

## ARTICLE

**Kazakhstan's Strategy for Attracting Foreign Direct Investment*****Altankhishig Gagaa***

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**Abstract:** *Since declaring independence, Kazakhstan has actively pursued foreign direct investment as a central component of its economic development strategy. Over more than three decades, the country has accumulated an FDI inward stock of approximately USD 151.3 billion, accounting for about 70% of total FDI in Central Asia. Kazakhstan's position as the region's leading recipient of foreign investment is shaped by a combination of domestic institutional factors and external geopolitical conditions. This article examines the key features of Kazakhstan's investment policy, with particular attention to the legal framework, institutional mechanisms, and policy instruments that underpin its investment ecosystem.*

**Keywords:** *FDI, Kazakh Invest, Special Economic Zones*

**Introduction**

Foreign investment plays an important role in the policies of states aimed at strengthening national security through the development of their domestic economies. In particular, FDI can be viewed not only as an economic resource but also as part of the broader set of economic instruments through which states pursue strategic and geopolitical objectives.<sup>1</sup> This is particularly relevant for small- and medium-sized states located in regions of high geopolitical significance, where competition among major powers is

intense. Such states often seek to hedge by creating economic and business interests of influential external actors within their territory. At the same time, capital exporting countries may attempt to use investment as a means of establishing influence over strategically important sectors of other states. In this sense, FDI is not merely an economic concept, but also an important instrument of foreign policy.

For the Republic of Kazakhstan, which is situated at the intersection of Russian,

<sup>1</sup> Susan Strange, *The Retreat of the State: The Diffusion of Power in the World Economy* (Cambridge: Cambridge University Press, 1996); Jonathan Kirshner, "Globalization, Received: 15 March, 2026; Accepted: 15 April, 2026

American Power, and International Security," *Political Science Quarterly* 123, no. 3 (2008): 363–389.



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Chinese, and Western interests, the process of attracting strategic investment began in 1993 with the agreement signed with the US-based Chevron Corporation to develop the Tengiz oil field located on the eastern shore of the Caspian Sea.<sup>2</sup> Since then, over a period of more than three decades, Kazakhstan has attracted approximately USD 470 billion in cumulative FDI inflows.<sup>3</sup> This reflects the scale of inflows, and suggests the effectiveness of consistent and well-designed policy implementation.

The successful implementation of FDI policy has allowed Kazakhstan to expand its room for maneuver within its multi vector foreign policy, while also ensuring stable economic growth and strengthening its regional position in Central Asia. This is reflected in key economic indicators. In 2025, Kazakhstan's economy grew by 6.5%, with

nominal GDP exceeding 300 billion USD for the first time and GDP per capita surpassing 15,000 USD.<sup>4</sup> As a result, Kazakhstan accounts for more than 50% of the region's total GDP<sup>5</sup> and around 70% of FDI<sup>6</sup> in Central Asia, positioning it as the region's leading and most stable economy.

This article suggests that Kazakhstan's success in attracting foreign direct investment can be best understood as the result of a strategically constructed investment ecosystem shaped by the interaction between external geopolitical pressures and strong domestic institutional coordination. Drawing on a neoclassical realist framework, the study examines how systemic constraints and domestic capacities shape investment policy outcomes. It also offers brief policy recommendations on aspects that could be adapted in the Mongolian context.

## Theoretical Framework and Methodology

Scholars have explained the policies and measures adopted by states to attract foreign investment through a range of

political, economic, and international relations theories. Owing to differences in disciplinary perspectives, these theories often

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<sup>2</sup> Kathryn Jones, "Kazakhstan and Chevron Start Venture," *The New York Times*, April 7, 1993, <https://www.nytimes.com/1993/04/07/business/kazakhstan-and-chevron-start-venture.html>.

<sup>3</sup> Қазақстан Республикасы Үкіметі, "Қазақстан Республикасының инвестициялық саясатының 2030 жылға дейінгі тұжырымдамасын бекіту туралы" Қазақстан Республикасы Үкіметінің 2025 жылғы 31 желтоқсандағы № 1185 қаулысы, December 31, 2025, <https://adilet.zan.kz/kaz/docs/P2500001185>

<sup>4</sup> Ақорда, "Мемлекет басшысы Қасым-Жомарт Тоқаевтың Ұлттық құрылтайдың

бесінші отырысында сөйлеген сөзі," *Akorda.kz*, 2026, <https://www.akorda.kz/kz/memleket-basshysy-kasym-zhomart-tokaevtyyn-ulttyk-kuryltaydyn-besinshi-otyrysynda-soylegen-sozi-2005352>

<sup>5</sup> IMF, "GDP, Current Prices," 2026, <https://www.imf.org/external/datamapper/NGDPD@WEO/KAZ/UZB/KGZ/TKM/TJK>

<sup>6</sup> UNCTAD, *World Investment Report 2025: International Investment in the Digital Economy* (New York: United Nations Publications, 2025), [https://unctad.org/system/files/official-document/wir2025\\_en.pdf](https://unctad.org/system/files/official-document/wir2025_en.pdf)

lead to different conclusions. This study seeks to explain Kazakhstan's policy of attracting FDI through the lens of neoclassical realism.

