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FOREIGN DIRECT INVESTMENT AND ECONOMIC DEVELOPMENT: AN INTERNATIONAL PERSPECTIVE

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Original article

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ABSTRACT

The present study examines the patterns of foreign direct investment (FDI) in Kazakhstan and draws comparisons with global trends. Based on statistical data spanning from 2000 to 2022, the study reveals that the growth of FDI in Kazakhstan has exhibited greater volatility and speed compared to developed nations. However, it is strongly associated with global FDI inflows and the growth of gross domestic product (GDP). This article aims to examine the patterns and determinants influencing FDI in Kazakhstan and to juxtapose these patterns with global trends. The main approach used in the study was systematic. The article's contribution lies in its provision of novel insights into the dynamics of FDI in Kazakhstan and its correlation with economic growth. Furthermore, the article elucidates the various factors that contribute to the expansion of FDI in Kazakhstan, while also offering suggestions for the development of public policy in this domain. The article provides a comprehensive examination of FDI patterns in Kazakhstan, comparing them to global trends and identifying the factors that influence the dynamics of FDI. Furthermore, the article offers suggestions for expanding the economic base of Kazakhstan beyond its reliance on the oil and gas industry, enhancing focus on high-tech and innovative sectors, and enhancing the institutional framework.

Keywords: *diversification; public policy; entrepreneurship; finance; factors of production*

1. INTRODUCTION

Foreign direct investment (FDI) is an important part of a country's development. In general, it is a form of investment in which an individual or legal entity from one country acquires an interest in an enterprise or establishes a new enterprise in another country. This means that the investor gains control or significant influence over the management of an enterprise outside of his or her home country. FDI can take many forms, including the acquisition of company shares, the construction of new enterprises, joint ventures with local partners, and other forms of long-term investment. FDI ensures the country's economic growth, job creation, and technological progress, as well as provides improvement in the development of international relations (Podlevska & Podlevskyi, 2023). All these factors make it relevant to continuously monitor the situation in countries and the world as a whole in terms of the dynamics of foreign direct investment. In the current conditions of international economic development, in which there are constant

shocks associated with crises (COVID-19 pandemic, Russian full-scale invasion of Ukraine) international flows of foreign direct investment also often change, both in quantitative terms and in terms of direction. Kazakhstan's economy in turn is a developing economy, which makes it highly dependent on economic relations with other countries, including investment relations (Butenko et al., 2023). Therefore, it is still important to conduct research aimed at studying changes in direct investment in Kazakhstan, as well as assessing general international trends.

The structure of the article:

- Introduction: This section provides a concise overview of the subject matter pertaining to foreign direct investment (FDI) and its significance in the economic advancement of Kazakhstan. Outlines the research purpose and goals.
- Literature Review: Examines prior research on foreign direct investment (FDI) patterns and their influence on economic progress in Kazakhstan and other nations.
- Materials and Methods: This section provides an overview of the statistical data sources utilised in the study.
- Results: This study examines the fluctuations in foreign direct investment (FDI) inflows and gross domestic product (GDP) in Kazakhstan, while also drawing comparisons to global trends.
- Discussion: Analyses the findings and their ramifications for the economic progress of Kazakhstan.
- Conclusion: Provides a concise overview of the primary results and contributions of the research. Proposes potential avenues for future investigation.

The main hypothesis of the study:

Hypothesis 1: A positive correlation exists between foreign direct investment (FDI) inflows and income growth in Kazakhstan.

Hypothesis 2: The growth of foreign direct investment (FDI) in Kazakhstan has exhibited greater volatility and speed compared to developed nations, while displaying a strong correlation with global FDI inflows.

The study aims to examine the trends in the development of foreign direct investment in Kazakhstan and compare them with international ones. Certain recommendations in the context of changes in the country's policy in this direction, as well as in the context of the conduct of personal activities by enterprises, were provided.

2. LITERATURE REVIEW

Many scholars have studied the general trends of Kazakhstan's development, including FDI.

de Mello (1997) provided a selective survey of the literature on the impact of FDI on the domestic economy. The authors argue that high levels of inequality can undermine economic growth and social cohesion. The paper also discusses the role of FDI in shaping income distribution and suggests policies to mitigate its potential negative effects. The study also discusses the role of international investment agreements in shaping FDI flows and suggests policies to maximize its benefits for development. The study by Melnyk et al. (2014) provided a comprehensive survey of the literature on the impact of FDI on economic growth in transition economies, including Kazakhstan. The authors discussed the channels through which FDI can affect growth, such as technology transfer, spillover effects, and competition. The paper also highlighted the importance of institutional factors, such as the quality of governance and the rule of law, in attracting FDI and maximizing its benefits.

