively engaged in providing venture capital to technology initiatives of Belarusian IT companies, including the developer of online services RocketData and the game designer Mamboo Games. The IT sector has only a modest share in total FDI in Belarus.

Belarusian investors in Russia focus primarily on Manufacture of Machinery and Equipment and Extraction of Petroleum and Natural Gas. Amkodor, the largest equipment manufacturer in Belarus, realised four projects with a total value of more than \$105 million, of which \$20 million was invested in 2022 and 2023 in agricultural equipment manufacture facilities in various Russian regions. Belarusneft invested about \$220 million in the expansion of its oil field operations in the Yamal-Nenets Autonomous District and Siberia. Belarusian FDI stock in Russia decreased in 2021 after businessman Dmitry Lobyak had sold his stake in Uralkali. In 2022, Belarusian investments increased by 28.5%, but then decreased by 8% in 2023 due to a decline in the value of non-current assets owned by Belarusneft subsidiaries.

**Russia — Armenia.** Russia has traditionally been the largest investor in Armenia. In 2023, Russian investments there amounted to \$3.2 billion, and continued to increase. More than 40 large enterprises with full or partial Russian equity participation operate in Armenia in the leading sectors of the economy. Gazprom-Armenia, GeoProMining Gold, and Electric Networks of Armenia are among the largest taxpayers and employers in the country ([Embassy of the Russian Federation to the Republic of Armenia, 2019](#)).

In 2023, Armenia's Balchug Capital expanded its Russian portfolio by acquiring the Metropolis Trading House in Moscow for \$735 million, and the Pulkovo Sky Business Centre in Saint Petersburg for \$100 million (estimate). Prior to those real estate deals, Armenia's FDI in Russia amounted to merely \$3 million.

**Russia — Azerbaijan.** In 2023, total mutual investments between Russia and Azerbaijan amounted to \$4.5 billion, of which \$4.2 billion was Russian investments in Azerbaijan. Azerbaijan has more than 900 joint companies with Russia, with 300 of those having 100% Russian equity participation ([Kateneva, 2022](#)). In particular, such companies operate in Extraction and Transport of Hydrocarbons, Chemical Industry, Power Industry, Petrochemical Industry, Pharmaceuticals, Mechanical Engineering, and Freight Transport. Some of the largest projects include Lukoil's investments in the Shah Deniz gas condensate

field (\$2.9 billion), South Caucasus Pipeline Company (\$300 million), and LUKOIL-Azerbaijan petrol station network (\$115 million).

Health-care facilities, recreation centres, and business centres account for more than half of Azerbaijan's investments in Russia. In 2014–2020, two large Azerbaijan holdings (Karat Holding and Azersun Holding) invested more than \$170 million. A significant portion of investments went into the expansion of the banking portfolio of the International Bank of Azerbaijan (\$52 million).

**Russia — Georgia.** Over the last two years, total Russian FDI stock in Georgia remained at \$1.1 billion, and consisted mostly of projects completed earlier. In terms of sectoral distribution of Russian investments, the leading positions are held by the Power Industry, Financial Services, and Real Estate. As of now, the largest investment project is the acquisition by Alfa-Group Holding of a 55.8% stake in IDS Borjomi International, with an FDI stock of \$647 million.

**Russia — Other Countries of the Region.** Total Russian FDI stock in Kyrgyzstan, Tajikistan, Moldova, and Turkmenistan amounts to about \$2.1 billion, with Kyrgyzstan accounting for 46%. The largest project in the country is the acquisition of the Alliance Altyn Mine, with an FDI stock of \$407 billion as of the end of 1H 2023. It should be noted that Gazprom investments account for 36% of total Russian FDI in all those countries.

## Kazakhstan as the Leading Recipient of Mutual FDI in the Region

For Kazakhstan, as for Russia, the region presents special interest in the context of trade and economic relations. Kazakhstan is the second-largest capital provider (after Russia), and the largest recipient of capital from the other countries of the Eurasian region.

According to EDB estimates, there are currently 166 ongoing mutual investment projects involving Kazakhstan and the countries of the Eurasian region, with a total value of \$17.9 billion (see [Table 5](#)). By comparison, in 2022 the number of such projects was 156. FDI stock increased by \$786 million. Most mutual projects between Kazakhstan and the CIS countries involve Kazakhstan's EAEU partners — Russia, Belarus, and Kyrgyzstan. All in all, there are 135 projects, with a total value of \$16.9 billion, of which 119 projects with a total value of \$16.2 billion are being realised by Kazakhstan jointly with Russia.

Kazakhstan also has 33 ongoing projects outside of the EAEU, with a total value of \$1 billion, including 23 projects with Kazakhstan's capital investments of \$732 million. Kazakhstan's mutual FDI with Uzbekistan stands at \$400 million (12 projects), and it has seven mutual projects with Georgia, with a total value of \$393 million. The remaining 15 projects, with a total value of \$261 million, are being realised with Azerbaijan, Ukraine, Tajikistan, and Moldova.

The data published by the National Bank of the Republic of Kazakhstan confirm the country breakdown of Kazakhstan's investment projects shown in the table above. At the end of 1H 2023, gross FDI stock outflow from Kazakhstan to the CIS countries amounted to \$8.9 billion. Of that amount, 60% was invested in Russia (\$5.4 billion), 15% in Kyrgyzstan (\$1.3 billion), 7% in Uzbekistan (\$632 million), 6.2% in Georgia (\$553 million), and 5.9% in Ukraine (\$523 million).

According to EDB estimates, Kazakhstan's mutual FDI with the other regional players does not demonstrate any significant mutual economic integration, with the exception of the following pairs: Russia–Kazakhstan (\$16.1 billion), Kazakhstan–Uzbekistan (\$400 million), and Kazakhstan–Georgia (\$393 million). In its relations with Azerbaijan and Belarus,

Kazakhstan, despite the significant difference in the size of their GDPs, is a net FDI recipient, with the shares of capital inflow in mutual FDI with those countries standing at 92.5% and 70.7%, respectively. As for Kyrgyzstan, Tajikistan, and Moldova, the country is a 100% FDI provider, with a total stock of \$836 million. There are no significant Kazakhstan investment projects in Armenia and Turkmenistan.

↓ Table 5. Number of Ongoing Investment Projects and Value of Mutual FDI Stock between Kazakhstan and the Eurasian Region Countries in 1H 2023

	Projects Realised by Kazakhstan in the Eurasian Region Countries		Projects Realised by the Eurasian Region Countries in Kazakhstan		Total Mutual Projects	
	Number	Value, \$ millions	Number	Value, \$ millions	Number	Value, \$ millions
<b>Total</b>	<b>55</b>	<b>4,658</b>	<b>111</b>	<b>13,289</b>	<b>166</b>	<b>17,947</b>
<b>EAEU Member States</b>	<b>31</b>	<b>3,858</b>	<b>104</b>	<b>13,034</b>	<b>135</b>	<b>16,892</b>
<b>Russia</b>	20	3,178	99	12,981	119	16,159
<b>Kyrgyzstan</b>	9	658	0	0	9	658
<b>Belarus</b>	2	22	5	53	7	75
<b>Other Countries</b>	<b>24</b>	<b>799</b>	<b>10</b>	<b>255</b>	<b>34</b>	<b>1,054</b>
<b>Uzbekistan</b>	9	285	3	115	12	400
<b>Georgia</b>	5	328	2	65	7	393
<b>Azerbaijan</b>	2	8	4	74	6	82
<b>Ukraine</b>	4	64	1	1	5	65
<b>Tajikistan</b>	3	15	0	0	3	15
<b>Moldova</b>	1	99	0	0	1	99

Source: EDB MMI Database.

**Kazakhstan — Russia.** These two countries have reached the highest level of investment interaction within the CIS. The Kazakhstan–Russia FDI sectoral structure is more diversified than with the other countries of the region. The bulk of mutual investments is represented by Mining of Metal Ores (35%), Extraction of Oil and Natural Gas (14%), Manufacturing (14%), Transport and Logistics (12%), and Trade (5%).

In the Eurasian space, Kazakhstan is the largest investor in the Russian economy. In 1H 2023, the country's FDI stock in Russia (about \$3.2 billion) was almost six times that of Belarus. Kazakhstan's largest project in Russia is the acquisition and expansion of the Baimskaya Copper Combine, with an FDI stock of \$1.5 billion. There are also several large investment projects related to construction of commercial real estate and oil production.

KazMunaiGaz owns a 19% stake in the Caspian Pipeline Consortium, and invested \$823 million in that project. Another large investment project is the construction of the Ritz Carlton Hotel



by businessman Bulat Utemuratov, with an estimated market value of \$300 million. One of the notable projects in the \$100+ million segment is the acquisition in 2021 of the Asian-Pacific Bank (APB) by Jusan Group, with Pioneer Capital Investment LLP being the chief beneficiary. That deal became the group's second investment in the banking sector following the purchase of Plus Bank for \$68 million in 2017. Soon after the deal had been closed, Plus Bank was renamed and merged with APB.

**Kazakhstan — Kyrgyzstan.** Kyrgyzstan is Kazakhstan's second-largest investment partner in the Eurasian region. According to EDB estimates, Kazakhstan has nine ongoing investment projects in Kyrgyzstan, with a total value of \$658 million. Notably, Kyrgyzstan has no significant investment projects in Kazakhstan. Kazakhstan's largest project in Kyrgyzstan is the development of the copper and gold open-pit mine owned by Kaz Minerals. The mine project has an FDI stock of \$350 million. Another important project is the acquisition by Verny Capital, a Kazakhstan investment company, of a stake in the mobile operator Sky Mobile (Beeline) for about \$113 million.

**Kazakhstan — Georgia.** The list of Kazakhstan–Georgia mutual FDI includes seven projects, of which five are Kazakhstan's capital investments of \$328 million. The bulk of that amount is represented by the acquisition by Kaztransoil of the Batumi Oil Terminal in 2008.

In 2023, PTC Holding launched a project for the construction of a port terminal in Poti, investing \$10 million in Stage 1 works. Halyk Bank invested \$12.6 million in the opening of its branch in Georgia.

The key Georgian investor in Kazakhstan is Georgian Industrial Group, a manufacturer of agricultural equipment, which in 2019 and 2021 invested \$65 million in the construction of two production facilities.

**Kazakhstan — Uzbekistan.** Investment ties with Uzbekistan include 12 projects with a total value of \$400 million, nine of which (\$285 million) are being implemented by Kazakhstan. One of the largest investment projects in Uzbekistan with an FDI stock of more than \$100 million is the establishment by Halyk Bank of a subsidiary called Tenge Bank. It should also be noted that Kazakhstan's United Cement Group owns two Uzbekistan cement plants (Kuvaycement and Bekabadcement) valued at \$19 million.

In 2023, PTC Holding undertook to invest \$70 million by 2026 in the construction of a logistical centre at the border between the countries. The company also made a tentative announcement of its intention to invest up to \$230 million by 2034 in the second stage of the project.

Uzbekistan's large-scale investments in Kazakhstan started in 2020, with a \$45.9 million project envisaging the restoration by Alliance of a spinning mill by 2023. The company has a joint venture with the Investment Fund of Kazakhstan with a 51%/49% shareholding structure.

In 2022, Uzbekistan's Artel made its debut in the Kazakhstan market, investing, over the course of two years, \$52.5 million in the construction of a kitchen appliances plant in Karaganda Region. The company had previously attempted to start a similar project in Shymkent, but it never came to fruition. The third project, owned by Uzavtosanoat, is designed to launch production of Chevrolet Onix cars at the SaryarkaAvtoProm plant. The project value is estimated at \$50 million, and the investor company is considering the possibility of raising additional financing under a series of leasing programmes.

