

Foreign direct investment: kazakhstan



There are a lot of issues that can show importance of this particular chosen topic for study. One of the main reasons is that, oil is very important resource, that has value all over the world and at the same time it is very essential to Kazakhstan. The role of Kazakhstan has increased worldwide mostly owing to its huge oil reserve potential; therefore country's oil industry now became the key of its economic sector. Nowadays Kazakhstan is among top countries in the world in oil reserves and what is more is aspires to become even more important player in international oil market in the future. For this further successful development Kazakhstan is actively seeking to attract more FDI that would positively affect on capital inflow, technology, management skills, market know-how. That is why it is essential to examine the key factors and determinants of FDI, the impact of the FDI in oil sector of Kazakhstan, the way FDI influenced on economy and on development of Kazakhstan in general. These research would be beneficial not only for forecasters, researchers and owners of international organizations, but also for government and governmental organizations of Kazakhstan in order to:

- improve the quality of investment policy of the country in accordance to changes caused by growth of FDI;
- define the position of the country on the world and regional market in order to find out what specific competitive advantages Kazakhstan can provide;
- analyze how to increase the attraction of the Kazakhstan companies for international investors.

FDI has a lot of significant effects on the economy of host country, as it influences the economic growth, general welfare, production, exports; moreover, it is one of the major factors leading to international economy.

What is more this topic is important and interesting for me personally, as I am originally from Kazakhstan and I plan to develop my future career in investing field in Kazakhstan.

III. What is the research question?

As a research questions of the project I consider examining future attraction of FDI in Kazakhstan, as well as considering future improvements of the whole investment system in specifically emerging oil market of Kazakhstan.

For answering this question it is also important to answer following questions:

- How FDI affected Kazakhstan economy and investment climate?
- What kind of advantages Kazakhstan provides for foreign investors nowadays?
- What obstacles foreign investors can meet and overcome while entering oil market of Kazakhstan?
- What future and what perspectives is expecting Kazakhstan concerning to FDI in its oil market?
- What government of Kazakhstan should to do for attracting more investments in Kazakhstan?

IV. What is the project about?

The main aim of the study is to analyze future attractiveness of Kazakhstan emerging oil market for FDI. This aim can be achieved by analyzing various economic determinants, impact FDI had on Kazakh economy. The main purpose during the study is better understanding of the oil market developing process in Kazakhstan that further could help to identify the main motivations and reasons of FDI decision making and future perspectives.

In order to provide full picture of impact of FDI and its determinants in Kazakhstan it will be presented background information about the economic growth and brief overview of the oil sector of Kazakhstan, followed by description of few international companies and their motivations and determinants of FDI were guided by. Also it is essential to analyze investing process in Kazakhstan itself as well as how FDI may affect host country. Moreover, during the studies we will determine current advantages Kazakhstan economy can provide to foreign investment, its investment opportunities and competitive advantages in comparison with other countries. Of course, it will be important to define obstacles FDI can meet, including such aspects as defects in financial field, political and legal systems, corruption.

V. What is the academic literature basis of the project?

The theme of Foreign Direct Investment in Kazakhstan is widely discussed topic nowadays both in Kazakhstan and abroad. This is the reason why there are great variety of information, which is represented in books, researches, studies, handbooks and publications.

First of all for the beginning works it is necessary to consider the international business. As a fine source for this purpose can be used the book by J. Daniels, L. Radebaugh, D. Sullivan “ International Business: Environments and Operations”. This book perfectly describes business dealing in international markets, modern studies of global environments, international business operations. There is information about the current world financial environment; also environmental frameworks, various theories and institutions are described.

For writing this project I would use the book by E. K. Dosmukhamedov “ Foreign Direct Investment in Kazakhstan: Politico-Legal Aspects of Post-Communist Transition” as one of the sources of information, where E. K. Dosmukhamedov uses a distinctive approach to the study of post-communist transition by analyzing FDI from a legal, political and economic points of view. What is very important for me is that in this book Kazakhstan is used as a specific case study to explain the role of FDI in restructuring the economy of the former Soviet Union countries in the Post-Communist era. The second book I plan to use widely is “ Investing in Russia, the Ukraine, Latvia, Lithuania and Kazakhstan” written by Gil Feiler and Alexandre Garese. I am going to use this book because information that is provided there is very accurate and up to date and gives critical practical advice to foreign investors and business people on such issues as legal relevant to trade and business activities; information on investment laws, taxation, IPR laws, currency and banking and etc. For interpretation of the theoretical issues of the project the book by Imad A. Moosa “ Foreign Direct Investment: Theory, Evidence and Practice” will be applied.