Although structural realism provides a foundational framework for explaining the nature of the international system and the responses of states within it, it tends to overlook the domestic conditions that shape specific policy choices.<sup>7</sup> Gideon Rose addressed this limitation by arguing that foreign policy outcomes are shaped by the interaction between systemic pressures and intervening domestic variables.<sup>8</sup> In this regard, neoclassical realism emphasizes that a state's position in the international system and its material capabilities set the broad constraints of behavior, while domestic level factors such as leaders' perceptions, political institutions, and social conditions mediate how these external pressures are interpreted and translated into policy. Thus, foreign policy, including economic policy choices, can be understood as the result of this interaction between external structure and internal dynamics.

From a neoclassical realist perspective, Kazakhstan's policy and practice of attracting FDI can be understood as part of a broader effort to protect its national interests and enhance its position and influence within the international system. From the systemic level, Kazakhstan, as a state located in a region of high geopolitical significance, has sought to hedge through economic means in order to

avoid excessive dependence on any single great power. At the same time, major powers themselves display competitive tendencies in their attempts to expand influence in Central Asia. At the domestic level, Kazakhstan's strong presidential system means that the views and principles of the president have held a dominant place in state policy. The political leadership has consistently emphasized the importance of foreign investment for national economic development, thereby creating the conditions for continuity in Kazakhstan's policy orientation.

Against this background, this article advances the hypothesis that Kazakhstan's success in attracting FDI is driven by the interaction of favorable external conditions and stable domestic political support, which together enable the state to develop an adaptive policy framework and effective institutional mechanisms, such as Kazakh Invest, that facilitate investor entry and project implementation.

This study employs a combination of qualitative research methods. The activities of the national investment platform Kazakh Invest are treated as the main case study. In addition, the study applies content analysis to state approved legal and policy documents and uses process tracing to identify the link between investment policy and its implementation.

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<sup>7</sup> Kenneth N. Waltz, *Theory of International Politics* (Reading, MA: Addison-Wesley Publishing Company, 1979).

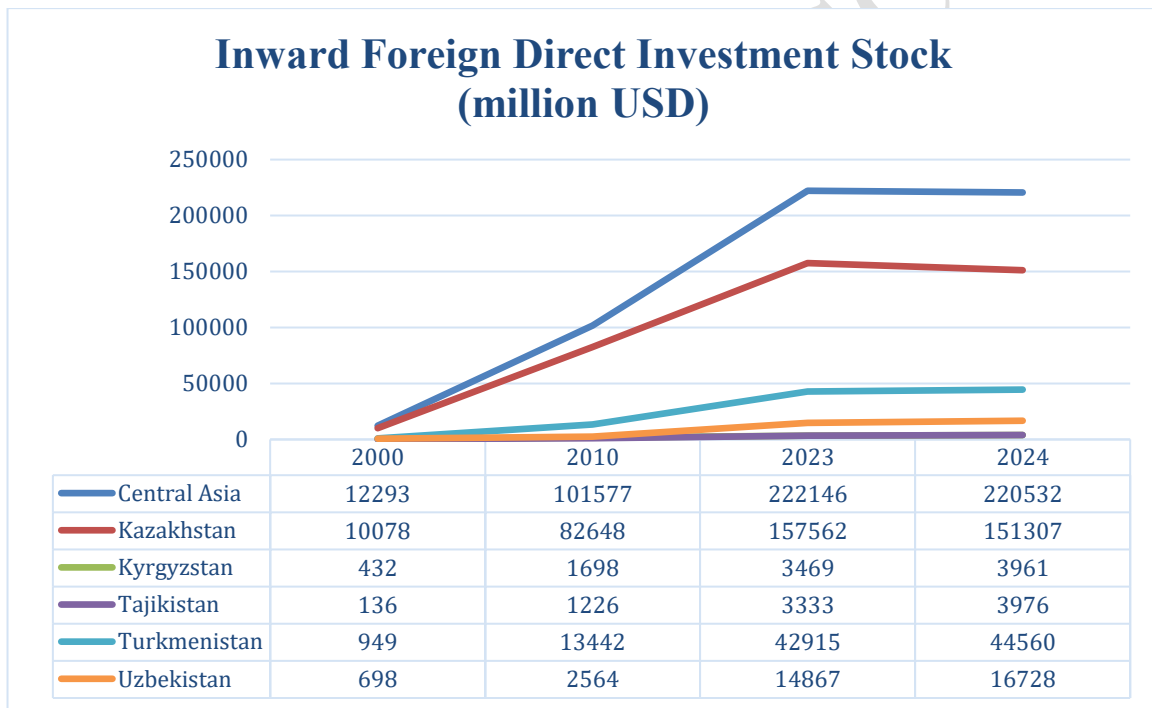
<sup>8</sup> Gideon Rose, "Neoclassical Realism and Theories of Foreign Policy," *World Politics* 51, no. 1 (1998): 144–172, <https://www.jstor.org/stable/25054068>

## I. Foreign Direct Investment in Kazakhstan

According to the *World Investment Report 2025* published by UNCTAD, global foreign direct investment flows declined by 11% in 2024, marking a second consecutive year of decline. The report also notes that FDI flows to landlocked developing countries

declined, reflecting their continued vulnerability within the global investment system.<sup>9</sup> Despite this broader trend, Kazakhstan remains the leading recipient of FDI in Central Asia in terms of inward stock. Detailed data are presented in the Chart 1.