**Kazakhstan — Other Countries of the Region.** According to EDB estimates, Kazakhstan's mutual FDI stock with Belarus, Azerbaijan, Ukraine, Moldova, and Tajikistan amounts to \$336 million.

Mutual direct investment stock between Kazakhstan and Belarus stands at \$75 million, including \$53 million of Belarusian investments in Kazakhstan. All in all, there are eight investment projects, one of the largest being the project for construction of a plant to make cabs for the tractors manufactured by Minsk Tractor Plant (Belarus). The value of the project is \$18 million. By the end of 1H 2023, Kazakhstan's direct investment stock in Belarus amounted to \$22 million. The largest project is the acquisition of a subsidiary by BTA Bank for \$18 million.

Azerbaijan's investment stock in Kazakhstan reached \$74 million, while Kazakhstan's investments in Azerbaijan amounted to \$8 million. One of the largest projects in Kazakhstan is the construction by Azerbaijan's ATEF of a plant to manufacture cables and transformers. To enhance the transport and logistics potential of the Trans-Caspian multimodal routes in the vicinity of the port of Aktau, Azerbaijan's Azersun Holding is building a logistical centre called the Azersun Production and Logistics Centre.

Most ongoing mutual investment projects between Kazakhstan and Ukraine are concentrated in Financial Services. That includes investments in banking, insurance, asset management, and other financial services. The largest investor is Kazakhstan's Kaspi Bank (\$59 million).

Kazakhstan's investment co-operation with Moldova and Tajikistan remains at a low level. Kazakhstan's total FDI in those countries amounted to \$114 million, including a \$99 million project for the construction by KazMunaiGaz of petrol stations in Moldova. In 2023, Kazakhstan's FDI in Tajikistan stood at \$15 million. The largest investment project is owned by the Kazakhstan-Tajik Grain Company, and is designed to boost production of grain.

## Intra-Regional FDI Flows in Central Asia

According to EDB estimates, the countries of Central Asia are realising 27 large-scale investment projects involving mutual investments. By the end of 1H 2023, total mutual FDI stock in the region amounted to \$1.1 billion, increasing by a factor of 1.8 vs 2016.

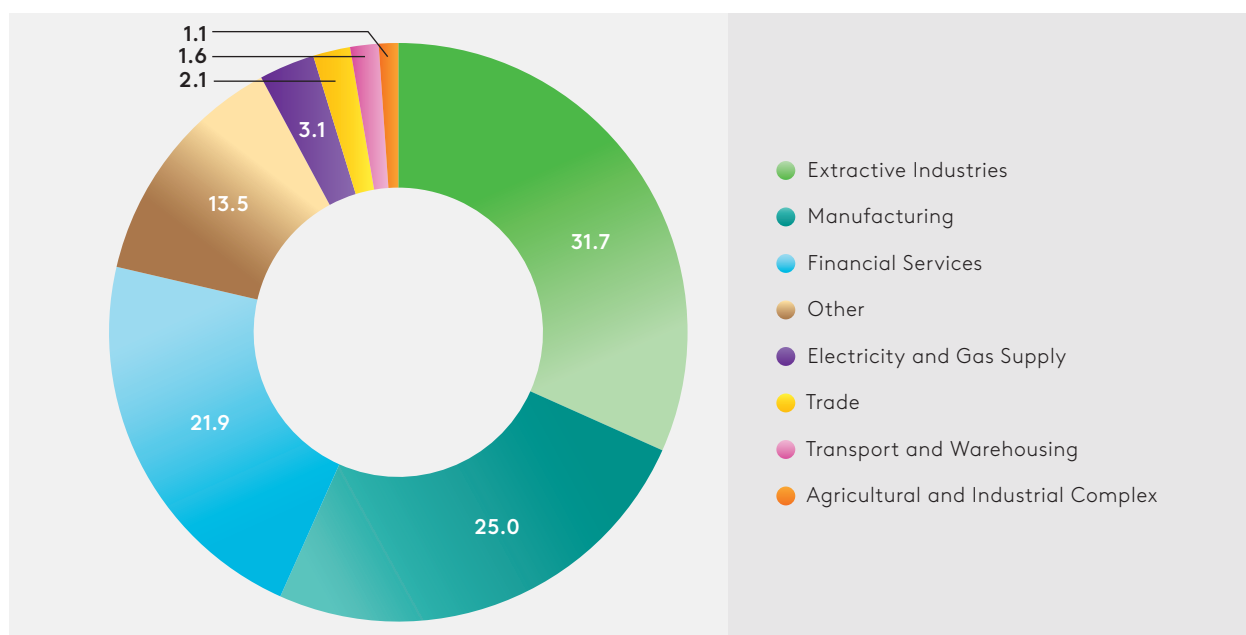
The largest five projects in the region are being carried out by Kazakhstan's Kaz Minerals, United Cement Group, Halyk Bank, and Verny Capital (two projects). The remaining two large projects are being implemented by Artel and Alliance Textile.

The main investors in the region are Kazakhstan and Uzbekistan, with about 87% and 13% of total capital investments, respectively. Kyrgyzstan is the main recipient of investments in the region with a 63% share, with a single project in the extractive sector accounting for half of that share. The key investment destinations are Uzbekistan (24%), Kazakhstan (11%), and Tajikistan (2%). There are no projects with the participation of Turkmenistan.

Kaz Minerals investments in the Bozymchak copper and gold open-pit mine in Kyrgyzstan (\$350 million) account for 32% of total mutual investments in Central Asia. The scale of the Kaz Minerals project ensures that Extractive Industries dominate the sectoral structure of investments. Manufacturing accounts for 25% of regional investments, with nine projects having a total value of \$276 million. Six of those projects are being realised by companies from Uzbekistan.

Artel is the largest investor from Uzbekistan in the region. The company began to expand into the Central Asia market in 2018, when it launched production of refrigerators in Kyrgyzstan for subsequent sale in the domestic market. Despite the modest amount of the investments (\$1 million), the plant plans to commence manufacturing of mini-ovens, gas stoves, and TV sets. The Artel plant in Kazakhstan is the company's most expensive project, with an FDI stock of \$53 million, which emphasises the strategic importance of the local market for the company. It is believed that Artel postponed its plans to invest additional capital in its projects in Kyrgyzstan and Tajikistan to accelerate the opening of the Kazakhstan facility.

↓ Figure 9. Structure of Mutual FDI of the Countries of Central Asia, %



Source: EDB MMI Database.

22% of total FDI in Central Asia (\$242 million) is concentrated in Financial Services. All projects in that sector are being implemented by Kazakhstan's banks.

## 2. MUTUAL INVESTMENTS IN THE EURASIAN REGION: DEVELOPMENT PROSPECTS

### Constraints on Investment Co-operation

The countries of the Eurasian region seek to establish close relations to develop industrial co-operation, ensure steady economic growth, and promote regional economic integration.

In turn, integration processes in the EAEU, the CIS, and Central Asia contribute to the creation of a favourable investment climate and removal of barriers preventing trade and economic co-operation. Joint investment projects, in particular, those related to transport and energy infrastructure and production and distribution chains, improve connectivity and encourage economic growth in the region.

For the last two years, the work to raise investment capital has been conducted on the basis of previous agreements and arrangements. In particular, in October 2023, the Eurasian Intergovernmental Council approved *Regulations on Selection of Joint Co-operative Projects in Various Branches of Industry and Provision of Financial Assistance in Their Realisation by the EAEU Member States*.

At the same time, inter-country integration processes encounter a number of objective obstacles and constraints, which may delay or hinder economic integration and, consequently, economic growth.

- **Differences in economic development.** The countries involved in integration processes have different levels of economic development, infrastructure, industrialisation, and productivity. This may lead to imbalances in distribution of integration benefits, and hamper development and alignment of common rules and policies.
- **Trade and customs barriers.** Despite the economic integration, some non-harmonised border-crossing procedures, including customs procedures and duties, may persist. Imposition of sanctions impedes free movement of goods within the EAEU common market.
- **Differences in laws and regulations** may cause legal uncertainty, and erect barriers to entry of companies from partner countries to national markets. There are still no definitive regulations governing exchange trading, taxation, government procurement, digitisation, and environmental protection in the EAEU. This leads to a situation where the countries of the region independently design national development strategies without taking into consideration the regional component of economic integration.
- **Deficiencies in transport and logistical infrastructure,** especially in some countries of Central Asia, may impede effective movement of goods, services, and people, increasing the costs borne by exporters and importers and, consequently, impairing the investment appeal of certain sectors of the economy.

The level of development of the infrastructure in the countries of the Eurasian region is substantially different. Despite commitment to liberalise access to the market for transport services, for example, within the framework of the Single Transport Space, and to pursue aligned transport policies across all EAEU member states, there still remain certain sensitive

areas that impede capital access from partner countries on the national level. Examples include air transport operations, ownership of railway operator companies, etc.

## High-Potential Investment Niches

The investment needs of the countries of the Eurasian region are different because each of them has a unique geography, sectoral structure, and market potential.

**Russia** has the largest consumer market in the region, offering an ample potential to companies investing in trade and other services. The fact that it has rich natural resources creates space for investing in their extraction and processing. Restructuring of Russia's trade ties opens opportunities for investments in production facilities with good prospects for exporting their products to Central Asia, China, Turkey, Iran, the Middle East, and India. In addition, the exodus of western companies has released investment niches in numerous sectors of the economy, including Manufacture of Electrical Equipment, Manufacturing, Light and Food Industry, Mechanical Engineering, Pharmaceuticals, and Retail Trade.

**Kazakhstan** still offers considerable opportunities in terms of investing in Extractive Industries. In his address to the nation in 2023, the President of Kazakhstan listed priority FDI target sectors, such as development of rare and rare-earth metal deposits, deep conversion or raw materials, and import substitution ([Akorda, 2023](#)). According to the niche products database maintained by National Company KAZAKH INVEST JSC ([Kazakh Invest, 2023](#)), high-potential sectors in terms of FDI attraction include the Food Industry, Manufacture of Basic Metals, Manufacturing, Tourism, Logistics, and Transport. Examples of niche projects in need of investment capital in Kazakhstan include development of Batalinskoe and Krasnoarmeyskoe copper deposits in Kostanay Region (project value \$300 million), construction of sugar plants in Pavlodar and Turkistan Region (total investment needs \$677 million), expansion of oil and gas equipment manufacturing in Mangystau Region (\$246 million), and construction of the Esik mountain resort in Almaty Region (\$267 million).

**Belarus** has a sophisticated industrial and agricultural complex, comprising mechanical engineering, furniture manufacturing, construction, food production, and processing enterprises. The country has launched an initiative project called One District — One Project. The sectoral structure is dominated by Production and Processing of Agricultural Products, Manufacture of Basic Metals, Manufacture of Machinery and Equipment, Wood Processing, and Pharmaceuticals ([Belta, 2023](#)). Priority investment targets include Telecommunications, Logistical Infrastructure, and Manufacturing.

**Kyrgyzstan.** Traditional investment targets are Mining, Tourism, and AIC. At the Saint Petersburg International Economic Forum in 2023, the Minister of Economy of Kyrgyzstan noted that the country offers a broad range of investment opportunities in such sectors as Renewable Energy, Transport and Logistics, Tourism, Manufacture of Wearing Apparel, Agriculture, and Information Technologies.

**Armenia** intends to promote Technology and IT as the key economy competition drivers. Other sectors that are critical for the economy of the country and FDI are Industry and Agriculture.

**Uzbekistan** is vigorously implementing a number of action plans and reforms to attract FDI. Priority investment targets are Manufacturing and Power Industry, including manufacture of electric equipment, motor vehicles, and construction materials, chemical production, and construction of solar power plants. Examples of potential niche projects for investing in Uzbekistan: manufacture of e-vehicles (project value ~\$250 million), construction of a mineral fertilisers plant (\$200 million), manufacture of e-vehicle batteries in Sirdaryo Region (\$100 million).