Among sources of information there is wide range of the official web sites. The main one is web site of the Foreign Investors' Council chaired by the President of the Republic of Kazakhstan: www.fic.kz. As I need to analyze FDI specifically in oil market of Kazakhstan, of course, the official sites of oil companies will be used for representing analyses on specific examples, also CIA World factbook: Kazakhstan oil production is very important source of information here.

Moreover, for reflecting the latest news and changes in investing world in my final project I will use periodical sources available on Internet and newspapers, also some dissertations that are based on this or close to this research topic can be very beneficial.

VI. How will you answer the research question?

During this research will be utilized basically inductive approach. Firstly FDI in Kazakhstan will be examined at the level of the country, on the next step at the level of the industry sector and only after that at the level of particular organizations.

The research question would be answered by focusing mostly on qualitative research method, which will include interviewing and personal experience, that will help to underline specify nuanced reasons and meanings. But such elements of quantitative research method as econometric model also will be used, for better understanding and representation of analyzed material.

In this research secondary data will be widely used. The major secondary data sources are books, variety of publications and international oil company's investing in Kazakhstan oil market official web sites, researches

and studies. For gathering primary data will be used effective qualitative method – interviewing, that allows to look deeply into subjective realities. Interviewing is chosen because of its highly adaptability and unique ability to grant the researcher understanding of the social actor's own perspective. As we know interview can take form of telephone interviewing, face-to-face group interviewing and mailed questionnaires. For this particular project it was decided to choose approximately 10 foreign international oil companies among the most big and famous companies investing in Kazakhstan oil market. Firstly, it will be sent a letter of permission by e-mail to take the interview, after that only 2 or 3 companies (according to their response) will be chosen and interviewed. Preferably interview will take face-to face form, but in case it would be impossible interview will be taken in form of mailed questionnaire. Participants of the interview supposed to be managers with more than 5 years work experience in these particular companies.

Projects' case study essentially seeks influences, consequences and perspectives of FDI on oil market of Kazakhstan. This research study will be focused on interviews, procedures and data analysis.

VII. Project Plan

The plan of the final project will approximately consist of seven chapters. The first chapter will include introductory aspects. There will be described objectives, methodology and main issues of the project.

The second chapter will be dedicated to FDI theoretical aspects and will look over the definition of FDI, theory of FDI and FDI related determinant factors. There I plan to examine importance of FDI for emerging markets, advantages

and disadvantages of FDI. I plan to finish first and second chapters by the beginning of January 2009.

The third chapter will be dedicated to Kazakhstan itself and its oil market. This chapter will include social and economical characteristics of Kazakhstan, legal review, business environment, investment opportunities, the information on the nature of the Kazakhstan economy, general overview of its energy sector.

The fourth chapter will be more particularly focused on oil market and petroleum sector of Kazakhstan, notably oil production, export and investment. Also in this part will be represented information about large international companies working in Kazakhstan. Moreover, using the qualitative method I will try to identify why, where and how these companies invested in emerging markets and specifically in Kazakhstan oil market. The third and fourth chapters I plan to finish by mid-March 2010.

The fifth chapter will show current advantages Kazakhstan can provide to foreign investors, such as ownership advantages, location advantages and other. Furthermore I will describe current obstacles foreign investor can meet, such as legal and administrative barriers, economic barriers related to reforms and transition, corruption. This chapter I plan to complete by mid-April 2010.

In the sixth chapter I will examine what effect FDI in oil sector had on Kazakhstan economy, after that I will try to represent properly future perspectives of foreign investments in Kazakhstan, and the last one but not the least, part will describe what government of Kazakhstan should do to

increase FDI in its economy and particularly in oil market. This chapter I plan to finish by mid-May 2010.

The last seventh chapter will be conclusion, which will include all the analysis results and findings. This chapter and the whole draft copy of the final project I plan to complete by the beginning of July 2010. As a result, the final project is planned to be finished ahead of schedule for future improvements and updating in compliance with recommendations of advisor.

The Gant chart shown below is demonstrating the approximate deadlines of particular parts of the project.

VIII. Bibliography

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