Chart 1. FDI Inward Stock in Central Asia



Source: UNCTAD (2025)

As of 2024, the sectoral distribution of FDI in Kazakhstan is as follows: 51.6% in mining, 13% in finance, 8.3% in manufacturing, and 6.9% in trade.<sup>10</sup> A comparison with the structure of Kazakhstan's economy shows that while the mining and industrial sectors account for

26.3% of GDP<sup>11</sup>, approximately 60% of total FDI is concentrated in these sectors.

When examined by country of origin, the distribution of FDI stock is led by the Netherlands with 23.3%, followed by the United States at 19.6%, Russia at 7.7%, the United Kingdom at 6.1%, China at 5.5%, and

<sup>9</sup> UNCTAD, *World Investment Report 2025*.

<sup>10</sup> Lloyds Bank, "Foreign Direct Investment (FDI) in Kazakhstan," *Lloyds Bank Trade*, March 2026, <https://www.lloydsbanktrade.com/en/market-potential/kazakhstan/investment>

<sup>11</sup> Ұлттық статистика бюросы, "Өндіріс әдісімен есептелген жалпы ішкі өнім (2025 жылғы қаңтар–желтоқсан (жедел деректер бойынша))," 2026, <https://stat.gov.kz/industries/economy/national-accounts/publications/475954/>

France at 5.4%, while other countries collectively account for more than 30%.<sup>12</sup>

In summary, FDI in Kazakhstan remains heavily concentrated in the industrial sector, despite the service sector accounting for approximately 60% of GDP.<sup>13</sup> While industry contributes only about one quarter of total output, it attracts the majority of FDI, indicating a structural imbalance in the distribution of investment. This pattern reflects both Kazakhstan's comparative

advantage in natural resources and investor preferences for capital-intensive extractive industries, rather than broad-based diversification across the economy. Although the government has increasingly emphasized the redirection of FDI toward non-extractive sectors, the current structure suggests the persistence of a resource-oriented investment model, with limited development of higher value-added activities.

## **II. Legal and Regulatory Framework**

In order to regulate investment-related relations, Kazakhstan initially adopted the Law on Foreign Investment in 1994, followed by the Law on Investments in 2003. Since 2015, these matters have been governed by the Entrepreneurial Code of the Republic of Kazakhstan, which establishes the legal and economic framework for investment activities, including investor protection, state support measures, and dispute resolution mechanisms.<sup>14</sup>

Chapter 25 of the Code defines the rights and obligations of investors, as well as the role of the state in promoting and regulating investment activities. Importantly, the Code applies to both domestic and foreign investors, thereby providing a unified legal regime.

The Code guarantees the protection of investors' rights and interests under the

Constitution, national legislation, and international treaties. It further provides that investors are entitled to compensation for damages caused by unlawful acts or omissions of public authorities. In addition, it provides stability guarantees for contracts concluded between investors and state bodies, although such guarantees are subject to specific exceptions, including those related to national security, public order, and certain regulated sectors.

State support for investment activities is primarily implemented through investment preferences granted to legal entities established in Kazakhstan, including those with foreign participation. These preferences are provided on the basis of investment contracts concluded with the authorized state body.

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<sup>12</sup> Lloyds Bank, "Foreign Direct Investment (FDI) in Kazakhstan."

<sup>13</sup> Ұлттық статистика бюросы, "Өндіріс әдісімен есептелген жалпы ішкі өнім."

<sup>14</sup> "Қазақстан Республикасының Кәсіпкерлік кодексі № 375-V ҚРЗ", October 29, 2015,

<https://adilet.zan.kz/kaz/docs/K1500000375>

Table 1. Types of investment preferences

№	TYPES OF INVESTMENT PREFERENCES	EXPLANATION
1.	<b>Exemption from customs duties and VAT on imports</b>	Exemption from customs duties and VAT on imports is available to locally registered legal entities implementing approved investment projects. This allows for the duty-free import of essential equipment, components, and, in some cases, raw materials, thereby reducing initial capital costs. This benefit is time-limited and conditional on compliance with investment requirements, supporting industrial development and local production.
2.	<b>Government grant-in-kind</b>	Government grants in kind involve the provision of state-owned assets, including land, buildings, and equipment, to legal entities implementing investment projects. These assets are initially granted for temporary use and may be transferred into ownership upon fulfillment of investment obligations. The value of such grants is capped at 30% of fixed capital investment and remains conditional on project performance.
3.	<b>Tax preferences</b>	Tax preferences provide fiscal benefits to investors implementing priority investment projects. These include full or partial exemptions from corporate income tax and zero-rated land and property taxes, as well as value-added tax exemptions on imported inputs under investment contracts. The duration of these benefits is defined by contract within the limits of the Tax Code and is conditional on the fulfillment of investment obligations.
4.	<b>Investment Preferences for Special Investment Projects</b>	Special investment projects refer to projects implemented by companies operating in Special Economic Zones, free warehouses, or under industrial assembly agreements. Such projects benefit from exemptions from import customs duties and other taxes on equipment, components, and inputs. The incentives are granted through special investment contracts for a defined period, typically up to 15 years, and are conditional on the fulfillment of investment obligations.