**Turkmenistan** also seeks to attract investors. Most investments are currently directed to the gas chemical sector represented by plants manufacturing ammonia, carbamide, polypropylene, polyethylene, and synthetic petrol. In addition, redistribution of energy flows in Eurasia brings to the forefront development of fields and energy transport projects. Transport infrastructure is also attractive for foreign investors because of the Government of Turkmenistan's current transport diplomacy program.

**Tajikistan** uses most FDI for extraction of mineral resources. In 2022, it attracted about \$430 of direct investments, of which 85% was directed to the extraction of mineral resources, 13% to production and processing, and 1.7% to construction and other sectors (TASS, 2023b). During the Central Asia and Gulf Co-operation Council summit held in July 2023 in Saudi Arabia, Tajikistan announced that the list of its priority investment targets includes energy, industry (including light and food industry), agriculture, banking, tourism, digital economy, information and communications, and transit transport systems.

**Azerbaijan.** Most of the FDI is attracted to the country by Extraction of Petroleum and Natural Gas (more than 70% of the \$6.3 billion of investments attracted in 2022). Transport and Logistics traditionally retain the highest investment appeal. The fact that Azerbaijan is situated at the intersection of key transport routes between Europe and Asia makes it an important transit hub. The relevance of Transport and Logistics for the economy increased dramatically as the neighbouring countries started to explore alternative goods delivery corridors. In addition, Azerbaijan is actively developing its Tourism sector, which offers great opportunities for investing in hotels, restaurants, and tourist services.

## Medium-Term Mutual Investment Trends in the Eurasian Region

Changes in mutual investments in the Eurasian region may be somewhat erratic due to the financial constraints faced by Russian companies, and the mounting uncertainty with respect to the prospects of economic development. Nevertheless, considering the needs of Russian industry, Russian direct investments in the EAEU member states may increase. According to EDB estimates, mutual direct investment stock has been increasing over the last 18 months, which points to growing support among the countries of the region.

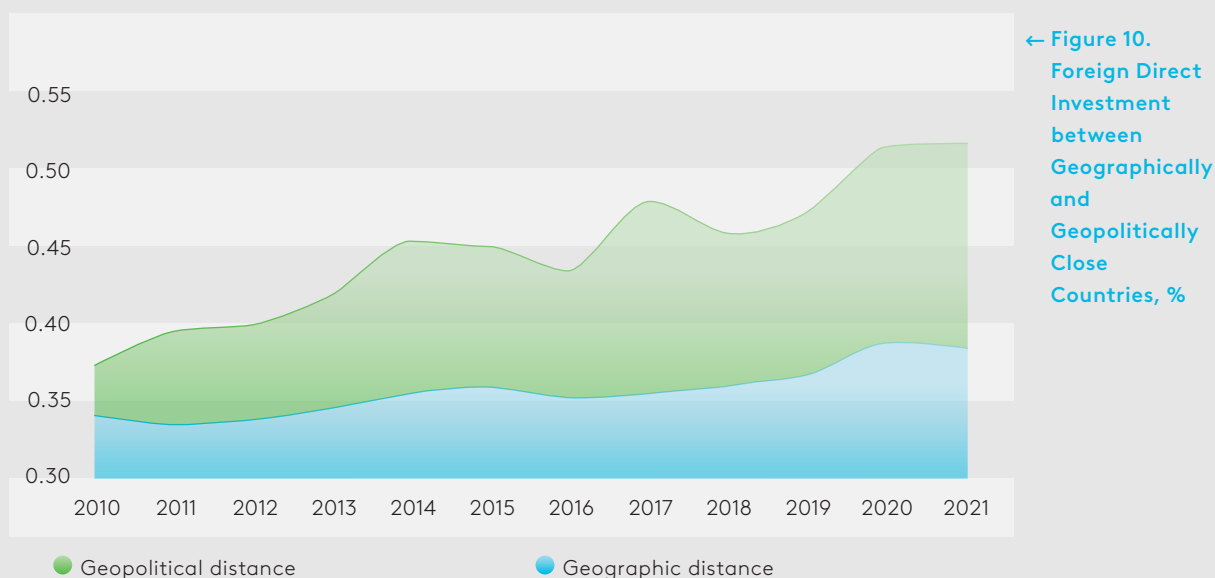
**The “geopolitical distance effect” will continue to play an important role.** In 1H 2023, the EAEU member states accounted for 57.6% of a total of \$48.8 billion of mutual FDI in the Eurasian region. That indicator has increased by 7.2 p.p. (from 50.4%) since 2015, when the EAEU was established.

**New projects in the Eurasian region are becoming more capital-intensive.** The average value of the active projects in the recent years is more than \$100–150 million, which is 2.5 times more than in 2016. If that indicator declines, it may produce a negative impact on the rate of growth of mutual FDI stock.

**FDI in Manufacturing is increasing at a brisk pace.** Nineteen of 99 ongoing projects in the sector were launched in the Eurasian region in the last 18 months. By the end of 1H 2023, mutual FDI stock in the sector increased by a factor of 3.2 vs 2016. The share of Manufacturing in total FDI has increased by 8 p.p. to 18% since 2016. It is anticipated that the mutual FDI sectoral diversification trend will be gaining momentum, due, among other things, to the relocation of certain production facilities from Russia to Central Asia. In particular, the Russian Zavod LSTK started the manufacture of lightweight thin-walled steel structures in Petropavlovsk (Kazakhstan), Avtovaz made arrangements for completely knocked-down assembly of Lada Granta motor vehicles in Kostanay (Kazakhstan), and Tatneft purchased the only tyre factory in Uzbekistan.

### Box 3. The domination of the geopolitical factor over the geographic factor in direct investments is a global trend.

According to the IMF World Economic Outlook, over the last several years there has been a reallocation of FDI flows from geopolitically distant countries to “friendly” countries (IMF, 2023). The report indicates that geopolitical distance has more impact on FDI flows than geographic distance (see Figure 10).



Source: IMF World Economic Outlook April 2023.

**The Transport and Logistics sector is becoming an important driver attracting investors to the Eurasian region.** This can be attributed to the realignment of commodity flows, and the resultant strategic plans of Russian marketplaces to create local Category A warehouse complexes and distribution centres in Central Asia. In particular, in 2023, Ozon and Wildberries launched plans to expand distribution networks in Kazakhstan. In 2024, Ozon plans to build up its logistical infrastructure in Uzbekistan. In addition, transport companies from the Eurasian region are engaged in active modernisation and construction of port and logistical infrastructure facilities, container terminals, dry ports, road service facilities along the key motor highways, etc. Changes in trade flows in Eurasia are forcing the countries of the region to review their transport strategies. Virtually all of them need not only to diversify their existing logistical routes, but also to rapidly upgrade their transport infrastructure, create a competitive environment for all market players, and resolve outstanding regulatory issues.

**Mutual FDI in Finance and Telecommunications will likely suffer from stagnation.** Withdrawal of Russia's and Kazakhstan's largest banks from several CIS countries impairs medium-term prospects for mutual FDI development of the sector in the region, primarily in the EAEU. The share of Telecommunications in the mutual FDI structure also tends to decline. In 2022–2023, new negative trends emerged in the wake of the exodus of Russian telecom operators from the Ukrainian market during the previous years. In particular, acquisition by Russia's Vimpelcom of Kazakhstan's mobile operator Kar-Tel had been the largest Telecom project in the EAEU market, but in 1H 2023 Vimpelcom sold its Kazakhstan business to its parent company (Veon Holding).

**“Green” mutual FDI projects remain unpopular among the countries of the Eurasian region,** despite the predominant global trend ([UNCTAD, 2023a](#)). According to EDB estimates, in 1H 2023, there were only six “green” projects in the region, accounting for 1% of total mutual investments. The largest new project was the construction by Kazakhstan’s TGS Energy Limited of the Toru-Aygyr 2022 solar power station in Kyrgyzstan, with total investments of \$34 million.

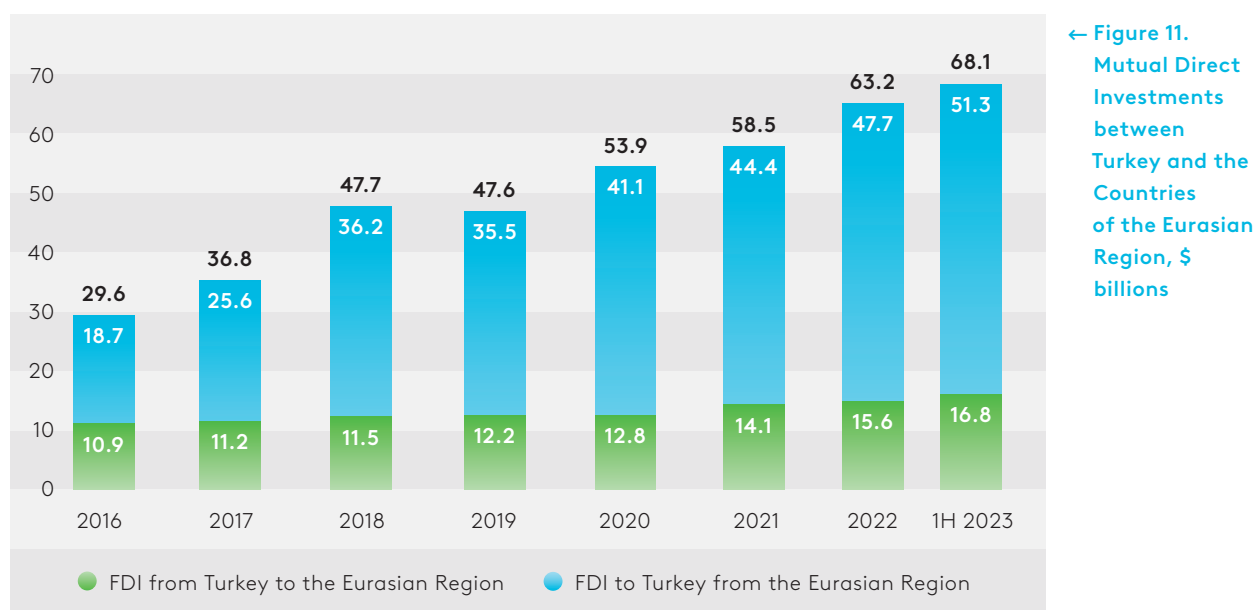
### 3. MUTUAL INVESTMENTS WITH THE COUNTRIES OF GREATER EURASIA

There is a rapid increase in the value of direct investments in the Eurasian region by the countries of the so-called Greater Eurasia. We define “Greater Eurasia” as China, Turkey, and the “Islamic World” countries of the Middle East and North Africa, namely, Iran, UAE, Saudi Arabia, Qatar, Egypt, Algeria, Iraq, Libya, and Oman.

As of the end of 1H 2023, total mutual investment stock between the countries of Greater Eurasia and the countries of the Eurasian region exceeded \$158 billion, of which \$102.6 billion was represented by investments in the countries of the Eurasian region.

#### Turkey: Active Investments in the Region’s Manufacturing Sector

At the end of 1H 2023, total mutual investment stock between Turkey and the countries of the Eurasian region reached \$68.1 billion. Turkey plays a key role in the economic co-operation with that region, as confirmed by the movement of mutual FDI stock since 2016 (see [Figure 11](#)). That trend is characterised by stable positive growth at an average rate of 13% per year. The number of mutual investment projects also increased from 99 to 172 (vs 2016).



Source: EDB MMI Database.