Herzer (2010) used firm-level data to examine the relationship between FDI and economic growth in developing countries. The author finds that FDI has a positive effect on productivity and growth, especially in industries with high levels of technology and skill intensity. The paper also highlights the importance of human capital and infrastructure in attracting FDI. Korgan et al. (2019) studied the innovation economy of Kazakhstan. They noted that innovative development remains an important component of Kazakhstan's future economic well-being but paid little attention to the role of FDI in this context. The impact of FDI on the economic growth of Kazakhstan was considered by Rakhmatullayeva et al. (2020). Although they found some relationship between FDI and gross domestic product (GDP), the final decision on its nature remained unclear.

Grabara et al. (2021) in turn assessed the relationships between renewable energy consumption, economic growth and foreign direct investment in Kazakhstan and Uzbekistan. The researchers noted significant inflows of investment in developing countries, in particular those mentioned above, in the renewable energy sector. Nevertheless, the study lacks recommendations aimed at shaping public policy in this area, which would make it possible to offset the negative effects on the ability of governments to attract foreign direct investment. Rakhmatullayeva et al. (2021) also analysed the history of FDI flows in Kazakhstan. Researchers noted that a particular increase in investment was observed in projects related to the production of tyres, plastics, as well as certain technological components. Wada et al. (2020) studied the possibilities of using FDI in the field of innovative technologies in Kazakhstan. The researchers described the current trends of FDI inflows into the country and also made a study of statistical data that showed that there is a relationship between FDI inflows and production volumes.

The article by Štilić et al. (2023) presents a new integrated model called PCA-DEA-IMF SWARA-CRADIS for assessing the impact of foreign direct investment (FDI) on the sustainability of economic systems. The model combines principal component analysis (PCA), data envelopment analysis (DEA), interval-valued intuitionistic fuzzy sets (IMF), step-wise weight assessment ratio analysis (SWARA), and comprehensive rank and assessment of alternatives based on distance from the ideal solution (CRADIS) methods. The authors apply the model to evaluate the impact of FDI on the economic sustainability of 28 European countries from 2010 to 2019. The results show that FDI has a positive impact on economic sustainability in most countries, but there are also some countries where FDI has a negative impact. The study provides insights into the complex relationship between FDI and economic sustainability and offers a new tool for policymakers and researchers to assess the impact of FDI on economic systems.

3. MATERIALS AND METHODS

Selected sources of statistical information were used in the study. Bureau of the National Statistical Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, data from which were used to estimate foreign direct investment and GDP of the country is among the statistical information sources. Besides, the data of separate international organisations, in particular – World Bank Group (Foreign direct investment…, 2023; GDP (current US$), 2023) were used for estimation of world tendencies of direct foreign investments and level of GDP and the subsequent comparison of these data with actual for the Republic of Kazakhstan. All constructions and calculations were carried out in Microsoft Excel.

Statistical data were normalised during the processing stage. The cause for this was the fact that the nominal size of foreign direct investment flows and the size of GDP in all countries that were selected for analysis differed significantly and could not be considered objectively enough

without their previous conversion. Thus, the value of the relevant indicators was marked as the base value (at the level of 100) for all countries, and the values of subsequent periods were transformed depending on the growth rate of the indicator value (1):

$$F_n = F_{n-1} * (\frac{D_n}{D_{n+1}}) \quad (1)$$

where: F_n – relative variable value in the period n; D_n – absolute variable value in the period n; F_1=100.

The analysis method was used to review the main data indicating foreign direct investment in Kazakhstan and to draw conclusions important for the study. The historical method was used to examine past data characterising the attraction of FDI into the country and to draw conclusions as to how this affects the current state of this component in the state. The forecasting method was also used to conclude the likely future development of Kazakhstan's economy and investment in the country based on known statistical and qualitative data on this issue at present and in the past. Abstraction was used to minimise the number of factors that were used during the study by not using them within the estimated models if they had too little impact on investment attraction as a whole. The graphical method was used to show individual data in the form of figures for clearer understanding and use to form conclusions. The tabular method was used for similar purposes but presented the data in the form of tables themselves.