5.	<b>Stability provisions</b>	Stability provisions ensure the preservation of contractual terms within investment agreements, particularly for strategically significant projects. The state guarantees the stability of agreed terms for a specified period, reducing exposure to regulatory changes. These provisions are conditional on the fulfillment of contractual obligations and subject to the limits established by national legislation.
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*Source: Compiled by the author based on the Entrepreneurial Code of the Republic of Kazakhstan (2015).*

Investment preferences are granted subject to compliance with conditions established by the Code, including minimum investment thresholds and alignment with priority sectors defined by the Government. The list of such priority activities, approved by Government Resolution No. 13, covers a wide range of sectors, including agriculture (crop and livestock production), food

processing, light and heavy manufacturing (such as chemicals, metallurgy, and construction materials), machinery and equipment production, energy and utilities, transport and logistics, construction and infrastructure, as well as selected service sectors such as tourism, education, and healthcare.<sup>15</sup>

### III. The Concept of Investment Policy

In 2025, the Government of Kazakhstan adopted *the Concept of Investment Policy of the Republic of Kazakhstan until 2030*. The document highlights that the global economy is undergoing significant transformation driven by rapid technological change, geo-economic shifts, and intensifying competition for foreign investment. Against this backdrop, it assesses the current state of investment in Kazakhstan's economy and outlines key policy priorities for the future.<sup>16</sup>

The central idea of the Concept is to move beyond fragmented and ad hoc investment promotion measures and to establish a proactive and integrated investment ecosystem that supports the full investment cycle, including attraction, project implementation, and aftercare. This approach aims to systematically facilitate the entry, operation, and retention of foreign investors in the Kazakh market.

The Concept identifies several key priority areas of investment policy, which can

<sup>15</sup> Қазақстан Республикасы Үкіметі, “Инвестицияларды мемлекеттік қолдауды іске асырудың кейбір мәселелері туралы” Қазақстан Республикасы Үкіметінің 2016 жылғы 14 қаңтардағы №

13 қаулысы, January 14, 2016, <https://adilet.zan.kz/kaz/docs/P1600000013>

<sup>16</sup> Қазақстан Республикасы Үкіметі, “Инвестициялық саясатының 2030 жылға дейінгі тұжырымдамасы,” № 1185 қаулысы (2025).

be analytically grouped into five main directions:

1. **Enhancing investment attraction:** strengthening the external investment promotion system through more proactive and targeted investor engagement, expanding overseas representation, and developing a structured pipeline of investment projects in coordination with state institutions and the business sector.
2. **Improving investment project implementation:** reinforcing a coordinated multi-level system with a stronger role for regional authorities in ensuring infrastructure provision, administrative support, and effective execution of projects, supported by clear accountability mechanisms and streamlined procedures.
3. **Strengthening investor protection:** improving the legal and institutional framework to ensure a predictable investment environment, including enhanced dispute resolution mechanisms, expanded prosecutorial oversight, and

accelerated public service delivery for investors.

4. **Expanding financing and state support mechanisms:** mobilizing financial resources through development institutions and diversified financial instruments, while strengthening cooperation with international partners and improving access to long term financing for priority investment projects.
5. **Digitalizing and monitoring the investment cycle:** increasing transparency and efficiency by digitalizing the full investment process through an integrated platform, enabling streamlined procedures, real time monitoring, and more effective coordination among stakeholders.

The Concept further specifies detailed implementation mechanisms for each priority area, including responsible institutions and target indicators. It therefore functions not merely as a declarative policy document, but as an operational and results oriented framework guiding investment policy implementation.

Table 2. SWOT Analysis of the Investment Climate in Kazakhstan

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>- Strategic planning: active development of investment-oriented policies and frameworks;</li> <li>- Natural resources: abundant reserves of natural resources;</li> <li>- Geographical location: strategic position between East and West with developed logistics services;</li> </ul>	<ul style="list-style-type: none"> <li>- Investment coordination: weak inter-agency coordination;</li> <li>- Bureaucracy: relatively high administrative burden;</li> <li>- Infrastructure: insufficiently developed infrastructure;</li> <li>- Judicial system: low trust in legal institutions;</li> </ul>