According to EDB estimates, Russia accounts for the largest share of mutual investment co-operation between Turkey and the Eurasian region, with \$40.4 billion, or 59.3%. It is followed by Azerbaijan (\$20.5 billion, 30.1%), Kazakhstan (\$3.4 billion, 5%), and Belarus (\$1.3 billion, 2%). The remaining countries account for less than \$2.5 billion, or less than 4% of total mutual FDI stock (see [Table 6](#)).

Turkey is actively involved in regional investment projects and invests in all the countries of the Eurasian region, with the exception of Armenia. Russia is the main destination for Turkish investments, both qualitatively and quantitatively, with 61 projects having a total

value of \$7.4 billion. A significant number of Turkish investment projects are also realised in Kazakhstan (49 projects), Ukraine (12 projects), and Azerbaijan (9 projects).

The country rating in terms of inward investment stock is somewhat different. Russia is followed by Azerbaijan (\$3 billion), Kazakhstan (\$2.6 billion), Belarus (\$1.3 billion), Uzbekistan (\$852 million), Kyrgyzstan (\$743 million), and Ukraine (\$647 million).

Turkey is the net recipient of FDI originating from the Eurasian region as a result of Russia and Azerbaijan realising several large-scale projects in its territory.

↓ Table 6. Mutual FDI between Turkey and the Countries of the Eurasian Region as of the End of 1H 2023, \$ millions

	Turkey as Investor	Turkey as Recipient	Mutual FDI	Share, %
<b>Total</b>	<b>16,805</b>	<b>51,307</b>	<b>68,112</b>	<b>100</b>
<b>Russia</b>	7,352	33,039	40,390	59.3
<b>Azerbaijan</b>	2,984	17,500	20,484	30.1
<b>Kazakhstan</b>	2,643	767	3,412	5.0
<b>Belarus</b>	1,340	0	1,340	2.0
<b>Uzbekistan</b>	852	0	852	1.3
<b>Kyrgyzstan</b>	743	0	743	1.1
<b>Ukraine</b>	647	0	647	1.0
<b>Tajikistan</b>	92	0	92	0.1
<b>Georgia</b>	82	0	82	0.1
<b>Moldova</b>	46	0	46	0.1
<b>Turkmenistan</b>	23	0	23	0.03

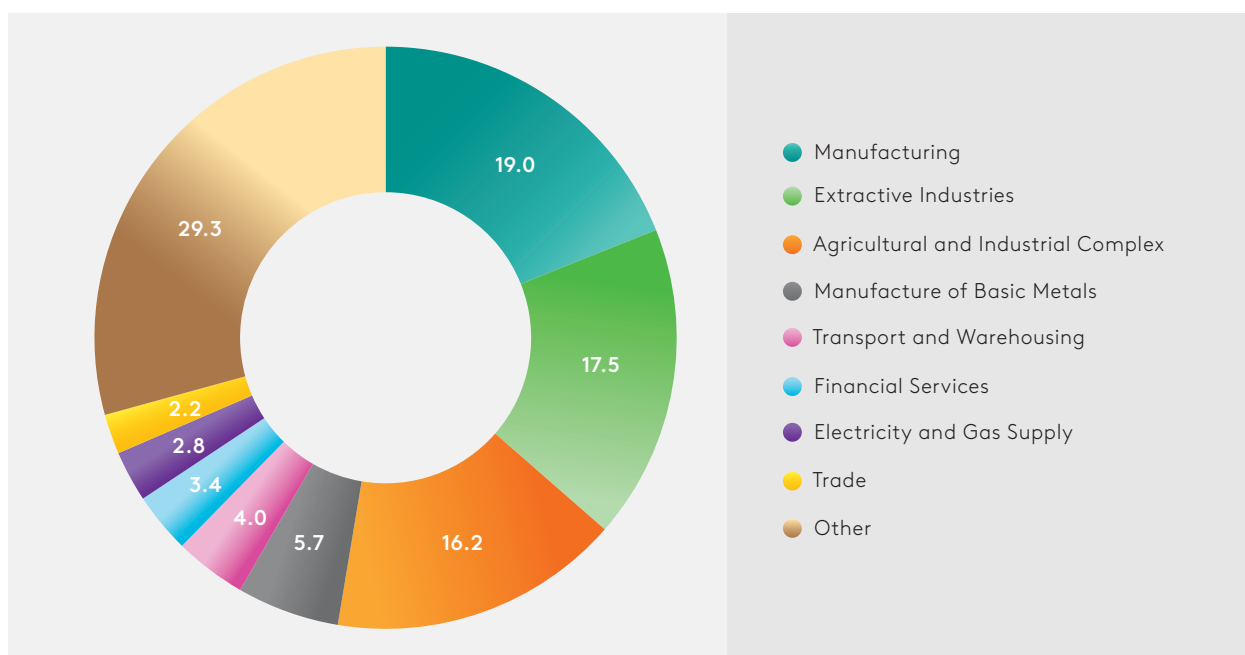
Source: EDB MMI Database.

Turkish investments in the region cover a broad range of sectors, with FDI in Manufacturing playing the dominant role. Fifty-eight projects, with a total value of \$3.2 billion (19.0%), are concentrated in that sector. There are four projects in Extraction of Mineral Resources with a total FDI stock of \$2.9 billion (17.5%). The Agricultural and Industrial Complex is also at the centre of attention of Turkish investors, with 26 projects having a total value of \$2.7 billion (16.2%). Significant investments were also channelled to other sectors of the economy (see Figure 12).

Investments in Turkey originating from the countries of the Eurasian region are represented by a few large-scale projects. Three energy and gas projects account for \$33 billion out of the total FDI stock of \$51.3 billion: construction of the Akkuyu NPP by Rosatom, construction of the TurkStream gas pipeline with the participation of Gazprom, and construction of the Trans-Anatolian Gas Pipeline (TANAP) with the participation of investors from Azerbaijan. Almost all of the total FDI stock of \$11 billion in Manufacturing is represented by two petrochemical complexes, where the State Oil Company of Azerbaijan Republic (SOCAR) holds a stake of \$10.6 billion.



↓ Figure 12. Sectoral Structure of Turkey's FDI Stock in the Eurasian Region, %



Source: EDB MMI Database.

Notably, Turkish investors are actively involved in “green” projects. There are nine such ongoing projects with a total value of \$1.8 billion. The largest of those projects are in Russia, including the construction of several waste-to-energy plants in Moscow Region (\$606 million), and of an Industrial Park in Vladimir Region (\$600 million). In addition, Turkish investors are building wind power stations in Belarus, Georgia, and Ukraine, and realising several projects in Kazakhstan according to the principle of minimal environmental harm.

**Turkey — Russia.** These two countries have significant mutual FDI stocks, mostly supported by Russia’s large-scale projects in Turkey. One of the key projects is the construction in Turkey of the Akkuyu nuclear power plant, with a total value of \$20 billion. The TurkStream project was launched in 2020, with Russian participants investing about \$6.5 billion in the Turkish part of the pipeline.

All in all, by the end of 1H 2023, total Russian FDI stock in Turkey reached \$33 billion. Turkish investments in Russia amount to \$7.4 billion. Russian investments are characterised by their large scale, and Turkish investments by the number of projects. Turkish investors are realising 61 projects in Russia, while Russian investors have 11 ongoing projects in Turkey.

#### Box 4. Construction of the Akkuyu Nuclear Power Plant

Akkuyu NPP, Turkey’s first nuclear power plant, was launched on 14 May 2023. It was also the nuclear industry’s first BOO (Build-Own-Operate) project. All construction costs were covered by the Russian party (Rosatom funds, budget investments, and a \$400 million Sberbank loan).

Magnitogorsk Iron and Steel Works has resumed steel production in Iskenderun. In 2021, the company invested \$240 million in relaunching the production facility, taking total investments to \$2.9 billion. In addition, stakes in Turkish projects are held by Alfa-Group (via its LetterOne subsidiary), Lukoil, Tatneft, GAZ Group, and R-Pharm.

On the other hand, Russian companies withdrew from three projects in Turkey. In 2019 Sberbank sold its stake in Denzibank to a company from the UAE. By the time of the sale, the Russian bank's investments had reached \$6 billion. In 2019 the energy company INTER RAO withdrew from Trakya Elektrik, and in 2019 Gazprom divested its stake in Bosphorus Gaz Corporation.

Projects with Turkish investments in Russia have a more diversified structure, and are represented in the Agricultural and Industrial Complex, Manufacture of Basic Metals, Manufacturing, Transport Services, and Banking.

The largest FDI stock in Russia is owned by Renaissance Development, the investment arm of the Turkish holding Rönesans. In 2010, the company realised in Russia a number of business centre and multipurpose complex construction projects with a total value of \$1.2 billion.

**Turkey — Azerbaijan.** Azerbaijan's projects in Turkey have a total value of \$17.5 billion. They include the STAR refinery in Izmir, launched in 2018 by SOCAR (\$7 billion), and the Trans-Anatolian Gas Pipeline (TANAP) construction project, jointly realised by the Ministry of Economy and Industry of Azerbaijan and SOCAR (\$6.5 billion). SOCAR has two additional ongoing projects in Turkey, the PETKIM petrochemical complex (\$3.6 billion) and the Izmir container port (\$400 million).

The largest Turkish investment in Azerbaijan is the stake in Shah Deniz, a large gas condensate field. In 2014, the Oil and Gas Corporation of Turkey (Türkiye Petrolleri Anonim Ortaklığı, or TPAO) increased that stake to 19%, investing more than \$2.8 billion.

**Turkey — Kazakhstan.** The value of Turkish investments in Kazakhstan exceeds \$2.6 billion. Turkish investors focus on the Food Industry, Health Care, Tourism, Furniture Manufacture, and Trade. The largest project is the construction by Eksen Group of the Downtown Almaty Business Centre, with total investments currently at \$335 million (the full project value is estimated at \$390 million). Most investments by Kazakhstan in Turkey go into the construction by Capital Partners of the Kaplankaya recreation area, with total investments currently at \$720 million.

**Turkey — Kyrgyzstan.** Beside the acquisition by YDA Group of a 50% stake in the airports of Bishkek and Osh, Turkish investors are involved in six other projects, including the opening of the Manas Kyrgyz-Turkish University in Bishkek (\$150 million), and the operation of branches of the Demir bank, the Waikiki chain store, and the ATN insurance company in Kyrgyzstan.

The total amount of investments in the airports of Bishkek and Osh exceeds \$370 million. The investor also undertook to invest more than \$550 million in the modernisation of runways and construction of new terminals, and to make annual KGS1+ billion payments to the Government of Kyrgyzstan.

**Turkey — Uzbekistan.** In 2021, the Rönesans holding launched a large-scale programme in Uzbekistan, investing about \$520 million in the construction of an integrated casting and rolling facility and integrated mining and metallurgical works in Tashkent Region. In addition, in 2021 the Turkish arm of Coca-Cola Icecek opened a beverage production plant in the capital of the Republic valued at \$225 million. Total Turkish FDI stock in Uzbekistan exceeds \$850 million.

**Turkey — Turkmenistan.** In 2023, Turkey's Bursali completed a \$23 million textile manufacture project.

**Turkey — Belarus.** Turkish investors are implementing nine projects in Belarus with a total value of \$1.3 billion, the largest of them being the acquisition by Turkcell of the local mobile operator BeST for \$1 billion.