4. RESULTS

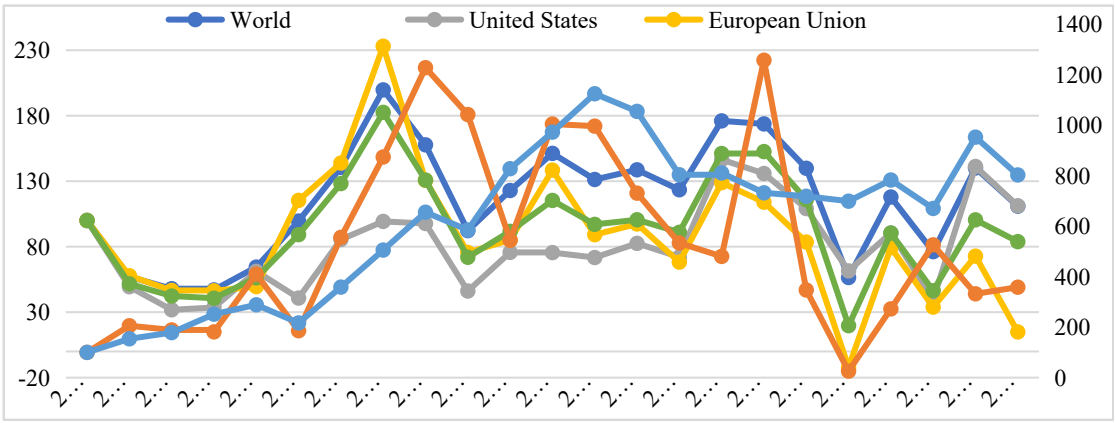
Foreign investments are crucial in filling the investment gap, stimulating economic growth, and improving the structure of production. The Kazakh government is actively working to create a favourable environment for foreign investors, seeking to benefit from inflows of capital, advanced technology, and international economic linkages. FDI also has a positive impact on job creation, the development of productive infrastructure and the country's integration into the global economy; it is crucial for addressing socio-economic challenges such as promoting Kazakhstani goods in foreign markets, expanding, and diversifying export potential, and creating new jobs. It is worth mentioning separately the component of diversification of the country's economy. Since the main goods exported by Kazakhstan are crude oil and its derivatives, the country's economy is highly dependent on its prices. Thus, one of the most important goals of the country is to diversify its export potential, i.e. to develop other industries not related to oil refining (Madiyarova & Argyngazinov, 2022). Various methods can be used to achieve this goal. The Republic of Kazakhstan is actively engaged in the development of the latest technologies, and the development of innovativeness is one of the main long-term goals of the state. However, the active attraction of foreign direct investment, especially in non-oil sectors, remains important for these purposes (Essandoh et al., 2020). For this purpose, the state authorities are applying various methods that would create favourable conditions for investors to export to these industries (Madiyarova et al., 2019). In general, this leads to an increase in Kazakhstan's investment attractiveness in the international arena, but so far these actions are not sufficient to fully address all the existing problems.

The globalisation of the world economy has intensified international investment processes and shaped the structure and dynamics of foreign direct investment. External factors, including global markets, competition, economic policies, and the increasing role of transnational corporations, have significantly influenced the specifics of the development of national economies. Therefore, in modern conditions, FDI, which is often associated with the purchase of tangible assets, plays a decisive role in international investment processes. It is worth realising that foreign direct investment, although it most often leads to the economic prosperity of a country, can

be detrimental to it. It involves a business taking control of a company, sector, person, or entity in another country, facilitating the transfer of money, knowledge, skills and technology. This can lead to the company conducting activities in another country where the country will gradually suffer losses. This is most often due to changes in the environment, and the losses from changes within which are often very difficult or even impossible to calculate. Sometimes this form of investment leads to an uneven distribution of benefits within a country, leading to increased social and economic inequalities (Aust et al., 2020; Fan & Hao, 2020). Most dangerous is the prospect of losing control over the development of an industry in a country, especially if it is strategically important (agriculture, military). In addition, in the event of financial crises or global economic turmoil, countries with high levels of FDI may face the threat of capital flight and other financial risks (Trusova et al., 2021; Kudrina & Ivchenko, 2023). All these factors should be considered in one way or another by both public authorities and enterprises when they start to formulate policies related to FDI attraction.

The change in foreign direct investment in Kazakhstan and other countries can be assessed using the data in Figure 1. The purpose of this figure was to show by what amount the value of foreign direct investment inflow into the Republic of Kazakhstan and other countries changed, in particular – USA, EU (as a union of states), as well as high and low-income countries in general. The indicator is calculated from the baseline (at the level of 100 points) in 2000. Subsequent values are calculated as the growth rate multiplied by the previous year's value. The values for Kazakhstan and low-income countries are on the right-hand scale, while those for all other series are on the left-hand scale.