<ul style="list-style-type: none"> <li>- Development institutions: strong state institutions providing diverse financial support instruments;</li> <li>- Agriculture: high potential of the agricultural sector;</li> <li>- International ratings: solid investment ratings, including 34th place in the IMD Index in 2024;</li> <li>- Investment support: well-developed ecosystem including SEZs, development institutions, and AIFC;</li> <li>- Market access: proximity to major markets such as China, Russia, and the Middle East;</li> <li>- Agglomerations: emerging urban centers with high investment potential.</li> </ul>	<ul style="list-style-type: none"> <li>- Access to resources: limited transparency in access to land, energy, and raw materials;</li> <li>- Human capital: shortage of skilled labor;</li> <li>- Banking sector: limited financing of long-term projects;</li> <li>- Regional potential: underutilized regional investment capacity;</li> <li>- Certification: weak certification infrastructure;</li> <li>- Capital stock: high depreciation leading to low productivity.</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>- Transit routes: diversification of Europe–China corridors;</li> <li>- Trade agreements: expanded access to international markets;</li> <li>- Agriculture: growing foreign interest in the agro sector;</li> <li>- Green energy: increasing investment in renewables;</li> <li>- ICT and logistics: rising investment in digital and transport sectors;</li> <li>- Tourism: improving global competitiveness ranking;</li> <li>- Infrastructure: implementation of the National Infrastructure Plan to 2029;</li> <li>- Processing industries: potential for higher value-added production;</li> <li>- Resource potential: significant untapped geological reserves;</li> <li>- R&amp;D: increasing investment in research and innovation;</li> <li>- AIFC: expanded use of its financial and legal framework.</li> </ul>	<ul style="list-style-type: none"> <li>- FDI concentration: reliance on politically aligned investors;</li> <li>- Competition: increasing regional competition for FDI;</li> <li>- Geopolitical risks: ongoing regional instability;</li> <li>- Oil and gas: declining investment in extractive sectors;</li> <li>- Metallurgy: reduced investment in metal industries;</li> <li>- Energy transition: declining attractiveness of resource-based sectors.</li> </ul>

*Source: Инвестициялық саясатының 2030 жылға дейінгі тұжырымдамасы (2025)*



Another important element of the Concept of Investment Policy is the inclusion of a SWOT analysis of Kazakhstan's investment climate. By systematically assessing its strengths, weaknesses, opportunities, and threats, the state not only identifies structural constraints but also signals its commitment to addressing them, thereby contributing to greater investor confidence. As shown in Table 2, Kazakhstan's investment climate reflects a combination of significant structural strengths, including its strategic location, natural resource base, and well-developed investment support mechanisms, alongside persistent weaknesses such as institutional coordination challenges, infrastructure gaps, and limitations in human capital.

An assessment of relevant legal and policy documents indicates the development of a relatively comprehensive investment ecosystem. This is further supported by the *Investment Climate Statement 2025* published by the U.S. Department of State in 2025,

which notes that Kazakhstan has taken active measures to attract FDI and improve its business environment.<sup>17</sup> At the same time, the report highlights persistent challenges, including inconsistent regulatory enforcement, policies promoting domestic production and import substitution, and corruption.

The report identifies several priority areas for improvement, including strengthening the rule of law, enhancing transparency and predictability in taxation and regulation, investing in human capital, facilitating the attraction of skilled foreign labor, and developing modern transport and logistics infrastructure.

The alignment between these external assessments and Kazakhstan's own policy documents suggests that the government is aware of existing challenges and has incorporated them into its policy agenda, although the effectiveness of implementation remains uneven across sectors and regions.

#### IV. One-Stop Shop

The provision of efficient public services to investors through a one-stop service mechanism represents a central component of Kazakhstan's investment policy. This approach is reflected in both the Entrepreneurial Code and the Concept of Investment Policy. Its implementation is entrusted to the national company Kazakh Invest, which operates under the Investment Committee of the Ministry of Foreign Affairs.

Although formally structured as a joint-stock company, Kazakh Invest functions as a state-oriented, non-profit investment promotion agency.

Established by Government Resolution No. 100 of March 1, 2017, Kazakh Invest was created through the reorganization of the national export and investment agency KAZNEX INVEST, with the objective of promoting sustainable socio-economic

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<sup>17</sup> U.S. Department of State, 2025 *Kazakhstan Investment Climate Statement*, 2025, [https://www.state.gov/wp-](https://www.state.gov/wp-content/uploads/2025/09/638719_2025-Kazakhstan-Investment-Climate-Statement.pdf)

[content/uploads/2025/09/638719\\_2025-Kazakhstan-Investment-Climate-Statement.pdf](https://www.state.gov/wp-content/uploads/2025/09/638719_2025-Kazakhstan-Investment-Climate-Statement.pdf)

development by attracting foreign investment in priority sectors and providing comprehensive support for investment projects.<sup>18</sup>

