

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

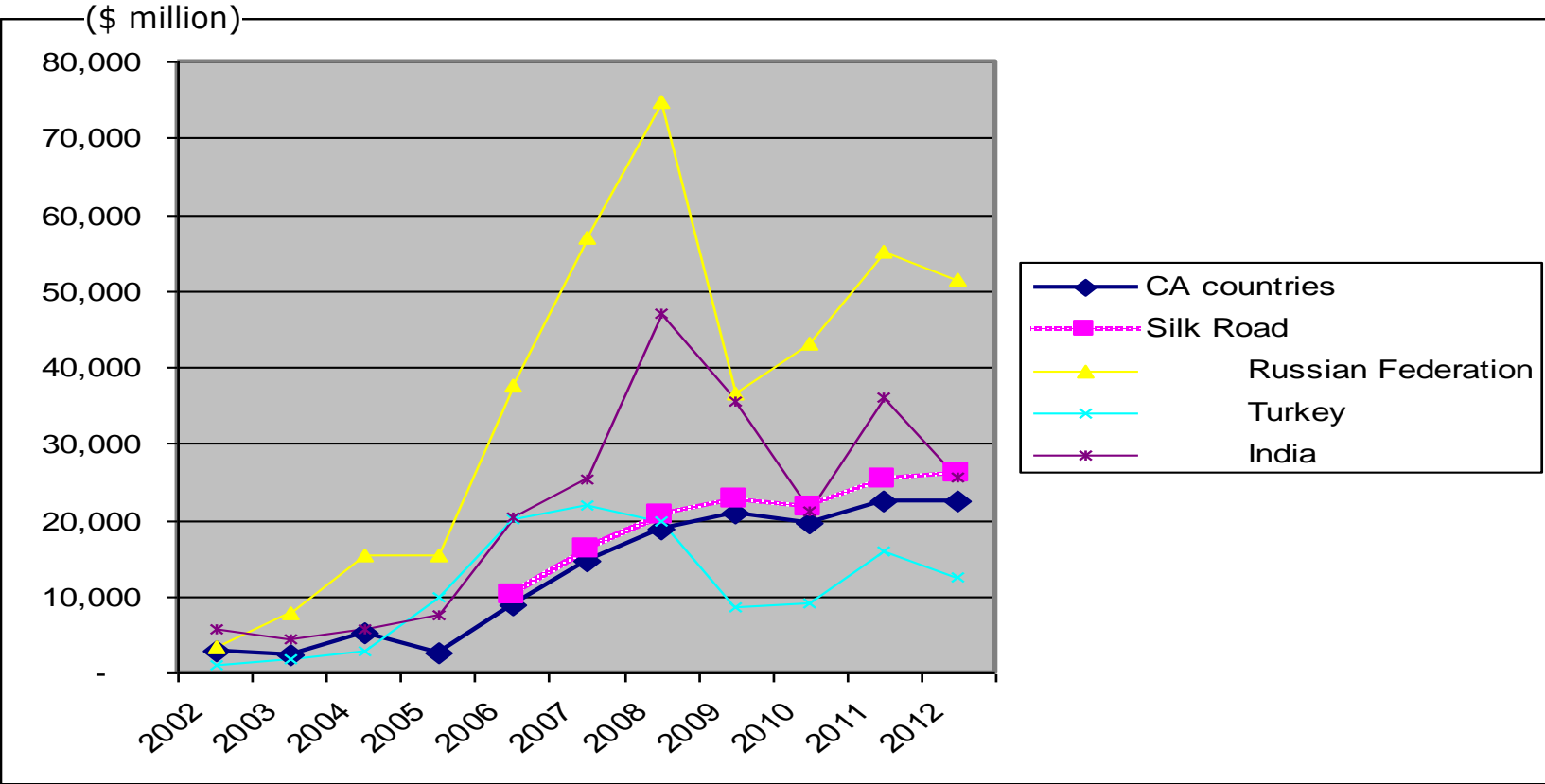
Business operating climate # *Investment Opportunities* # *Regulatory Framework*

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)