Figure 1. Changes in the volume of foreign direct investment in individual states or groupings



Source: compiled by the authors based on World Bank Group (Foreign direct investment…, 2023).

As can be seen from Figure 1, the changes in FDI in Kazakhstan are much more significant than in other countries, which may be due to the greater pace of development of this economy in the period after the collapse of the Soviet Union of Socialist Republics. More detailed data characterising the changes shown in Figure 1 are shown in Table 1.

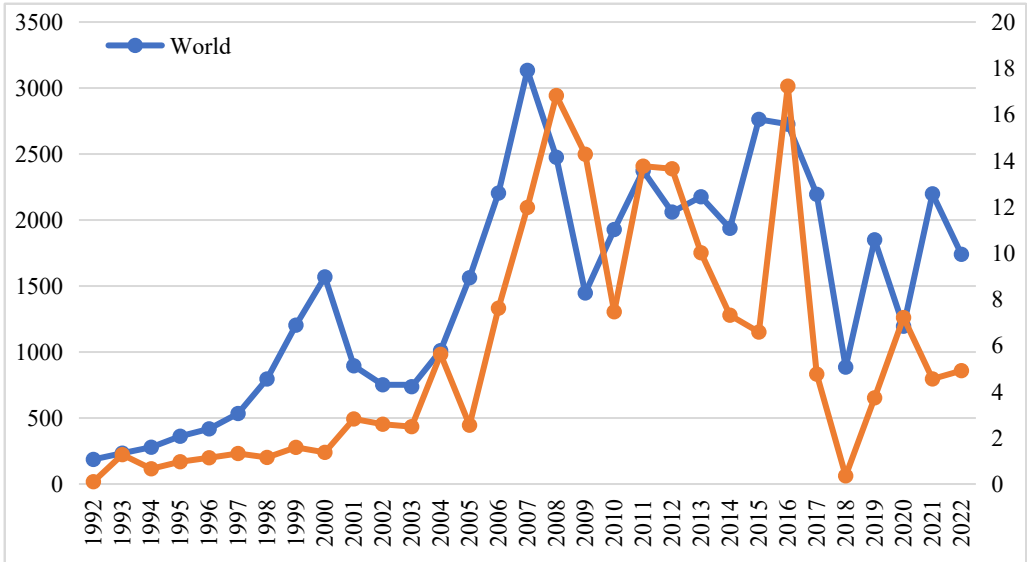
Table 1. Selected characteristics of an indicator describing changes in foreign direct investment in countries between 2000 and 2022

Index	Total change (comparison of 2000 with 2022)	Excess of the average annual value over the initial value (in 2000)	Maximum value	Minimum value	The standard deviation for value change
World	11%	16%	200	47	43
Kazakhstan	258%	438%	1257	26	213
USA	11%	-19%	146	32	72
EU	-85%	-13%	233	-12	172
Low income	702%	519%	1124	100	26
High income	-16%	-7%	183	20	88

Source: compiled by the authors based on World Bank Group (Foreign direct investment…, 2023).

As can be seen from Table 1, the values of change in direct investment in Kazakhstan are indeed more similar than others to those of the low-income countries. Although Kazakhstan has not been in this group since 2006, such similarities can be explained by the country's exit from the Soviet Union and the influx of investments on this soil. As for the developed countries, it can be seen that FDI flows to them fell by 16% (comparing 2000 with 2022) and were on average 7% below the 2000 level. In the United States of America, the situation was even worse than the average among countries (implying average values), as well as for the European Union countries. This may reflect the current tendency for foreign direct investment to flow into developed countries. In addition, this is also due to the increasing tendency of developed country governments to strengthen protectionist measures, while developing countries are actively participating in regional integration or trade agreements, contributing to changes in FDI flows. The structure and dynamics of FDI flows emphasise the role of public policies in shaping a country's investment attractiveness. It is also worth noting that different regions have different levels of standard deviation, which are generally high. The total volume of FDI in the country (compared to that observed in the world as a whole) can be seen in Figure 2.