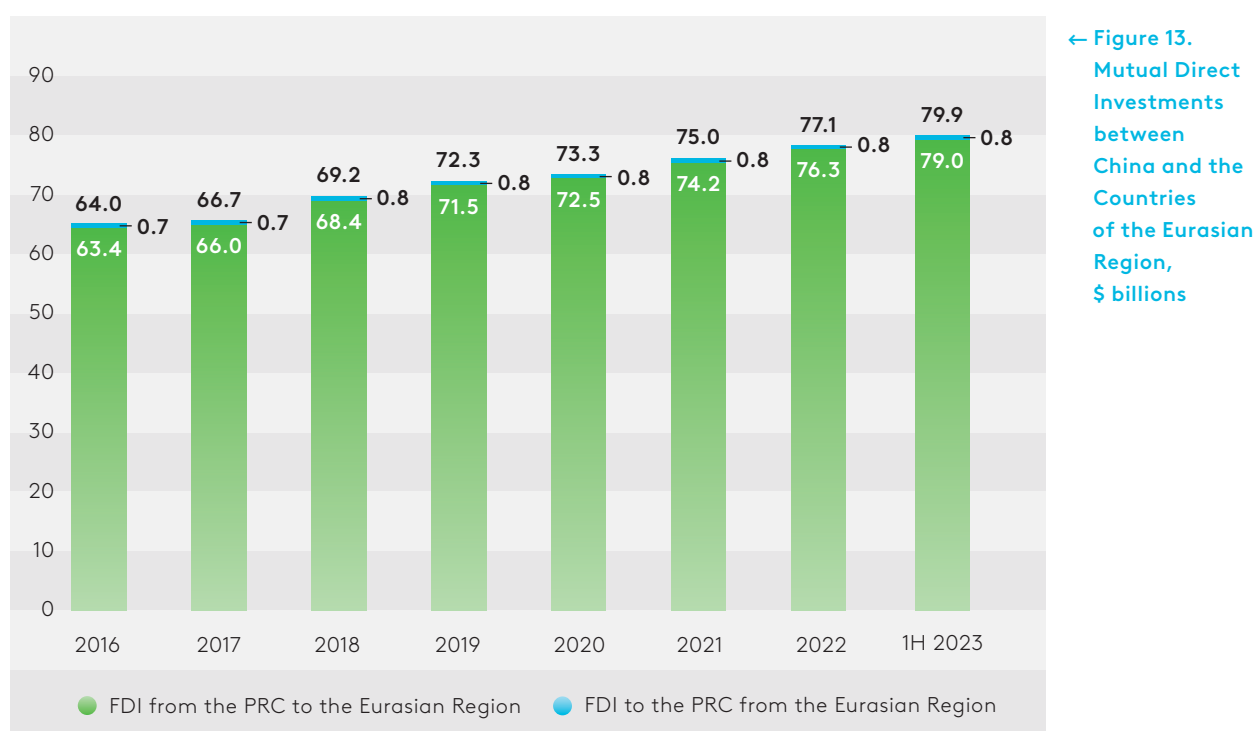
## Box 5. Turkcell Investments in Belarus

In 2008, the Turkish telecom operator Turkcell acquired an 80% stake in the communications service provider Belarusian Telecommunications Network (BeST) operating under the "life:)” brand, for \$600 million. A \$400 million investment programme was approved and implemented at a later stage, bringing total project investment to more than \$1 billion. At the end of 2022, Turkcell purchased the remaining 20% stake from the Belarusian operator for a symbolic \$1,200, and undertook to invest at least \$100 million in Belarusian telecom infrastructure by 2032.

## China: Largest Investor in the Region with a Focus on the Extractive Industries

China is the second-largest investor in the world. Investments directed by China to the Eurasian region have strategic importance for both China and the countries of the region. They are related mostly to Belt and Road infrastructure projects and power industry projects.

At the end of 1H 2023, total mutual investment stock between China and the countries of the Eurasian region reached \$79.9 billion, a 24.7% increase vs 2016. Compared to 2022, capital investments increased by 3.5% (see [Figure 13](#)).



Source: EDB MMI Database.

Chinese investments in Kazakhstan still account for the bulk of the portfolio at \$41.9 billion, or 52% of total mutual investments. Mutual investments with Russia come second with \$19.7 billion, or 25%. All in all, Chinese mutual investment stock with the EAEU member states reached \$63.6 billion, or 80% of total FDI in the Eurasian region. Turkmenistan is the third largest investment recipient in the region, with about \$9.4 billion as of the end of 1H 2023.

## Box 6. Chinese and Russian Investments in Central Asia

According to EDB estimates, by the end of 1H 2023, Chinese FDI stock in Central Asia amounted to \$55.9 billion, of which \$51.9 was attributable to state-owned companies. By comparison, Russia's investments in Central Asia are \$23.8 billion, which is less by a factor of 2.3. Russian investments in the region are different in that 71% of them are owned by private investors. Both countries show the most interest in the region's Extractive Industries. Kazakhstan is the most attractive market for both Chinese and Russian investors. Notably, Chinese investments in Uzbekistan are more than six times less than Russian direct investments in that country.

↓ Table 7. Mutual FDI between China and the Countries of the Eurasian Region as of the End of 1H 2023, \$ millions

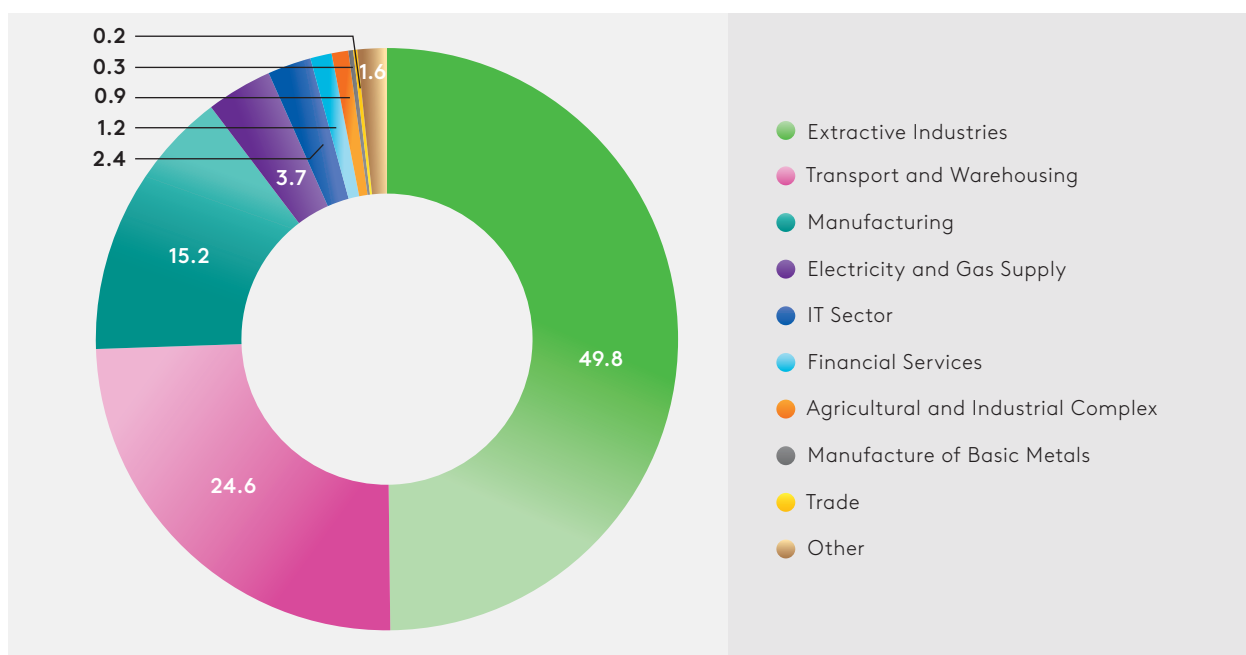
	China as Investor	China as Recipient	Mutual FDI	Share
<b>Total</b>	<b>79,049</b>	<b>822</b>	<b>79,871</b>	<b>100%</b>
<b>EAEU Member States</b>	<b>62,765</b>	<b>822</b>	<b>63,587</b>	<b>80%</b>
Kazakhstan	41,929	0	41,929	52%
Russia	18,874	822	19,696	25%
Kyrgyzstan	994	0	994	1%
Belarus	968	0	968	1%
<b>Other Countries</b>	<b>16,284</b>	<b>0</b>	<b>16,284</b>	<b>20%</b>
Turkmenistan	9,400	0	9,400	12%
Tajikistan	2,176	0	2,176	3%
Ukraine	2,124	0	2,124	3%
Uzbekistan	1,447	0	1,447	2%
Azerbaijan	805	0	805	1%
Georgia	330	0	330	0%
Armenia	2	0	2	0%

Source: EDB MMI Database.

One of the salient features of Chinese investments in the Eurasian region is that they clearly target Extractive Industries (see Figure 14). There are currently 169 ongoing projects financed by Chinese investors, and covering 30 sectors of the economy according to the OKVED classification. Investments in Extraction of Oil and Natural Gas and Land Transport and Transport via Pipelines account for \$56.7 billion, or about 70% of Chinese investments in Kazakhstan, Russia, and Turkmenistan.

The total stock of Chinese investments in the Manufacturing sector exceeds \$12 billion (15.2%). The main recipients of Chinese investments in Manufacturing are Russia (56%), Kazakhstan (20%), and Uzbekistan (7%). Significant investments (about \$2.9 billion, or 3.7%) are also directed to the Power Industry. Ukraine is the recipient of the bulk of Chinese investments in Power Industry which account for 69% of total investments in that region.

↓ Figure 14. Sectoral Structure of China's FDI Stock in the Eurasian Region, %



Source: EDB MMI Database.

**China — Kazakhstan.** According to EDB estimates, by the end of 1H 2023, total Chinese investments in Kazakhstan amounted to \$41.9 billion, or approximately 19% of Kazakhstan's GDP. A significant part of Chinese FDI in Kazakhstan is associated with large-scale projects carried out by the China National Petroleum Corporation (CNPC). The CNPC invested \$37.4 billion in Kazakhstan, or 89% of China's total investments in that country. It is involved in many investment projects which are critical for the economy of Kazakhstan, including development of the hydrocarbon deposit in Aktobe Region (more than \$13.3 billion), construction of the Kazakhstan portion of the Kazakhstan–China gas pipeline (\$16.3 billion), development of several oil fields in Mangystau Region (\$2 billion), and acquisition of a 50% stake in Shymkent Refinery (\$1.6 billion).

Some of the largest projects realised in 2023 are the project for development of the Boguty tungsten ore deposit by the Jiaxin International Resources Investment, and construction of a beneficiation plant in Almaty Region (\$270 million), construction by China's SPIC of a wind power plant in Zhambyl Region (\$130 million), and setup by China National Vehicle Import & Export Corporation of a motor vehicle manufacturing facility (about \$40 million per year).

**China — Russia.** Despite the tenfold difference in the size of Russia's and Kazakhstan's economies, China invested almost twice as much in Kazakhstan as in Russia. According to EDB estimates, by the end of 1H 2023, there were 47 ongoing Chinese–Russian investment projects, with a total value of \$19.7 billion, an increase of 11% (from \$17.8 billion in 2022) attributable to the implementation by Sinopec of the Amur Gas Chemical Complex (AGCC) construction project.

## Box 7.

The Amur Gas Chemical Complex is one of the world's largest polyethylene and polypropylene production facilities, with an annual output of up to 2.7 million tonnes of finished product. It is a joint SIBUR (60%) and Sinopec (40%) project, with an estimated value of \$10 billion. It is expected that the project may be launched in 2025–2026.

The CNPC has the largest FDI stock in Russia following the acquisition of a 20% stake in Yamal LNG for an estimated \$5.4 billion.

In 2023, IGBR International Supply Chain Management started the construction of an oilfield services equipment facility in Kaluga Region valued at about \$8–10 million. HENAN Si&C Co announced its plans to build a silicon carbide production facility in Voronezh Region for approximately \$30 million.

