Centre for Integration Studies was established by the Eurasian Development Bank (EDB) in 2011. Compact and flexible structure. Leading think-tank on the matters of regional economic integration.

6 years: 47 public reports and 60+ research notes for national ministries, presidential administrations, and the Eurasian Economic Commission.

The Centre’s focus is on quantitative analysis and applied research in the following fields:

- Economic impact of the Eurasian Economic Union (EAEU)
- Macroeconomic modeling
- Macroeconomic policy coordination, monetary and fiscal policies, integration of financial markets
- Mutual investments and trade flows (proprietary databases)
- Systematic analysis of regional integration (Regional Integration Database)
- Labour migration and remittances
- Social perceptions of integration
Monitoring of Direct Investments of EAEU, Azerbaijan, Tajikistan, and Ukraine in Eurasia Outside the CIS

Geographical structure:

FDI of EAEU countries, Azerbaijan, Tajikistan, and Ukraine in all countries of Eurasia outside of the CIS and Georgia, and including Egypt.

FDI of Austria, the Netherlands, Serbia, Turkey, Egypt, Saudi Arabia, the UAE, Israel, Iran, India, Singapore, Vietnam, Mongolia, China, South Korea, and Japan in EAEU countries, Azerbaijan, Tajikistan, and Ukraine.

Features of the Database:

- Maintained since 2013
- Detailed information on the scope, dynamics, geographical, and sectoral structure of investments.
- Created “bottom up” based on various sources (most importantly, thousands of yearly and quarterly company reports).
- Reveals actual ownership of investments, including those made through offshore structures and other “trans-shipping destinations”, as well as reinvestment of profits obtained overseas.
- More than 1400 investment deals executed in Eurasia.
- Supplements and sometimes challenges official data provided by national banks and UNCTAD.
# Features of the DIM-Eurasia Database in 2010-2016

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<tbody>
<tr>
<td>Total FDI stock recorded in DIM-Eurasia Database, year-end, $ billion</td>
<td>130.1</td>
<td>151.6</td>
<td>174.3</td>
<td>196.6</td>
<td>205.5</td>
<td>220.3</td>
<td>242.3</td>
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<tr>
<td>FDI stock accumulated by EAEU countries in Eurasian countries outside the CIS and Georgia, $ billion</td>
<td>49.1</td>
<td>61.8</td>
<td>71.4</td>
<td>80.6</td>
<td>79.9</td>
<td>89.5</td>
<td>93.1</td>
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<td>FDI stock accumulated by Russia in Eurasian countries outside the CIS and Georgia, $ billion</td>
<td>44.0</td>
<td>56.6</td>
<td>65.6</td>
<td>74.0</td>
<td>72.6</td>
<td>82.4</td>
<td>85.7</td>
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<td>FDI stock accumulated by China in EAEU countries, $ billion</td>
<td>17.3</td>
<td>19.1</td>
<td>20.9</td>
<td>25.2</td>
<td>27.2</td>
<td>28.0</td>
<td>31.3</td>
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<tr>
<td>FDI stock accumulated by the Netherlands in the 8 CIS countries listed above, $ billion</td>
<td>11.8</td>
<td>13.5</td>
<td>15.6</td>
<td>18.2</td>
<td>21.3</td>
<td>26.9</td>
<td>30.9</td>
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<tr>
<td>FDI stock accumulated by Japan in EAEU countries, $ billion</td>
<td>11.1</td>
<td>11.8</td>
<td>13.8</td>
<td>15.3</td>
<td>15.2</td>
<td>15.1</td>
<td>15.3</td>
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</table>
China: Leading in Terms of Incoming FDI stock in the EAEU

- During the last eight years Chinese FDI stock in EAEU countries grew by a factor of 3 (from $9.8 billion to $31.3 billion)

- Geographical structure of Chinese FDI:
  
  A major portion of Chinese FDI is concentrated in Kazakhstan (69%), with an FDI stock of $21.5 billion;

  The shares of Russia and Belarus in Chinese outward FDI increase.

- **Russia is becoming the priority target** for new projects by Chinese investors. In 2016, five out of eight new projects with Chinese FDI in the EAEU were in Russia. Chinese FDI stock in the Russian economy amounted to $8.2 billion, having increased in 2016 by $3 billion, or 57.5%.

- Sectoral structure of Chinese FDI in the EAEU: **Oil and Gas - 82%** (including pipelines), Chemicals - 8.6%. The share of Oil and Gas sector in Kazakhstan is about 98%, in Russia is about 49%.

- There have been few noteworthy investment projects in the manufacturing industry, and **no FDI at all in transport infrastructure**.

- The significant growth of direct investments in Russia and other EAEU member states is expected in 2018. This will reinforce the "turn-to-the-East" trend which manifests itself in a heightened inflow of Asian investments.
Changes in Chinese Outward FDI in EAEU Countries, Azerbaijan, Tajikistan, and Ukraine, 2008–2016, $ billion
Other Significant Asian Investors in EAEU, Azerbaijan, Tajikistan, and Ukraine

**Japan**

- Japan maintains the largest FDI stock in Russia among Asian countries. In 2016, the Russian economy received $15.1 billion out of a total of $15.3 billion of Japanese FDI in the EAEU.

- Russian Oil and Gas accounts for 65% of total investment stock accumulated by Japanese TNCs in EAEU countries, closely followed by manufacturing.

**India**

- India invests mostly in Russian Oil and Gas. The value of Indian outward FDI stock in Russia exceeded $9.1 billion.

- Kazakhstan is India’s main partner in Central Asia. The value of Indian outward FDI stock in Kazakhstan approaches $1.5 billion.

**Turkey**

- Turkey continues to steadily increase its FDI despite the loss of one year to the crisis in its relations with Russia, and the rather anaemic macroeconomic metrics in most CIS countries.

