

According to experts, Kazakhstan needs to use Chinese investments as a launching pad into diversification of national economy.

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According to the National Bank of Kazakhstan, 121 countries have invested in the national economy for 26 years and most of investments have been from the Netherlands, United States, Switzerland, China and United Kingdom. The first three countries have invested more than all other countries in aggregate.

According to the economist, researcher of the Norwegian Institute of International Affairs (NUPI), **Daniyar Moldokanov**, the Netherlands doesn't have an enemy in Central Asia historically as it doesn't share a border and has no imperialistic ambitions.

"The Netherlands being the member of the EU has a good reputation. In fact, there were no key problems with their investments in Kazakhstan, the country rather contributed to the rapid economic growth of the country in early 2000s," Moldokanov said.

However, he noted that the Netherlands, according to IMF classification, is an offshore zone and large financial centre with multiple transactions. Therefore, not all investments that are reported in Kazakhstan's balance of payments as the Dutch are Dutch in fact.

Nevertheless, according to the researcher of the Chinese politics in Central Asia, **Yau Tsz Yan**, the Netherlands pursues a transparent policy.

"Once people demand some explanations, the state binds the company to give explanations to the people, which cannot be said about China," the expert emphasised.

However, it's China that takes fourth place by the number of investments that raises more concern among people than any other country investing more or at a given time.

“Plays by the rules”

The first anti-Chinese protests in Kazakhstan took place in early 2010, after Nursultan Nazarbayev claimed that PRC was interested in leasing millions of hectares of farmlands in border areas. The fears of Chinese expansion continued in 2011, and then the topic paled into insignificance for a few years.

This year, after the authorities voiced their plans to implement 55 joint Kazakhstan-China projects, anti-China protests occurred again.

Daniyar Moldokanov noted that it was due to poor awareness of the people about joint projects with China. Besides, according to him, people understand that it's likely that political decisions are made not for the sake of people, but to meet their private ends.

“The point is that researchers share one opinion: PRC acts in the territory of other countries based on the existing rules. In other words, if the country has developed institutions, rule of law and low rate of corruption, PRC plays fair; if the country has institutions that stopped their evolution, PRC plays unfair. Make your own conclusion,” Moldokanov said.

If we consider investments in dynamics, China has never been first by the amount of investments in Kazakhstan. In 1997, the Celestial Empire was the second by the amount of investments after South Korea. In 2002, it was 11th, and in 2004, it was 4th. In 2015-2018, China was the fifth by the amount of investments in Kazakhstan economy.

According to Moldokanov, Chinese economy is still growing and the country has to look for new markets for their products and new investment opportunities. Besides, the country needs natural resources to diversify their consumption of energy and other mineral resources.

According to the expert, PRC creates production chains all over Central Asia to delegate production of goods and processing of mineral resources to other developing countries and benefit from it. And investments in the infrastructure of these countries are a guarantee of unhindered and cheap transportation of goods to European countries and back.

“A share of PRC in the gross flow of direct investments is significant. These are mainly joint ventures, where Kazakhstan’s ownership is often bigger than China’s. Even when China’s ownership exceeds Kazakhstan’s share, the policy is that Kazakhstan party can always buy out this share over time,” Moldokanov said.

According to him, every project has particular agreements, whose details are not displayed in public.

“Everyone feels concerned if there’s lack of information about the inside of business. Particularly, when the foreign government interferes in your own country. Perception and stereotypes certainly play their role, but the source of such thoughts is the lack of transparency,” researcher Yau Tsz Yan emphasised.

According to experts, Kazakhstan has enough capacities to gain more from Chinese investments, which can become a good launching pad into diversification of economy.

“However, investments are not enough for that: we should focus on increasing our human capital, as well as reform political and civic institutions. If we miss these two key factors, we’ll always have scandals, people won’t trust the authorities as well as develop xenophobia, which can finally lead to deplorable results,” Moldokanov said.

He noted that once in a while it’s profitable for PRC to have neighbouring partner countries succeed in their development as its own success depends on it somehow.

This article was prepared as part of the Giving Voice, Driving Change - from the Borderland to the Steppes Project.



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