**China — other countries.** Other notable projects initiated in 2022–2023 in the other countries of the Eurasian region include construction of pumped storage plants and hydro power plants, a plant for the production of blood products and medicines, and an aerial cableway in Uzbekistan, as well as plants for the manufacture of mineral fertilisers (Kyrgyzstan), ceramic veneers (Azerbaijan), mixed fodders and amino acids (Belarus). By the end of 1H 2023, total investments in those projects amounted to about \$507 million.

## Middle East: Islamic Banking as a Co-operation Priority

By the end of 1H 2023, total mutual investment stock between the CIS and its Muslim partners in the Middle East and North Africa (Iran, Saudi Arabia, UAE, Iraq, Kuwait, Bahrain, Qatar, Oman, Egypt, Algeria, Libya, and Morocco) amounted to \$10.2 billion. The total amount of investments in the Eurasian region reached \$6.8 billion.

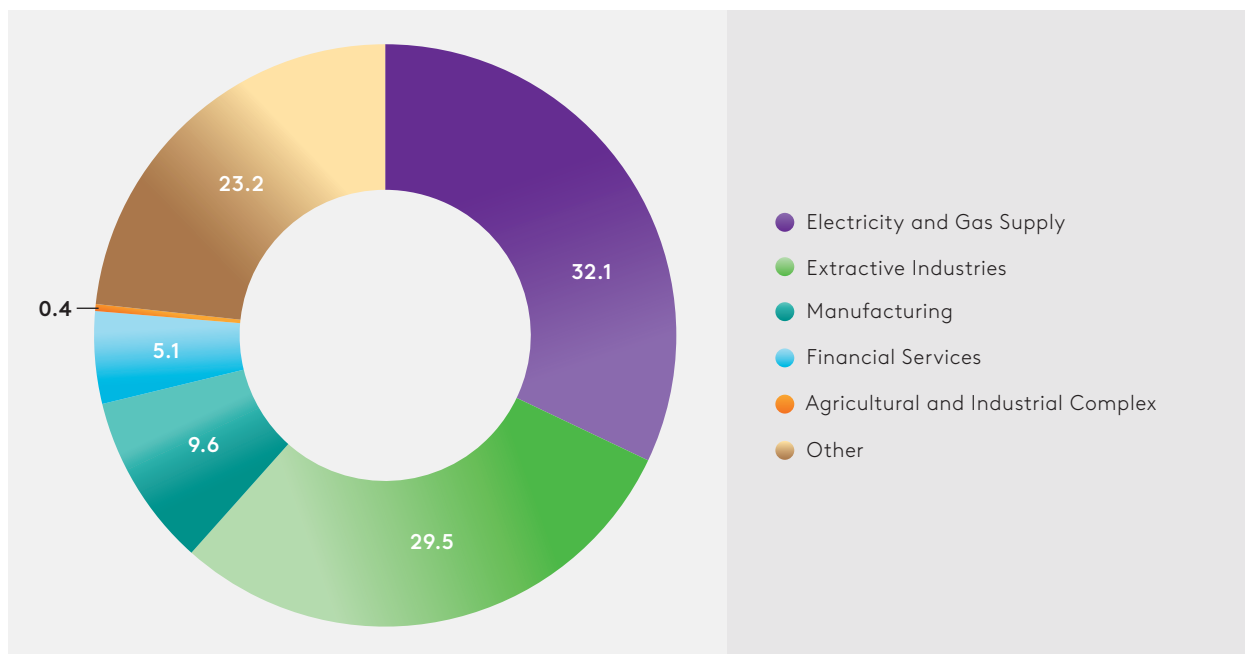
↓ Table 8. Mutual FDI between the Countries of the Middle East and North Africa and the Countries of the Eurasian Region as of the End of 1H 2023, \$ millions

	Countries of the Middle East and North Africa as Investors	Countries of the Middle East and North Africa as Recipients	Mutual FDI	Share, %
<b>Total</b>	<b>6,774</b>	<b>3,467</b>	<b>10,241</b>	<b>100.0</b>
<b>EAEU Member States</b>	<b>3,066</b>	<b>3,467</b>	<b>6,533</b>	<b>63.8</b>
<b>Russia</b>	1,142	3,449	4,591	44.8
<b>Kazakhstan</b>	1,461	18	1,479	14.4
<b>Armenia</b>	268	0	268	2.6
<b>Kyrgyzstan</b>	101	0	101	1.0
<b>Belarus</b>	94	0	94	0.9
<b>Other Countries</b>	<b>3,708</b>	<b>0</b>	<b>3,708</b>	<b>36.2</b>
<b>Uzbekistan</b>	1,801	0	1,801	17.6
<b>Azerbaijan</b>	1,757	0	1,757	17.2
<b>Georgia</b>	150	0	150	1.5

Source: EDB MMI Database.



↓ Figure 15. Sectoral Structure of Direct Investments by Arab States and Iran in the Eurasian Region, %



Source: EDB MMI Database.

The key areas of economic co-operation between Islamic states and the countries of the Eurasian region include financing of infrastructure projects, development of hydrocarbon deposits, and banking, particularly Islamic banking (see Figure 15). One of the main directions is co-operation in the social sphere, in particular, financing of education and health-care projects.

**Arab States.** According to EDB estimates, there are 23 ongoing projects in the Eurasian region with investments originating from the Arab states, with a total value of \$4.9 billion, including 13 projects from the UAE (\$4.1 billion), eight projects from Saudi Arabia (\$819 million), and two projects from Egypt (\$65 million). In sectoral terms, Arab investors prioritise energy projects, where they invested \$2.2 billion. The largest of those projects is the modernisation by Mubadala and TAQA (UAE) of the Talimarjon thermal power station in Uzbekistan for \$1 billion. The project envisages installation at the station of several combined cycle gas turbines for generation of electricity.

Kazakhstan is the largest investment recipient in the EAEU, with an FDI stock of \$1.4 billion. The largest project in Kazakhstan is the construction of the Abu-Dhabi Plaza Multipurpose Complex. The project is valued at \$1.6 billion, and construction is scheduled to be completed in 2025. This will be the highest building in Central Asia (311 metres).

Investors from Saudi Arabia focus primarily on power industry projects. In particular, Kingdom Holding's investments in Russian oil and gas companies amounted to \$526 million. In 2022, the investor acquired American depository receipts issued by Gazprom (\$365 million), LUKOIL (\$109 million), and Rosneft (\$52 million).

Investors from Egypt are implementing two Manufacturing projects in Uzbekistan. Orascom Construction invested in the construction of an industrial zone in Navoiy Region, and the Solyphar company invested in the construction of a pharmaceutical production facility in Tashkent Region.

There are investments originating from the Eurasian region with a total value of \$3.4 billion. Those are all Russian investments in Egypt, the UAE, Oman, Algeria, Libya, Saudi Arabia,

and Qatar. The two largest projects, with a total FDI stock of \$2.1 billion, are being carried out in Egypt: (1) acquisition by Rosneft of a 30% stake in the Zohr gas field for \$1.1 billion (deal closed in 2017); and (2) acquisition by LUKOIL of a 24% stake in the Meleiha oil field for \$1 billion.

**Iran.** In 1H 2023, total mutual investment stock between the CIS countries and Iran amounted to \$1.9 billion, including Iran's investments in the countries of the Eurasian region, with a total value of \$1.84 billion. Azerbaijan remains the key recipient of investments. The largest project of Iranian investors in Azerbaijan is the development of the Shah Deniz gas field, where Iran's Naftiran Intertrade Company holds a 10% stake valued at \$1.45 billion. Iran also invests in projects in Kazakhstan, Russia, Armenia, and Belarus.

In the other CIS countries, assets owned by Iranian investors are concentrated primarily in the banking sector. In Armenia, Iranian investors are participating in four projects with a total value of \$94 million, including the Mellat Bank branch operating in Armenia since 1996 with an investment stock of \$79 million. In Belarus, the largest investment stock (\$80 million) is held in Bank Torgovy Capital, owned by Iran's Bank Tejarat. Another Iranian investment asset in the CIS is MB Bank JSC. Its main shareholder is Bank Melli from Iran, with a total FDI stock in Russia and Azerbaijan of about \$150 million.

The relatively modest investments in Iran originating from the Eurasian region are concentrated in Transport and Logistics (port infrastructure development projects). Azerbaijan's ADY Express invested in the construction, within the framework of the International North–South Transport Corridor (INSTC) project, of four terminals in Astara (Iran) to be put in operation by 2024. Another noteworthy project was initiated by Kazakhstan's Semurg Invest and AD Ports Group, which jointly invested in a grain terminal to boost grain freight from and through Kazakhstan to the Iranian Caspian ports. In addition, according to the Ministry of Oil of Iran, Russian companies and investors made agreements for the development of oil and gas fields in Iran for a total of \$4.5 billion.<sup>1</sup>

Another investment project originating from Kazakhstan is that of State Holding KazAgro, which put into operation a proprietary grain terminal at the Caspian port of Amirabad (Iran). The value of the project was \$18 million.

<sup>1</sup> Not in the EDB MMI database, because information about those projects is not publicly available.

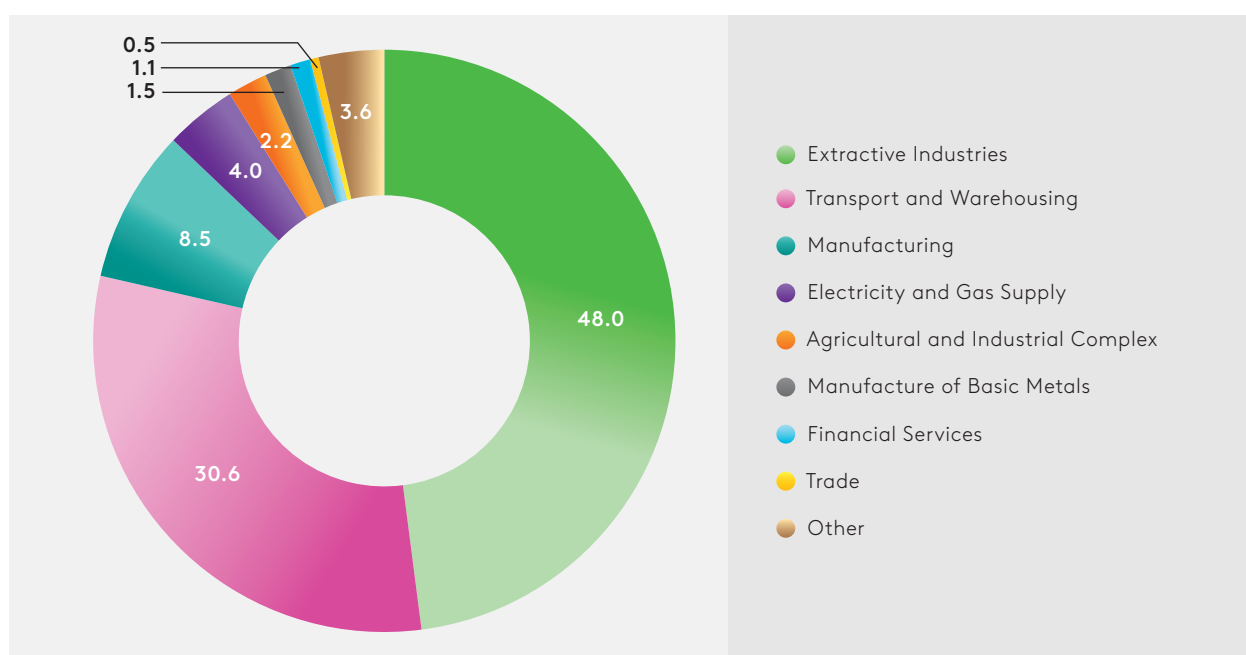
# APPENDIX 1. INVESTMENT TIES BETWEEN COUNTRIES OF CENTRAL ASIA AND COUNTRIES OF GREATER EURASIA

Investment relations between the countries of Greater Eurasia and the countries of Central Asia warrant special attention. By the end of 1H 2023, total investment stock in Central Asia reached \$63.7 billion, and continued to grow steadily at an average rate of 3.5% per year.

