Investment Guide to the Silk Road

- an emerging FDI destination

Palais des Nations
6 December 2013
UNCTAD’s work on investment guides

- A joint initiative by UNCTAD and ICC in business and investment facilitation
  - Fill the information gap
  - Promotion tool in international events organized by UNCTAD

- 22 Investment Guides published

- iGuide – an electronic portal for investment guides launched in 2012
  - Burundi and Rwanda iGuides initiated
SR Investment Guide: 3rd update

- **Business operating system**
  - Macroeconomic conditions
  - Trade
  - Foreign direct investment
  - Financial sector and taxation
  - Infrastructure
  - Human resources

- **Investment opportunities**
  - Tourism, energy, mining, transportation & logistics, agro-business, chemical, machinery, ICT

- **Regulatory framework**
  - Laws & regulations
  - Authorization & registration
  - Restrictions & incentives
  - main taxes
UNCTAD Investment Guide to the Silk Road

5 Central Asian countries & 4 Western Chinese Provinces

# Business operating climate  # Investment Opportunities  # Regulatory Framework
A regional approach is worthwhile

- Regional cooperation is the key for investment promotion in Central Asia
  - intra-regional investment
  - integrate to compete
  - investors tend to treat the region as a whole

- An information gap to fill
  - no IPAs in the Kyrgyz Republic, Tajikistan and Turkmenistan
  - extreme difficulty in searching for data
  - a wide perception gap between existing and non-existing investors (24% vs 6%: considering expansion/setup in Kazakhstan)
A promising market for investors from a regional perspective

Source: UNCTAD FDI database
A dynamic and rapidly growing market

- **GDP:** $688 bn

- **2nd fastest growing region in Asia:**
  - 4 CA countries: >7%; double digit growth in 4 Chinese provinces
  - Kazakhstan: the 6th fastest growing economy (2002-2012)
  - Turkmenistan: 3rd highest growth in 2011 (only after Qatar and Mongolia)

- **Access to the Greater Silk Road region**
  - 2 billion residents
  - Key emerging economies: China, India, Gulf Region, Russia, Turkey

*Source: UNCTAD database*
Richness in natural, human and strategic assets

- **World-class tourism resources:**
  - 16 UNESCO World Heritage Sites

- **Among the largest reserves of oil and gas and a large number of minerals:**
  - Kazakhstan: oil (No. 7); coal (8); gold (8); iron (6); copper (4); uranium (2); lead (6); zinc (4).

- **A skilled and cost competitive labor force**
  - Average nominal wage: less than 1/3 of Russia’s
  - Competitive wages compared to most competitors (e.g. Ukraine, East China)

- **Landbridge between Asia and Europe**
Improved business climate

- **Ease of doing business**
  World Bank 2012 Doing Business Ranking (out of 185):
  - Kazakhstan: No. 49; Kyrgyz Republic: No. 70; China, No. 91
  - Uzbekistan and Kazakhstan: among the 10 economies that improved the most
  - Procedures of starting a business: < 10 (Kyrgyz Republic: 2; Tajikistan: 5)

- **Improved market access**
  - Two decades of privatization and liberalization

- **Ongoing integration into the international market**
  - Access to WTO
  - Regional integration initiatives: Belarus-Kazakhstan-Russia Custom Union
  - Adoption of international standards in international investment (e.g. investor protection)
Where are the opportunities?

- Anchor Sectors: Mining; Oil & gas
- Diversification Opportunities: Machinery, chemicals, transport & logistics, Agri-business
- Growth Sectors: ICT, Tourism
Who is investing in the region?

**Inward FDI Stock in Kazakhstan**
(in millions dollars and percentages)

<table>
<thead>
<tr>
<th>Top ten FDI sources</th>
<th>Value</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>36 386</td>
<td>38.86%</td>
</tr>
<tr>
<td>United States</td>
<td>15 056</td>
<td>16.08%</td>
</tr>
<tr>
<td>France</td>
<td>7 559</td>
<td>8.07%</td>
</tr>
<tr>
<td>British Virgin Islands</td>
<td>3 807</td>
<td>4.07%</td>
</tr>
<tr>
<td>Japan</td>
<td>3 397</td>
<td>3.63%</td>
</tr>
<tr>
<td>China</td>
<td>3 015</td>
<td>3.22%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2 860</td>
<td>3.05%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1 927</td>
<td>2.06%</td>
</tr>
<tr>
<td>Canada</td>
<td>1 789</td>
<td>1.91%</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>1 738</td>
<td>1.86%</td>
</tr>
</tbody>
</table>

**FDI from China & Russia**
2005-2011 ($mn)
How international cooperation makes it happen?

- the case of Chongqing-Duisburg Railway

- **HP:** about 3 dispatches/week @ 1/3 the price of by air; 3/5 of time by sea.

**CNN Video**
Follow-up activities & the way forward

- Launching at a regional event in the region
- Promotion at other UNCTAD events
- Pilot projects to migrate to iGuides
- Possible further expansion of the Guide