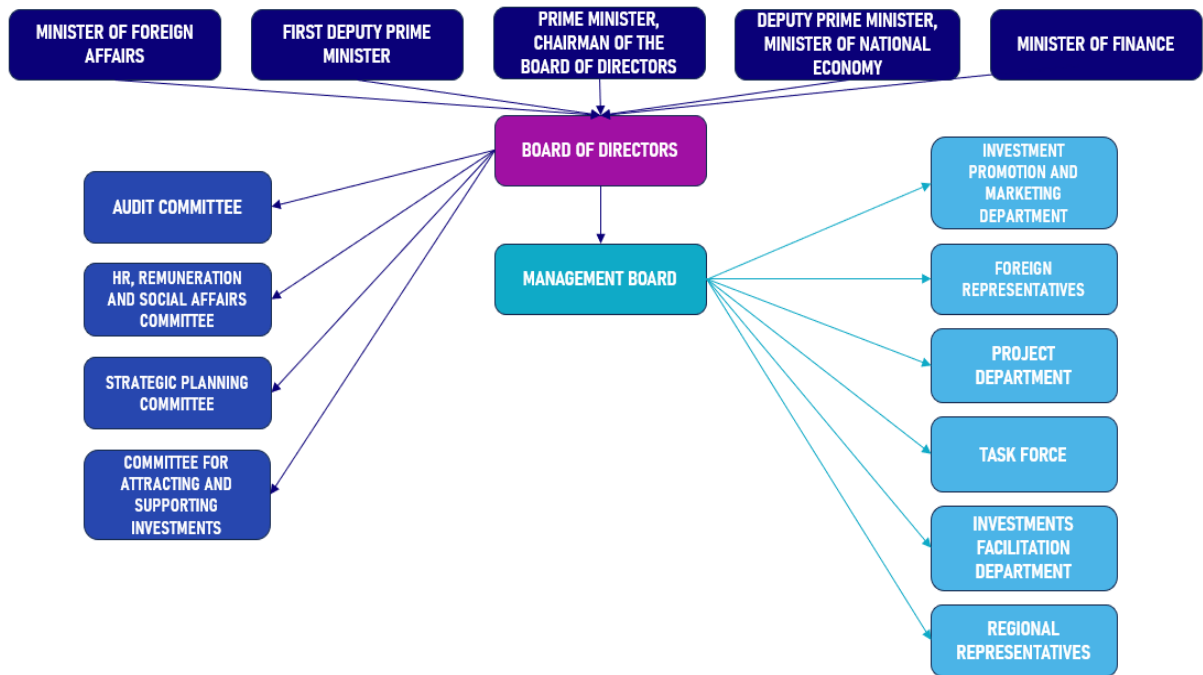
Kazakh Invest performs a broad range of functions, including attracting foreign investors to priority sectors and projects with prepared feasibility studies, facilitating coordination between investors and relevant state bodies and state-owned enterprises, and providing comprehensive support throughout the investment process. This includes assistance in interactions with public authorities, access to investment incentives

and preferences, and the conclusion of investment contracts.

Overall, the one-stop service mechanism enables investors to access key information, procedures, and institutional support required to operate in Kazakhstan through a single interface.

From an organizational perspective, the institution consists of a Board of Directors and its specialized committees, as well as an executive body in the form of a Management Board and its subordinate structural units. The organizational structure is presented in Figure 1.

Figure 1. Organizational Structure of Kazakh Invest



*Source:* Compiled by the author based on the official website of Kazakh Invest (2026).

The Board of Directors consists of 10 members and is chaired by Prime Minister Olzhas Bektenov. Its members include senior

government officials such as the First Deputy Prime Minister, the Deputy Prime Minister and Minister of National Economy, the

<sup>18</sup> Kazakh Invest, “About Us,” n.d., <https://invest.gov.kz/about-us/kazakh-invest/>

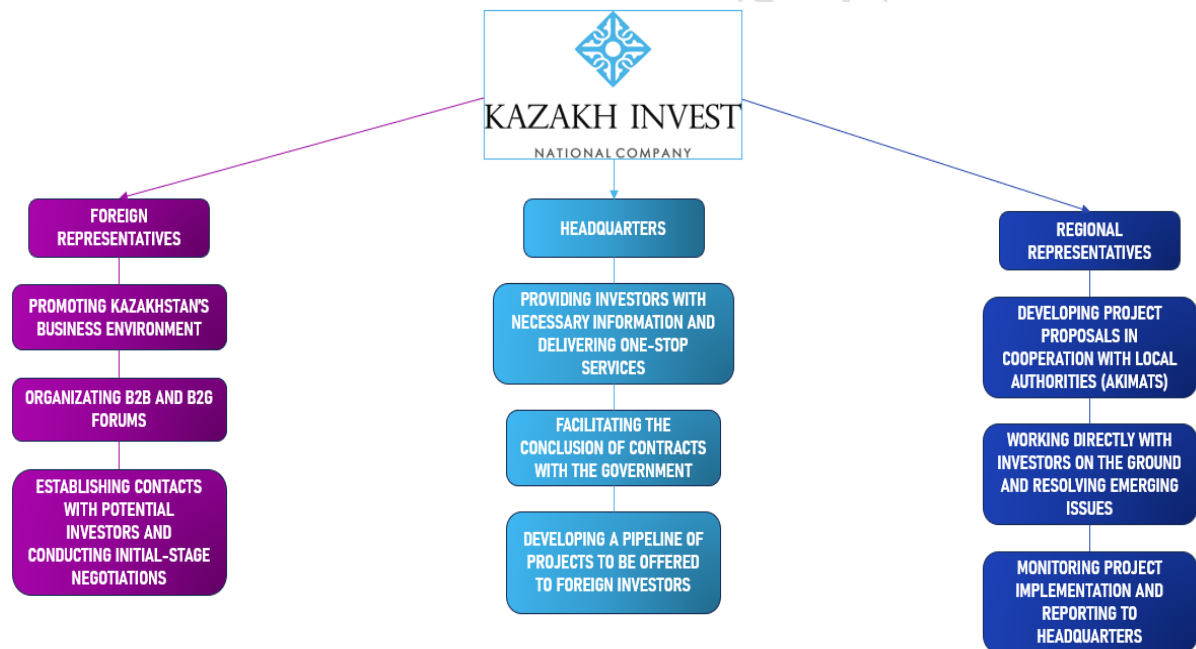
Minister of Foreign Affairs, and the Minister of Finance. This composition reflects the high level of importance the Government attaches to the activities of Kazakh Invest.