However, China currently plays the key role in Central Asia, with an aggregate FDI stock, as estimated by the EDB, of \$55.9 billion, or 87.9% of total FDI; but despite the increase in the value of direct investments, the share of China is decreasing: in 2016 it was 95.8%.

The reduction of China's share can be attributed to a significant increase of FDI originating from Turkey (from \$1.3 billion to \$4.4 billion) and the UAE (from \$745 million to \$3 billion) from 2016 to the end of 1H 2023. Turkey's growing influence in the region is confirmed by the trade turnover increase by a factor of more than 2.5 (from \$5.5 billion in 2018 to \$12.4 billion in 2022, according to Trademap), and the political convergence of the Turkic peoples of the region. The shares of Turkey and the UAE in total FDI in the region increased from 2.6% to 6.8% and from 1.5% to 4.7%, respectively. Egypt, Iran, Qatar, and Saudi Arabia collectively account for less than 1% of investments in the region.

↓ **Figure 16. Sectoral Structure of Direct Investments in Central Asia Originating from Turkey, China, Iran, and the Arab States, %**



Source: EDB MMI Database.

Geographically, inward investments are allocated among the countries of Central Asia as follows: Kazakhstan — 118 projects with a total value of \$46 billion; Uzbekistan — 31 projects,

\$4.1 billion; Kyrgyzstan — 23 projects, \$1.8 billion; Tajikistan — 18 projects, \$2.3 billion; and Turkmenistan — two projects, \$9.4 billion.

The sectoral structure of mutual investments originating from the countries of Greater Eurasia (see [Figure 16](#)) is largely shaped by China's interest in Extractive Industries projects (extraction of oil and metal ores). That sector accounts for almost half of all investments in the region, \$30.5 billion (48%). Of the 35 ongoing projects in Extractive Industries, 33 originate from China. The remaining two projects are owned by Iran and Turkey, and valued at \$27 million.

The second-largest sector targeted by investors in Central Asia is Transport and Warehousing (pipelines, airports, dry port), with a total investment stock of \$19.5 billion (30.6%). Eight out of 11 projects are being realised by China (total value: \$18.9 billion), with seven projects in Kazakhstan and one project in Tajikistan. The remaining three projects originate from Turkey, with two projects in Kazakhstan and one in Kyrgyzstan.

Total FDI stock related to the eight projects in the region exceeds \$1 billion. The projects are being realised by the China National Petroleum Corporation (CNPC).

### **Box 8. The largest projects in Central Asia are those of the CNPC in Kazakhstan and Turkmenistan.**

- Development of the hydrocarbon field in Aktobe Region (Kazakhstan) since 1997. Total investment stock: \$13.5 billion;
- Construction of a gas pipeline from Kazakhstan to China; the project is financed with Chinese bank loans against CNPC guarantees. Total investment stock: more than \$11.5 billion;
- Development of a hydrocarbon field in Turkmenistan. Total investment stock: about \$9.4 billion.

There is a growing interest in “green” projects. Total “green” FDI stock increased from \$80 million in 2019 to \$2.3 billion in 2023, while the number of such projects increased from 3 to 18. All the projects are in Kazakhstan and Uzbekistan, with investors from the Arab states exhibiting the most activity. Saudi Arabia has six projects, with a total value of \$236 million, being implemented by ACWA Power in Uzbekistan (five wind power stations and one gas turbine power station). The UAE has projects with a total value of \$1.5 billion (two projects in Uzbekistan and one project in Kazakhstan). In particular, the project envisaging modernisation of the Talimarjon thermal power station in Uzbekistan is valued at \$1 billion. The remaining projects are in Kazakhstan, and are owned by China (seven projects) and Turkey (two projects). The Chinese projects involve the construction of a wind power station and manufacture of related hardware. Turkey is building a facility for zero-emission production of sodium carbonate.

Investments in the countries of Greater Eurasia originating from Central Asia include two projects by Kazakhstan in Iran and four in Turkey. Their total FDI stock amounts to \$787 million. The projects in Iran are related to the construction of grain terminals; the projects in Turkey to the development of tourism, acquisition of a stake in the telecom provider Alfa Telecom, and execution of sponsorship contracts with the soccer clubs Galatasaray and Başakşehir.

## APPENDIX 2. EAEU MEMBER STATES AND COUNTRIES OF CENTRAL ASIA IN CHINESE AND TURKISH INVESTMENTS

The importance of diversification is increasing due to regionalisation of the global trade and investment system. Some of the most attractive sources of investment capital are Turkey (due to historically close cultural and economic ties with most countries of the region) and China (due to its geographic proximity and huge financial potential).

The EAEU member states and countries of Central Asia may be attractive for Turkish investors mostly because of their interest in Russia and Kazakhstan. According to the Central Bank of Turkey,<sup>2</sup> the country's global outward FDI stock increased from \$37.6 billion in 2017 to \$50.8 billion in 2022. In 2022, FDI stock in Russia amounted to \$1.6 billion, an almost sevenfold increase since 2017 (from \$233 million). During the same period, the share of Russia in Turkey's outward investments changed from 0.5% to 3.1%. FDI stock in Kazakhstan also increased at a steady pace from \$0.2 billion in 2017 to \$1 billion in 2022. During the same period, Kazakhstan's share in Turkey's outward FDI stock went up from 0.5% to 2%. The total share of the EAEU in Turkey's foreign investment portfolio increased from 1.6% in 2017 to 5.1% in 2022.

It is highly probable that Turkey's investments in the countries of Central Asia will continue to grow, particularly because of their economic and cultural convergence. In 2022, Central Asia accounted for 2.6% of all Turkish foreign investments, with Kazakhstan's share at 2.0%. In 2022, FDI stock in the region amounted to \$1.3 billion, a 2.6-fold increase vs 2017.

↓ Table 9. Country Breakdown of FDI Stock Originating from Turkey, \$ billions

		2017		2022
	\$ billions	Share, %	\$ billions	Share, %
<b>Total</b>	<b>37.6</b>	<b>100</b>	<b>50.8</b>	<b>100</b>
<b>Belarus</b>	0.1	0.3	0.0	0.0
<b>Kazakhstan</b>	0.2	0.5	1.0	2.0
<b>Kyrgyzstan</b>	0.0	0.0	0.0	0.0
<b>Russia</b>	0.2	0.5	1.6	3.1
<b>Turkmenistan</b>	0.1	0.3	0.1	0.2
<b>Uzbekistan</b>	0.1	0.3	0.1	0.2
<b>EAEU</b>	<b>0.6</b>	<b>1.6</b>	<b>2.6</b>	<b>5.1</b>
<b>Central Asia</b>	<b>0.5</b>	<b>1.3</b>	<b>1.3</b>	<b>2.6</b>
<b>European Union</b>	30.5	81.1	42.8	84.3
<b>USA</b>	1.8	4.8	2.7	5.3
<b>Africa</b>	0.8	2.1	1.7	3.3

Source: calculations based on the data published by the Central Bank of Turkey.

<sup>2</sup> [https://evds2.tcmb.gov.tr/index.php?evds/serieMarket/collapse\\_18/5003/DataGroup/english/bie\\_uypucay/](https://evds2.tcmb.gov.tr/index.php?evds/serieMarket/collapse_18/5003/DataGroup/english/bie_uypucay/)

Considering that more than 84% of Turkey's investments are concentrated in the European Union, Russia and Kazakhstan are among the top-priority non-EU target destinations for Turkish investors (see [Table 9](#)).

China, one of the world's largest foreign investors, also has significant interests in the EAEU and Central Asia. According to the Ministry of Commerce of the PRC, in 2021 the country's outward investment stock amounted to \$518.2 billion, of which the EAEU member states and the countries of Central Asia accounted for \$20.3 billion and \$13.7 billion, respectively (see [Table 10](#)).

China's FDI stock in Russia was \$10.6 billion, or 2.1% of the total; in Kazakhstan \$7.5 billion, or 1.4%; in Uzbekistan \$2.8 billion, or 0.5%; in Tajikistan \$1.6 billion, or 0.3%; in Kyrgyzstan \$1.5 billion, or 0.3%; in Belarus \$646 million, or 0.1% ([Ministry of Commerce of the PRC, 2022](#)). China's FDI stock in Russia decreased from \$13.9 billion in 2017 to \$10.6 billion in 2021 (from 3.3% to 2.1%).

The EAEU member states were in the fifth position on the list of China's key investment destinations, with \$20.3 billion, or 3.9%, of total outward investment stock (2017: \$23.3 billion, or 5.5%). The countries of Central Asia were in the tenth position with \$13.7 billion, or 2.7% of total outward investment stock (2017: \$11.8 billion, or 2.8%).

↓ **Table 10. Country Breakdown of FDI Stock Originating from the PRC, \$ billions**

	2017		2021	
	\$ billions	Share, %	\$ billions	Share, %
<b>Total</b>	<b>422.6</b>	<b>100.0</b>	<b>518.2</b>	<b>100.0</b>
<b>Armenia</b>	0.0	0.0	0.0	0.0
<b>Belarus</b>	0.5	0.1	0.6	0.1
<b>Kazakhstan</b>	7.6	1.8	7.5	1.4
<b>Kyrgyzstan</b>	1.3	0.3	1.5	0.3
<b>Russia</b>	13.9	3.3	10.6	2.1
<b>Tajikistan</b>	1.6	0.4	1.6	0.3
<b>Uzbekistan</b>	0.9	0.2	2.8	0.5
<b>Turkmenistan</b>	0.3	0.1	0.3	0.1
<b>EAEU</b>	<b>23.3</b>	<b>5.5</b>	<b>20.3</b>	<b>3.9</b>
<b>Central Asia</b>	<b>11.8</b>	<b>2.8</b>	<b>13.7</b>	<b>2.7</b>

**Source:** Ministry of Commerce of the PRC.

**Note:** Statistics on China's outward FDI do not include FDI in the territories that are regarded as Chinese provinces (Hong Kong, Macau, and Taiwan), and in offshore zones (British Virgin Islands, Cayman Islands, Luxembourg, Bermuda).



# APPENDIX 3. EDB MMI DATABASE METHODOLOGY

The EDB MMI database is an annual research project of the EDB Centre for Integration Studies. The database contains detailed information on mutual FDI stock related to investment projects with the participation of the countries of the Eurasian region. The monitoring has been conducted since 2012 on the basis of diverse data obtained from publicly available sources. The database is generated “from the bottom up” on the basis of corporate statements and other primary information.

The EDB MMI database currently includes all projects with year-end FDI stock of more than \$1 million for at least one year during 2016–2023. If FDI stock of the project is \$0.6–0.9 million, it is not rounded up, and the project is not included in the database. No exceptions to this rule are made for individual sectors or countries.

The OKVED classification is used to describe the sectoral structure of mutual FDI in the EDB MMI database. That Russian classification fully corresponds to international standards used to describe sectoral affiliation of projects (with a number of insignificant exceptions). The EDB MMI uses its sectoral codes down to the second digit.

The classification of FDI forms is reduced to four:

- “purchase” — no significant reinvestment, although asset revaluation is possible (based on depreciation of equipment, changes in the value of real properties, fluctuation of exchange rates, etc.);
- “purchase with expansion” — the original asset acquisition is supplemented with significant reinvestment in modernisation or territorial expansion, or with additional acquisitions of new blocks of shares or production facilities (consolidated into the company);
- “greenfield” — some “greenfield” projects are not expanded at later stages, but occasionally significant additional investments are made in subsequent years;
- “other” — all complex cases, for example, deals associated with privatisation after the dissolution of the USSR where the asset was originally managed by a body from another Union republic.