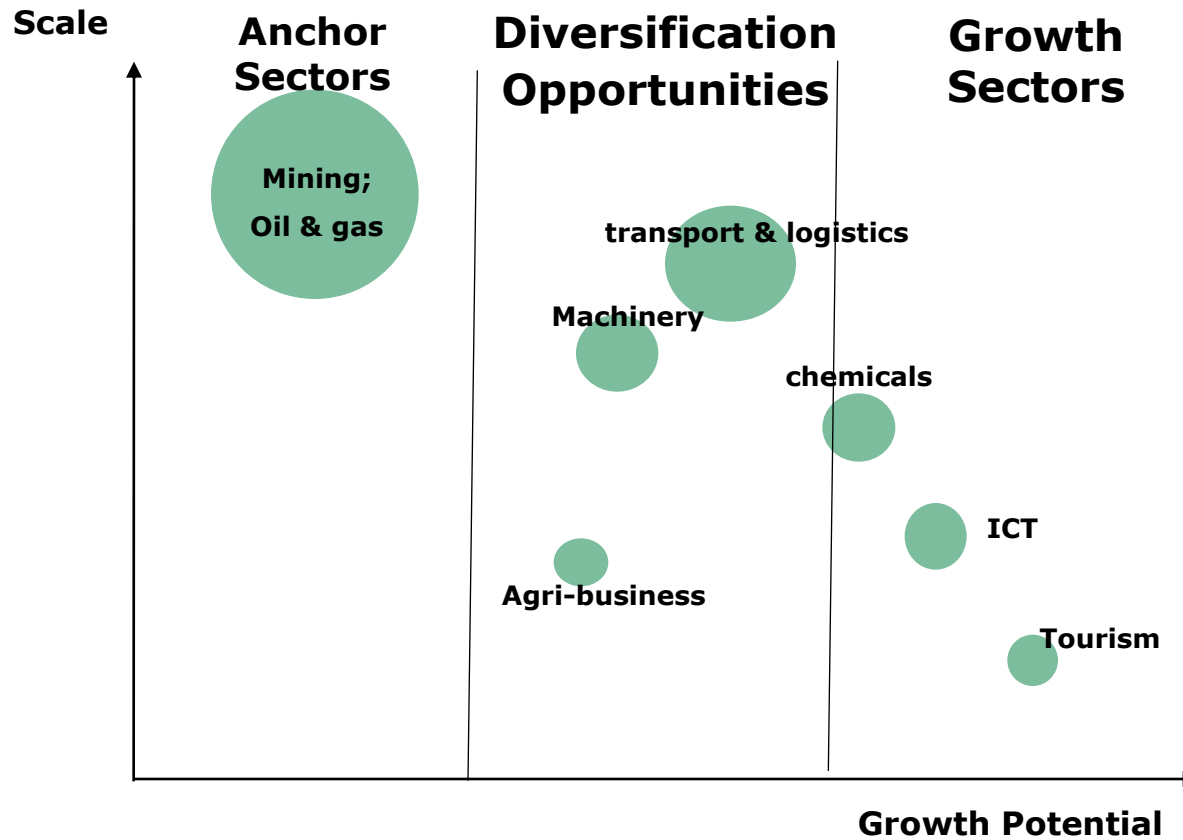
❑ **Improved market access**

- 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?



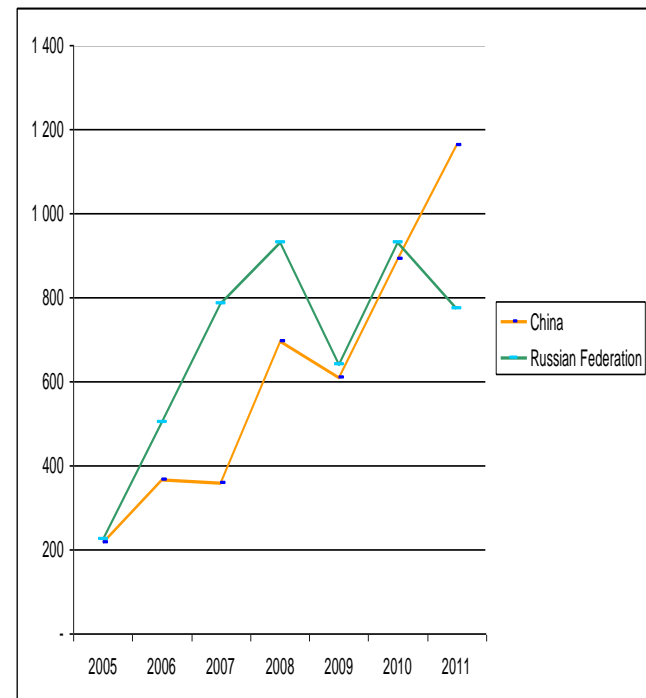
Who is investing in the region?

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

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

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