Figure 2. Foreign direct investment volumes in the world and Kazakhstan in the period from 1992 to 2022, billion dollars

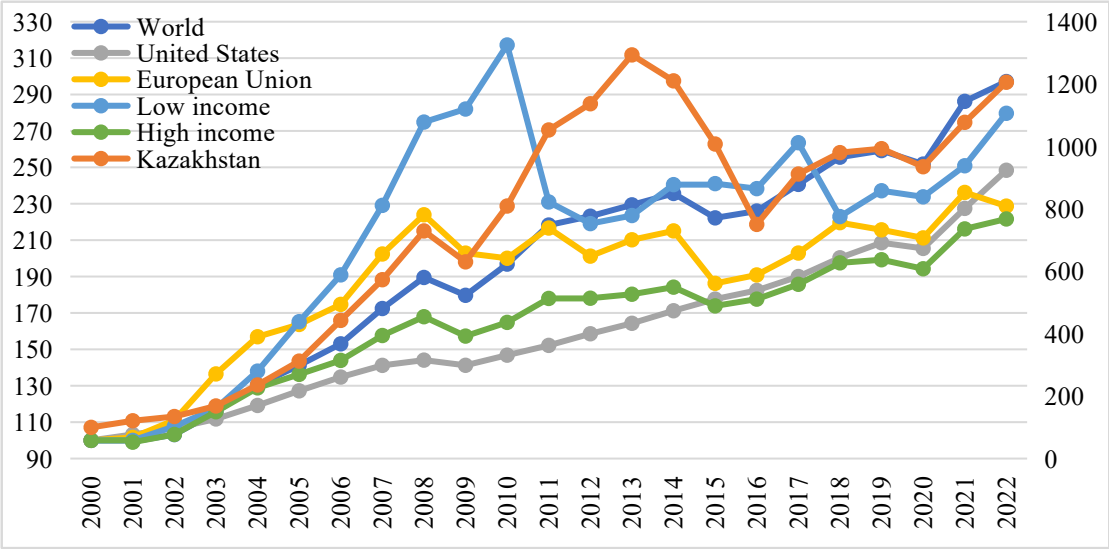


Source: compiled by the authors based on World Bank Group (Foreign direct investment…, 2023)

As can be seen from Figure 2, the volume of foreign direct investment in the country varied significantly depending on the selected period. Thus, growth was observed up to 2008, after which a general downward trend can be noted. It should be noted that there is a clear correlation between the volumes in the world and Kazakhstan at the level of 0.75. This may indicate that there are relatively few factors that affect the change in the volume of foreign direct investment in Kazakhstan compared to the world as a whole. Assessing the change in the dynamics of foreign direct investment in the world, three periods can be observed. The first wave, from 1994 to 2001, was characterised by stable growth, followed by a short-term decline. The second wave, from 2002 to 2008, experienced rapid growth, followed by a two-year decline in 2009. The third wave has two periods: a gradual recovery from 2009 to 2014 and growth from 2014 to 2016, followed by a sharp downturn in 2017- 2018. At the moment there is a recovery, despite all the negative trends that are observed in the world, namely the COVID-19 crisis, Russia's full-scale invasion of Ukraine.

It is also important to assess how the data on the level of GDP and foreign direct investment flows in countries relate. In this way, it is possible to show GDP growth in these countries and groupings in a similar way to Figure 1 (Figure 3).

Figure 3. Change in gross domestic product in individual nations or groupings



Source: compiled by the authors based on World Bank Group (GDP (current US$), 2023).

The right scale of values in Figure 3 refers to the data of Kazakhstan, while the left scale refers to the data of all other countries. As can be seen from Figure 3, GDP growth in the Republic of Kazakhstan was much more impressive than in any other group of countries, which, as noted earlier, is primarily due to the conditions of development of the state after the collapse of the USSR (Table 2).

Table 2. Selected characteristics of an indicator describing changes in DDG volumes in countries between 2000 and 2022

Index	Total change (comparison of 2000 with 2022)	Excess of the average annual value over the initial value (in 2000)	Maximum value	Minimum value	The standard deviation for value change
World	197%	97%	297	99	5.8
Kazakhstan	1106%	631%	1294	100	18.5
USA	148%	59%	248	100	2.8
EU	129%	87%	236	100	8.6
Low income	180%	113%	317	100	11.5
High income	122%	64%	222	99	5.1

Source: compiled by the authors based on World Bank Group (GDP (current US$), 2023).

As can be seen from Table 2, the data for Kazakhstan are indeed the highest, while for other countries, even low-income ones, they remain lower. It is worth noting that the lowest GDP growth rates were shown by high-income countries, which is not surprising given that they already have a fairly high gross domestic product base, which grows much slower in percentage terms compared to other countries. Attention should also be devoted to the level of standard deviation, which remains high. Once the change in gross domestic product has been analysed, it is appropriate to assess how the two variables interact with each other, and correlation analysis can help (Table 3).