The operational structure of Kazakh Invest is organized as a three-level system comprising overseas representatives, the central office, and regional representatives. Overseas representatives are responsible for identifying potential investors, promoting investment projects with prepared feasibility studies, and organizing business forums. The central office acts as a coordinating hub,

linking investors with relevant government institutions and consolidating investment projects received from regional offices into prioritized portfolios. It also prepares guidance materials and informational resources for investors.

Regional offices facilitate interaction between investors and local authorities, provide operational support during project implementation, and monitor project progress, reporting to the central office, ensuring continuous coordination within the system.

Figure 2. Functional Structure of Kazakh Invest



*Source:* Compiled by the author based on the official website of Kazakh Invest (2026).

According to Kazakh Invest, its representatives are currently present in six countries, including China, Hungary, Türkiye, the United States, Singapore, and Italy. At the same time, the Concept of Investment Policy envisages the establishment of full-fledged overseas representative offices in seven key countries,

including the United States, China, Qatar, Russia, Germany, Türkiye, and Malaysia, reflecting a strategic effort to strengthen the

external dimension of Kazakhstan’s investment promotion system.<sup>19</sup>

Kazakh Invest also functions as a central provider of investment-related information for potential investors. Through its official website, investors can access detailed data on national and regional economic conditions, as well as the business environment across different regions. The platform also offers feasibility studies of ready-to-implement investment projects. In this context, the publication of a dedicated

investment guide in 2024 represents a practical and targeted initiative to improve investor access to information.<sup>20</sup>

While large-scale projects are typically negotiated at the intergovernmental level, Kazakh Invest primarily facilitates small and medium-sized investment projects. In 2024, Kazakh Invest contributed to the implementation of 45 projects with the participation of foreign investors, totaling approximately USD 1.2 billion and creating over 6,000 jobs.<sup>21</sup>

### V. Special Economic Zones and Industrial Zones

Kazakhstan adopted the Law on Special Economic Zones and Industrial Zones in 2019 to strengthen investment attraction, support industrial development, and promote regional economic growth.<sup>22</sup> As of 2025, the country operates 17 Special economic zones (SEZs) and 67 industrial zones (IZs). Enterprises operating within these zones are eligible for a

range of incentives and preferences established under the Entrepreneurial Code.

Special Economic Zones are primarily aimed at developing export-oriented and competitive industries with the participation of foreign investment, while industrial zones focus on supporting local economic development by providing the necessary infrastructure for business activities.

Table 3. Comparison of Special Economic Zones and Industrial Zones

CRITERIA	SPECIAL ECONOMIC ZONES (SEZs)	INDUSTRIAL ZONES (IZs)
<i>Concept</i>	A part of the territory of Kazakhstan with clearly defined boundaries where a special legal regime is applied for specific types of activities	A territory equipped with engineering and communication infrastructure provided to business entities for the placement and operation of production and other facilities

<sup>19</sup> Қазақстан Республикасы Үкіметі, “Инвестициялық саясатының 2030 жылға дейінгі тұжырымдамасы,” № 1185 қаулысы (2025).

<sup>20</sup> Kazakh Invest, *Investor’s Guide: Republic of Kazakhstan 2024*, 2024, <https://invest.gov.kz/upload/investor-guide/investor-guide-10-07-2024-eng.pdf>

<sup>21</sup> Kazakh Invest, “About Us”

<sup>22</sup> “Арнайы экономикалық және индустриялық аймақтар туралы” Қазақстан Республикасының Заңы, April 3, 2019, <https://adilet.zan.kz/kaz/docs/Z1900000242>

<b>Objective</b>	Accelerated development of modern and competitive production, attraction of investment, introduction of new technologies, improvement of service provision, and employment growth	Provision of infrastructure to support the development of entrepreneurship in the regions
<b>Legal Regime</b>	Special legal regime with preferential conditions	No special legal regime; operates under general legislation
<b>Scope of Activities</b>	Limited to priority activities defined for each SEZ	No predefined list of priority activities
<b>Participants</b>	Legal entities carrying out priority activities and included in the unified SEZ register (in some cases, individual entrepreneurs in border SEZs)	Legal entities and individual entrepreneurs operating under agreements with the management company
<b>Benefits</b>	Extensive tax and customs preferences, including preferential or zero rates for selected taxes, free customs zone regime, access to infrastructure and land, and simplified procedures for hiring foreign labor	Provision of land and engineering infrastructure; tax incentives mainly for management companies; participants may access additional preferences through investment contracts
<b>Validity Period</b>	Up to 25 years, with possible extension by government decision	At least 20 years for state industrial zones, with possible extension; validity periods for private zones may vary
<b>Restrictions</b>	Certain categories excluded, including subsoil users, producers of most excisable goods, and gambling-related entities	Restrictions on specific harmful or regulated activities (e.g., hazardous production, weapons, nuclear materials)

*Source: Compiled by the author based on the official website of Kazakh Invest (n.d.).*