- Total Turkish FDI stock in the EAEU, Azerbaijan, Tajikistan, and Ukraine has reached $11.6 billion.

- Kazakhstan was the centre of attraction for Turkish FDI in 2016, with direct capital investments by Turkish TNCs in the Kazakhstan economy up by 34%, or $315 million.
Changes in Indian Outward FDI in EAEU Countries, Azerbaijan, Tajikistan, and Ukraine, 2008–2016, $ billion
Changes in Turkish Outward FDI in EAEU Countries, Azerbaijan, Tajikistan, and Ukraine, 2008-2016, $ billion
Stability of investment flows originating from Turkey is largely attributable to the high degree of diversification of Turkish FDI: capital of Turkish origin is represented in almost all recipient sectors.
FDI stock of Republic of Korea, Vietnam, Singapore and the UAE in EAEU Countries

Republic of Korea

- A major portion of South Korean FDI is concentrated in Kazakhstan ($2.1 billion)
- Out of the sectors registered in the DIM-Eurasia Database, Oil and Gas, Mechanical Engineering, and Agriculture and Food Products account for most of the FDI originating from South Korea. No South Korean FDI is in Russian Oil and Gas.

Vietnam

- All Vietnamese outward FDI has been concentrated in Russia: at the end of 2016, total stock amounted to $667 million, having increased by 23% relative to 2015.
- Vietnamese FDI in Russia is distributed among three sectors: Oil and Gas (81%), Construction (12%), and Agriculture and Food Products (6%).

Singapore

- By the end of 2016, Singaporean FDI stock in the EAEU had increased by 15% to exceed $800 million, with Russia and Kazakhstan getting $786 million and $15 million, respectively.
- Singaporean FDI stock in the EAEU is evenly distributed among three sectors: Transport, Agriculture and Food Products, and Construction.

UAE

- Kazakhstan is the chief partner of the UAE in the EAEU. Total UAE FDI in Kazakhstan amounts to almost $1.5 billion. In 2016, UAE FDI stock in Russia increased by $0.6 billion compared to zero FDI in previous years.
**Distinguishing Features of Russian FDI in Eurasian Countries**

- Russia boasts the largest value of outward FDI among all post-Soviet countries.
- Oil and Gas accounts for more than 34% of Russian outward FDI stock, Communication and IT for almost 20%, and Finance for slightly less than 13%.
- The most noticeable share decline over eight years has been posted by Ferrous Metals (the indicator has been relentlessly declining from 12% in the middle of 2008 to 2.4% at the end of 2016).
- The leading recipients of Russian FDI at the end of 2016 were Italy ($16.1 billion, or 18.9% of total Russian outward FDI stock in Eurasian countries outside the post-Soviet area), Germany ($11.7 billion, or 13.6%), and United Kingdom ($7.9 billion, or 9.2%).
- The 28 EU member states have taken in 63.8% of total Russian outward FDI stock in Eurasia outside the post-Soviet area.
- Over the eight-year period, Middle Eastern countries (including Turkey and Egypt) have become more important as Russian FDI recipients, with their aggregate share increasing from less than 10% at the end of 2010 to more than 17% at the end of 2014.
- Russia is currently not particularly interested in investing in East and Southeast Asia. Over the last two years, Russian outward FDI stock in that region took a slight dive.
- Last year’s most notable events were the sharp decline of Russian FDI in Mongolia (by a factor of 29), India (by one third), and Lithuania (by one half), as opposed to Egypt, where Russian investment presence grew by 45% to $3.3 billion.
Sectoral Structure of Russian FDI Stock in Countries of Eurasia (End of 2016), %

- Agriculture and Food Products: 3.4%
- Oil and Gas: 19.7%
- Ferrous Metals: 5.3%
- Non-Ferrous Metals: 12.9%
- Mechanical Engineering: 6%
- Chemicals: 1.6%
- Other Industries: 1.2%
- Infrastructure Networks: 2.8%
- Construction: 2.4%
- Transport: 2.9%
- Communication and IT: 3.9%
- Wholesale and Retail Trade: 1.6%
- Finance: 0.3%
- Tourism: 0.3%
- Other Services: 0.3%
Changes in Russian Outward FDI in the Regions of Eurasia in 2008–2016 (DIM-Eurasia Data), $ billion
Share of Russian Capital Investments in Total FDI Stock in Eurasian Countries at the End of 2016, %

Sources: EDB Centre for Integration Studies and UNCTAD data.
Outlook for Future Investment Flows in Eurasia over the Next 1-3 Years

- **China** will continue to actively increase its investment presence in EAEU countries, and particularly in Russia, where Chinese TNCs will be acquiring assets not only in Oil and Gas and Chemicals, but also in other industrial sectors. A considerable upsurge of investment activity is anticipated in mining.

- Resolution of the political conflict between **Turkey** and Russia will enable a revival of Turkish TNC operations in the EAEU. We anticipate Turkish FDI to post modest but steady growth in Russia, Kazakhstan, and Belarus.

- A breakthrough in economic interactions is possible between **Saudi Arabia** and Russia. Inflow of Saudi FDI over the next several years is estimated at $8–10 billion.

- **India** will continue to invest in Russia and Kazakhstan, but Indian TNCs will be losing in their competition with China.

- **Russia** will retain its assets in Europe, but no significant growth is expected.

- **Russian** FDI has good growth prospects in Iran (Oil and Gas, Transport Engineering), India (Services), and Vietnam (impact of the investment section of the FTA).

- **Azerbaijan** is turning into a significant capital exporter.
Thank you for your attention!

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EAEU AND EURASIA: MONITORING AND ANALYSIS OF DIRECT INVESTMENTS