Table 3. Correlation matrix describing the interactions between the change in FDI and GDP from 1992 to 2022

Index	World GDP	Kazakhstan GDP	USA GDP	EU GDP	Low-income GDP	High income GDP	BRICS GDP
World FDI	0.685**	0.497	0.667**	0.263	0.921**	0.532*	0.781**
Kazakhstan FDI	0.691**	0.555*	0.6*	0.292	0.968**	0.529*	0.743**
USA FDI	0.656**	0.417	0.692**	0.239	0.847**	0.521*	0.697**
EU FDI	0.753**	0.649**	0.612*	0.421	0.915**	0.61*	0.724**
Low income FDI	0.795**	0.692**	0.654**	0.479	0.888**	0.676**	0.701**
High income FDI	0.725**	0.545*	0.674**	0.333	0.921**	0.579*	0.869**

Note: **, * - correlation is significant at 1% and 5% level, respectively. Correlations not marked with these symbols were statistically insignificant at the 10% level of significance.

Source: compiled by the authors based on World Bank Group (Foreign direct investment…, 2023; GDP (current US$), 2023).

As can be seen from Table 3, there is a significant degree of correlation between all these indicators. Particular attention should be paid to how GDP and FDI are correlated for similar countries (groupings of countries). This data also makes it clear that high-income countries are generally less dependent on FDI than low-income countries. This also confirms the fact that FDI inflows have a positive impact on the economic development of countries as a whole.

To identify possible time lags in the FDI-GDP relationship, correlation analyses were conducted between FDI inflows in year T and GDP growth in subsequent years T+1, T+2, T+3 using data from Table 3. Also, the partial correlations of GDP growth in year T+Lag with FDI inflows in year T were calculated, controlling for the impact of GDP of the previous year T+Lag-1 (Table 4).

Table 4. Correlations between FDI in year T and GDP in T+Lag

Index	GDP (T)	GDP (T+1)	GDP (T+2)	GDP (T+3)
World FDI	0.685**	0.621**	0.587**	0.502
Kazakhstan FDI	0.555*	0.632*	0.697**	0.591*
USA FDI	0.692**	0.655**	0.606*	0.522
EU FDI	0.421	0.385	0.341	0.302
Low income FDI	0.888**	0.874**	0.835**	0.769**
High income FDI	0.579*	0.543*	0.489	0.422
BRICS FDI	0.869**	0.842**	0.798**	0.731**

Note: **, * - correlation is significant at 1% and 5% level, respectively

Source: compiled by the authors based on World Bank Group (Foreign direct investment…, 2023; GDP (current US$), 2023)

The Table 4 shows that for most countries/groups the maximum values of correlations between FDI and subsequent GDP growth are observed with a lag of 1-2 years. For Kazakhstan, the highest correlation of 0.697 is found with a lag of 2 years. For low-income countries, high significant correlations above 0.8 are found up to a lag of 3 years. For the EU, correlations are statistically insignificant even at lag zero. These data indicate a different time profile of the impact of FDI on economic growth in different countries.

5. DISCUSSION

Thus, foreign direct investment does influence the level of economic well-being of a country, in particular, its GDP. Based on this, specific recommendations can be offered on the implementation of public policy by the state. In particular, it is important to strengthen the diversification of the country's economy, given its dependence on oil industries. Special attention should be paid to the development of the latest technologies and innovations. In addition, policies should aim to create favourable conditions for investors in non-oil sectors (Dhrifi et al., 2020; Paul & Feliciano-Cestero, 2021). Particular attention should be paid to attracting investment in "sustainable" sectors of the economy, for example, renewable energy (Rausch & Suchanek, 2021). Given the correlation of FDI flows to Kazakhstan with global trends, special attention should also be paid to researching the general economic situation, investor sentiment. Efforts should also be directed at protecting investors' interests and providing them with the most favourable conditions in general. This will significantly improve the ability to attract foreign direct investment into the country.

According to the National Bank of the Republic of Kazakhstan (2023), the oil sector dominates the structure of FDI in the country. However, in recent years there has been a trend towards diversification of FDI into other sectors of the economy. In particular, in 2020, the share of FDI in the oil sector was 39.1%, while in 2019 this share was 48.1%. At the same time, the share of FDI in other sectors of the economy increased. For example, in 2020, the share of FDI in services was 26.5%, in construction 10.9% and in manufacturing 9.5%.

Agriculture also attracts significant amounts of FDI. In 2020, the share of FDI in agriculture was 3.5%. This is because Kazakhstan has significant potential in agriculture, particularly in the production of cereals, meat and dairy products. In general, the diversification of FDI into different sectors of the economy is an important factor in Kazakhstan's economic development. Sectoral analyses of FDI help to identify the most promising sectors for attracting investment and to develop effective measures to attract it.