All FDI stock values are converted into US dollars at the exchange rates published by the central (national) banks as of 31 December.

OECD and IMF recommendations on FDI stock measurement for non-financial companies (OECD, 2008) are supplemented by the non-current assets valuation method developed before 2017. This is particularly relevant for countries with underdeveloped stock markets, as a tool for the assessment of profits reinvested (or, conversely, of depreciation of capital previously invested) in projects owned by the same investor for many years. For banks and insurance companies, the main FDI assessment indicator is the amount of equity, although in some cases researchers have to make do with charter capital information, which may result in an understatement of the amount of FDI (in practice, this applies to small banks, and it has little material impact on common country-level indicators).

In some cases, the authors, to the extent possible and acting in full compliance with OECD and IMF recommendations, measure deal values by comparing them to similar

recent acquisitions in the relevant country/sector. Occasionally, the company discloses the true value of the deal only a couple of years later, and then our estimates are adjusted. Another data adjustment problem is related to the use of news reports on investment plans, particularly those with extensive (5–10-year) investment timeframes. Unfortunately, the media and (following their lead) analysts occasionally reprint such announcements for years, changing only dates and presumed increases of the amount of capital investments. In practice, however, the projects so announced can be mothballed, which in the absence of field research, may be learned only (much) later. Unlike the Financial Times database and several other respected sources, the EDB MMI verifies old information about announced FDI on an annual basis.

The information presented in the database can be sorted by numerous parameters in addition to year-end FDI stock and sectoral affiliation of the project. For example, each record specifies the start year of the investment project (and the year when the investor withdrew from the project, if relevant), the region (for large post-Soviet countries; for the smaller countries, the existence of FDI in the capital city or in autonomous units is indicated), and the role of state capital.

In 2023, the EDB MMI database was supplemented with information for 2022 and 1H 2023. A new feature that was added to the EDB MMI database in 2023 is information on mutual FDI between the countries of the Eurasian region and Turkey.

Since 2023, project records in the EDB MMI database also include information on the sources and uses of funds.

Information on the sources of funds makes it possible to determine the nature of project investments. The sources of funds are classified as follows:

- “equity” — the company finances the project with available free cash flows;
- “debt” — the investment project is financed with the proceeds of a loan or a credit line opened by a bank/other entity;
- “budget” — the project is financed from the state budget (initiated by a ministry or another government body);
- “other” — all types of financing not covered by the categories described above (gratuitous loan, grant, debt enforcement proceeds, etc.);
- “not known” — the investor company does not disclose the source of funds, and it is not possible to determine it based on available information.

Information on the uses of funds describes the function performed with invested funds, vector of application of project cash. The uses of funds are classified as follows:

- “construction and capital repair of buildings and structures” — invested funds are used to finance construction/repair of buildings (production facilities/residential units/offices, etc.);
- “acquisition and overhaul of machines, equipment, and vehicles” — invested funds are used to finance the acquisition of new or modernisation of existing machines and equipment;
- “acquisition of stakes” — invested funds are used to acquire a stake (100% or less) in the investment target (oil or gas field, joint stock company, other company, etc.);

- “investment in the charter capital” — invested funds are used for reinvestment/provision of additional capital/modernisation of the object owned by the company (whether fully or partially);
- “other” — invested funds are used for purposes not covered by the categories described above.

Multiple uses of funds may be specified for certain projects, for example, in a situation where a company is purchased, and its profits are subsequently reinvested in modernisation of production.

During data processing, FDI analysis excludes portfolio investments and investments by international financial institutions.

FDI implies large-scale direct investment of cash, technologies, or intellectual property, which, as a rule, makes it possible to create a new facility “from scratch” or to significantly expand an existing facility. In addition to direct investment, FDI may take the form of assumption by the investor of the facility’s debt obligations. FDI involves direct participation of the investor in the management of the investee firm. This implies receipt by the investor of a stake in the charter capital of the facility (10% or more), in accordance with the international classification of foreign investments.

Portfolio investments are usually made at later project stages, when the bulk of funds is already invested, and the shares of the recipient companies are freely traded on the stock exchange. Inasmuch as portfolio investments do not require huge capital expenditures, shares are often purchased by investors who are not seeking large stakes or management rights.

The “other” type is investments by international financial institutions and organisations. The key feature of the IFIs is that they are established on an international level, as member-states pool their financial resources. The main objective of the IFIs is to finance large infrastructure and other projects, and thereby promote the development of individual countries or regions. Financing is provided through extension of soft long-term loans, as the IFIs usually do not seek high profits. However, with this type of investing it is not possible to track the amount of capital invested by any one country in another country; in addition, in most cases IFIs provide debt financing that does not involve ownership of stakes in the projects so financed.

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# ABBREVIATIONS

**AIC** — agricultural and industrial complex

**CIS** — Commonwealth of Independent States

**EAEU** — Eurasian Economic Union

**EDB** — Eurasian Development Bank

**EDB MMI** — Eurasian Development Bank project on monitoring mutual direct investments of the CIS countries and Georgia since 2021

**EoP** — end of period

**EU** — European Union

**FDI** — foreign direct investment

**GDP** — gross domestic product

**IFIs** — international financial institutions

**IT** — information technologies

**JV** — joint venture

**NPP** — nuclear power plant

**OKVED** — All-Russian Classification of Types of Economic Activity

**PRC** — People's Republic of China

**SEZ** — special economic zone

**SOCAR** — State Oil Company of Azerbaijan Republic

**TNC** — transnational corporation

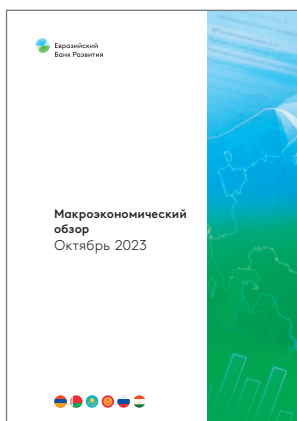
**UAE** — United Arab Emirates

**UNCTAD** — United Nations Conference on Trade and Development

**\$** — US dollar

**H** — half year





## Macroeconomic Review (RU)

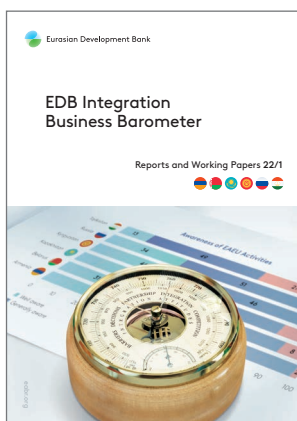
The region's economies are growing steadily, with a 2.8% year-on-year increase in their aggregate GDP in January–August, compared to 2% in the first half of 2023.



## Macroeconomic Outlook (RU/EN)

### EDB Macroeconomic Outlook 2024–2026

Macroeconomic Outlook presents a preliminary overview of economic developments in the EDB's member states for 2023, along with key macroeconomic projections for 2024, as well as 2025 and 2026.



## Report 22/1 (RU/EN)

### EDB Integration Business Barometer

About 73% of companies feel positive about the EAEU and say it makes doing business easier.



## Report 22/2 (RU/EN)

### International North–South Transport Corridor: Investments and Soft Infrastructure

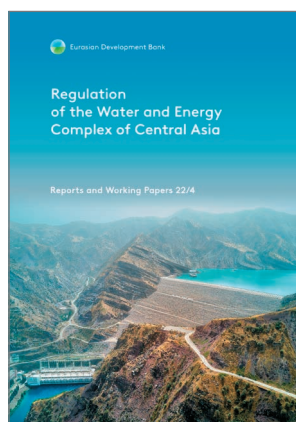
EDB research presents a database of INSTC investment projects. The database comprises more than 100 investment projects that are currently ongoing or being planned for implementation before 2030, for a total of over US \$38 billion.



## Report 22/3 (RU/EN)

### The Economy of Central Asia: A Fresh Perspective

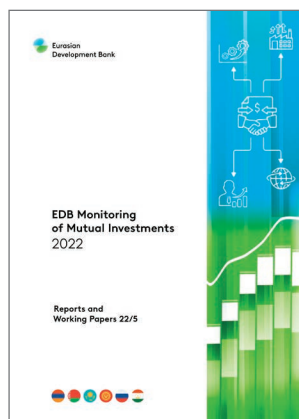
Central Asia is a large, dynamic and promising economic region. Over the past 20 years, Central Asian countries' GDP has grown more than sevenfold, and at an average rate of 6.2%, which is faster than in developing countries and more than twice as fast as the world as a whole.



## Report 22/4 (RU/EN)

### Regulation of the Water and Energy Complex of Central Asia

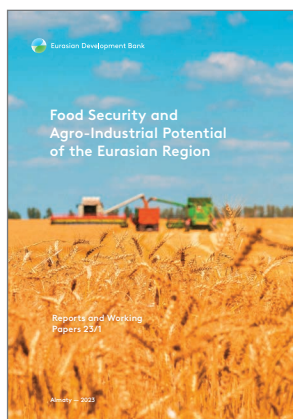
Effective water and energy resources management in the Aral Sea basin is of strategic importance to the Central Asian countries. 81% of the region's population lives within the basin. Water stress continues to strengthen and will increase by 2.8 times by 2040 in some regions.



### Report 22/5 (RU/EN)

#### EDB Monitoring of Mutual Investments — 2022

The mutual FDI stock in Eurasia (CIS countries and Georgia) totalled US \$44.6 billion by mid-2022. Foreign direct investments between CIS countries and China, Iran, Arab states exceed US \$75 billion. The mutual FDI stock in EAEU countries amounted to US \$24.5 billion.



### Report 23/1 (RU/EN)

#### Food Security and Agro-Industrial Potential of the Eurasian Region

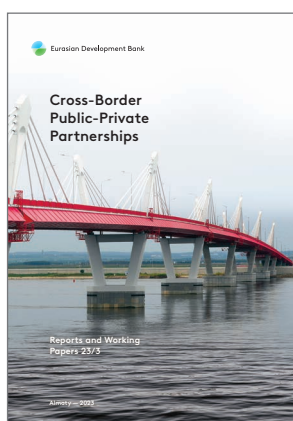
Calculations in the EDB's new analytical report demonstrate that the region not only guarantees its own food security, but by 2035, it will also be able to fully provide food for 600 million people.



### Report 23/2 (RU/EN)

#### Global Green Agenda in the Eurasian Region. Eurasian Region on the Global Green Agenda

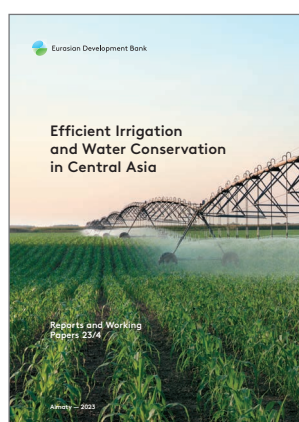
The report provides a comprehensive analysis of the challenges and prospects for low-carbon transition in Eurasia, covering EAEU countries, Tajikistan, and Uzbekistan.



### Report 23/3 (RU/EN)

#### Cross-Border Public-Private Partnerships

To ensure the successful execution of cross-border PPP projects in the region, the EDB has developed guidelines based on international best practices in cross-border infrastructure development.



### Report 23/4 (RU/EN)

#### Efficient Irrigation and Water Conservation in Central Asia

A new EDB study outlines ten practical steps for preserving irrigated land potential and promoting water conservation. The list includes four recommendations for adoption at the regional level and six at the national level.



Eurasian Development Bank

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