To attract FDI in the oil sector, it is necessary to pursue a policy of economic diversification by stimulating investment in other sectors of the economy. This will reduce the economy's dependence on the oil sector and increase its resilience to external factors. In the services sector, there is potential for attracting FDI in sectors such as IT, tourism and logistics (Khashimova et al., 2020). In manufacturing, food and beverages, chemicals and engineering are promising sectors for attracting FDI. In agriculture, investment in the production and processing of agricultural products and the development of rural infrastructure should be encouraged (Kovalenko et al., 2023; Matsybora, 2023; Vdovenko et al., 2023).

Thus, the sectoral analysis of FDI makes it possible to identify the most promising sectors for attracting investment and to develop effective measures to attract investment, which helps to diversify the economy and increase resilience to external factors.

FDI can have a significant impact on economic indicators such as employment, labour productivity and human capital development. In particular, FDI can contribute to the creation of new jobs, improve the quality of jobs, increase labour productivity by introducing new technologies and improving the skills of workers, and develop human capital by improving the education and skills of workers and creating new opportunities for professional growth. In general, the impact of FDI on a country's economy is multifaceted and affects many economic indicators, so to fully analyse the effects of FDI, it is necessary to take into account all these factors and conduct a comprehensive study of their interaction (Global assessment…, 2022).

The impact of foreign direct investment in industrialisation on the environment in 36 selected African countries from 1980 to 2014 was studied by Opoku and Boachie (2020), and also Liang et al. (2021). Scientists characterised indicators such as carbon dioxide, nitrous oxide, methane, and total greenhouse gas emissions. The results obtained using the pooled mean group estimation method show that industrialisation has generally had a negligible impact on the environment. Nevertheless, the increase in the most FDI flows was found to be very significant. Thus, the work has considered the policy implications of these results and highlights the importance of addressing environmental issues in the context of economic development and industrialisation in Africa. Although the above work has not assessed the environmental impact of FDI based on data from Kazakhstan, it is worth agreeing that it does hurt the environment due to industrialisation.

Osei and Kim (2020), Sarkodie and Strezov (2019) studied how foreign direct investment affects the financial performance of enterprises in states. The work used data from 62 middle- and high-income countries from 1987 to 2016. The study investigates whether the positive impact of FDI on economic growth depends on the level of financial development. The results showed that although FDI generally favours growth, the growth effect becomes insignificant when the ratio of private sector credit to gross domestic product exceeds 95.6%. This suggests that there is a potential maximum threshold of financial development beyond which the impact of FDI on economic growth diminishes. Within the framework of the work above, based on the analysis of data from Kazakhstan, it was also shown that FDI had a positive impact on the country's GDP, and thus on economic growth in general. Thus, the estimates of scientists are commensurate with those obtained when analysing the situation in Kazakhstan. Dinh et al. (2019), Sinha and Sengupta (2022) also studied the impact of foreign direct investment on economic growth in 30 lower-middle-income developing countries between 2000 and 2014, considering both short-term and long-term effects. Researchers showed that FDI inflows may hinder economic growth in the short run but have a positive impact in the long run. In addition, domestic credit to the private sector hurts short-run economic growth, while an increase in money supply on the development of the economy in the short and long run. In general, scholars also draw attention to the very high role of attracting foreign direct investment into a country for its subsequent devel-

opment, especially in emerging and developing countries. Especially, the scholars emphasised that the funds raised by foreign investors should be blended with domestic capital. They also write that the state policy in this area should be developed on a long-term basis and be aimed at active economic development of all major sectors of the economy, especially those with a large share of added value.

Muhammad et al. (2021), Adeel-Farooq et al. (2021), Amendolagine et al. (2019) conducted a study on the impact of foreign direct investment, natural resources, renewable energy consumption and economic growth on environmental degradation based on data from BRICS (an association of countries such as Brazil, Russia, India, China, South Africa, and some others (but noted above are the main constituent of the organisation). The scientists used three indicators in this analysis: fuel resources, ores and metals, and total natural resources. These were used to conclude the extent to which emissions to the external environment were harmful within the countries of the association. The key results showed that fuel resources and renewable energy utilisation helped to reduce environmental degradation in the less developed countries of the association, while ore and metals resources negatively affected the more developed countries. Overall, scholars concluded that foreign direct investment in these states is associated with increased environmental degradation in BRICS and developing countries, but decreased degradation in developed countries. Based on this information, the scholars suggested several policy implications for mitigating environmental degradation and promoting economic growth. In particular, encouraging foreign investors to invest in energy development to protect the environment and stimulate economic growth remains effective (Ismayilov et al., 2023). It is also important to provide state-of-the-art equipment for resource exploitation and ensure proper utilisation during mining, deforestation, and agriculture. In general, the transition to renewable energy sources and the transition to a circular economy should be one of the main goals of the countries of the association to achieve the best long-term results in terms of preserving the external country while attracting foreign direct investment.

Sabir et al. (2019) studied the impact of institutional quality on FDI inflows in both developed and developing countries considering factors such as inflation, GDP per capita, trade openness, infrastructure and agricultural value added. The results of this study showed that indicators such as control of corruption, government effectiveness and political stability have a positive and significant impact on FDI in developing countries. However, this trend is even more pronounced in developing countries. In any case, scholars conclude that to attract FDI, governments need to improve the institutional framework of the country, especially in developing countries. It is worth noting that similar conclusions were obtained in the work above based on data from Kazakhstan. In particular, it was shown that foreign direct investment has a significant impact on the economic development of the country, both in high-income and low-income countries.

In addition, analysing the impact of FDI on a country's economy should take into account not only its positive effects, but also its potential negative effects. This requires a comprehensive study that includes an assessment of the environmental and social risks associated with FDI and the development of measures to minimise these risks. On the one hand, FDI can contribute to a country's economic growth and development, create new jobs and improve living standards. However, on the other hand, it can have negative environmental and social impacts. For example, FDI in mining-related industries can lead to environmental pollution, destruction of natural resources and ecological imbalance. In addition, FDI can contribute to social inequalities if its revenues are unevenly distributed and do not reach the neediest segments of the population.

Based on the analysis, the following policy recommendations can be formulated that could help the government of Kazakhstan maximise the benefits of FDI while minimising potential negative effects:

1. FDI diversification policies should continue to attract investment in industries outside the oil sector. This will reduce the economy's dependence on a single sector and increase its resilience to external shocks.
2. To attract FDI, it is necessary to improve the country's competitiveness by creating a favourable business environment and improving legislation and infrastructure.
3. It is necessary to invest in the education and training of the population to ensure the availability of skilled labour to work in the new enterprises created with FDI.
4. Foreign investors should be encouraged to be socially responsible so that they invest not only in production but also in social projects aimed at improving the lives of the population.
5. There is a need to strengthen control over compliance with environmental norms and standards in FDI projects and to encourage foreign investors to adopt environmentally friendly technologies.
6. Transparency and accountability of FDI need to be improved to ensure effective monitoring of its utilisation and prevent abuse.
7. FDI should be encouraged in the country's underdeveloped regions to reduce regional disparities and improve the living conditions of the population.
8. It is necessary to continue cooperation with international organisations such as the World Bank, the European Bank for Reconstruction and Development, the Asian Development Bank and others to attract FDI and obtain financial and technical assistance for projects.

These recommendations can help the Government of Kazakhstan to maximise the benefits of FDI while minimising potential negative impacts, and ensure sustainable economic development of the country.

6. CONCLUSIONS

Thus, the study assessed the role of foreign direct investment in Kazakhstan's development. It was shown that the active approach of the government of Kazakhstan to create a favourable environment for foreign investors with a focus on capital inflows, advanced technologies and international economic ties has led to significant positive results in this area. Foreign direct investment in the country has led to the creation of a large number of jobs, the development of production infrastructure, the integration of Kazakhstan into the global economy. They also played a big role in solving social problems and can help to solve difficulties in the context of diversification of the economy and the country's overdependence on oil exports.

The study compared changes in foreign direct investment in Kazakhstan with other countries. It showed that the country has experienced trends associated with significant growth in this indicator, primarily due to the collapse of the Soviet Union of Socialist Republics. The country's trajectory, while similar to that of low-income countries, raises questions about the sustainability of this growth and the need for detailed policy consideration. The downward trends in FDI growth in developed countries are associated with an increase in protectionist measures, further emphasising the importance of public policy in shaping a country's investment attractiveness. Within the framework of the study, the correlation with global trends of foreign direct investment in Kazakhstan was also noticed, which is worth emphasising when forming one's state policy. The same applies to the correlation with the volume of gross domestic product, i.e. the rate of economic growth.

The assessment of other important macroeconomic factors of the country's economic development, such as international trade, technology transfer, budget revenues, is relevant for further research. Comparative characteristics in terms of global data and trends with those observed in Kazakhstan also remain important.

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