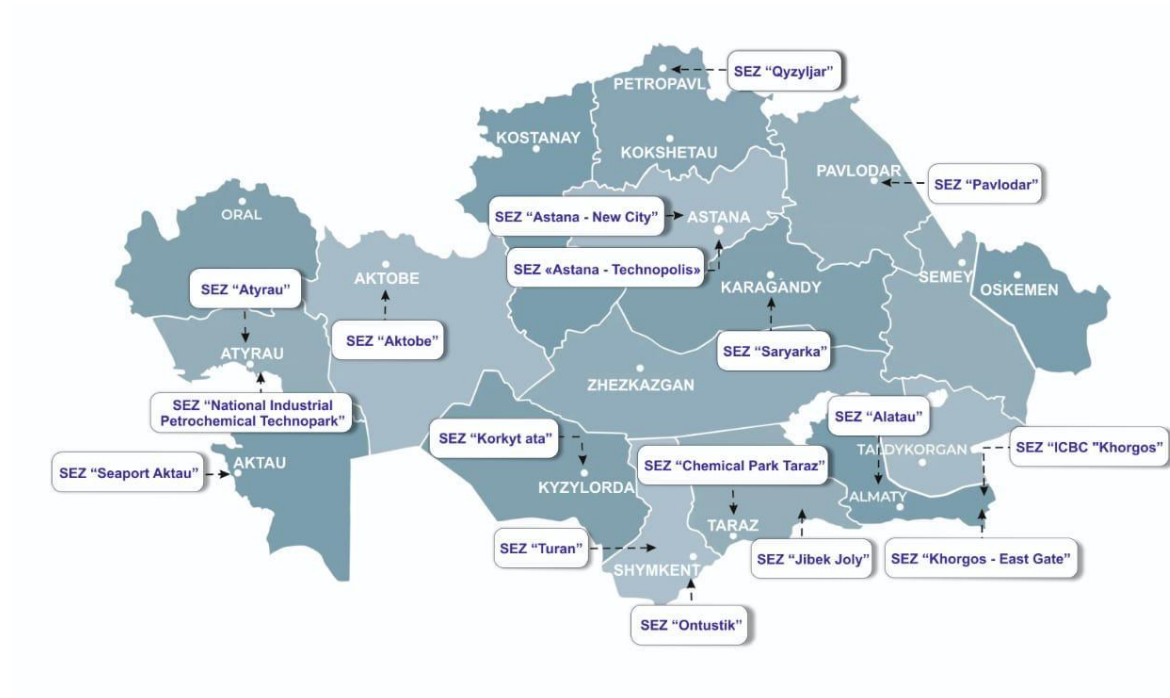
Across Kazakhstan, a total of 1.144 enterprises are registered within 17 Special Economic Zones. Over their entire period of operation, these zones have attracted approximately USD 2.4 billion in FDI out of

a total investment volume of around USD 9 billion. This indicates that foreign investment accounts for only about 27% of total investment, with the majority provided by domestic sources.<sup>23</sup>

<sup>23</sup> Dauren Moldakhmetov, "Can Special Economic Zones Become a Driver of Economic Growth in Kazakhstan?" *The Times of Central Asia*, March 10, 2026,

<https://timesca.com/can-special-economic-zones-become-a-driver-of-economic-growth-in-kazakhstan/>

Figure 3. SEZs in the Republic of Kazakhstan



Source: Moldakhmetov, (2026).

The Concept of Investment Policy notes that SEZs play an important role in enhancing Kazakhstan's investment attractiveness by offering tax incentives, access to land, and developed infrastructure. At the same time, it highlights a number of structural challenges that limit their effectiveness. In particular, infrastructure provision remains incomplete, with only 57.6% of required infrastructure currently in place.<sup>24</sup>

Moreover, although SEZs are intended to attract foreign investment, develop value-added production, and promote exports, these objectives have not been fully achieved. A significant share of resident firms continue to focus on the domestic market, benefiting from preferential conditions while contributing less

to export growth, which creates conditions of uneven competition. Additional constraints include a limited range of permitted activities, the absence of clear reciprocal obligations for participants, and variations in the duration of different SEZ regimes.<sup>25</sup>

These limitations reflect broader structural patterns observed in Kazakhstan's FDI model, where investment remains concentrated in resource-based and domestic-oriented activities despite policy efforts to promote diversification. Despite these structural challenges, export performance has improved in recent years. Exports from SEZ enterprises increased from USD 148 million in 2021 to approximately USD 490 million in 2025, representing growth of 231%.<sup>26</sup> This

<sup>24</sup> Қазақстан Республикасы Үкіметі, "Инвестициялық саясатының 2030 жылға дейінгі тұжырымдамасы," № 1185 қаулысы (2025).

<sup>25</sup> Ibid.,

<sup>26</sup> Moldakhmetov, "Special Economic Zones."

suggests that, if infrastructure gaps are addressed and policy incentives are more closely aligned with export-oriented

production, SEZs could play a more significant and sustainable role in Kazakhstan's economic development.

### **Conclusion**

This study suggests that Kazakhstan's FDI policy reflects a strategic effort to develop a comprehensive investment ecosystem aimed at supporting long-term economic growth and enhancing its strategic autonomy within an increasingly competitive geopolitical environment. Rather than relying on isolated policy measures, the government has adopted a systematic approach that combines legal reforms, institutional mechanisms, and targeted investment promotion tools.

In line with neoclassical realism, Kazakhstan's investment policy can be understood as shaped by both external and internal factors. At the systemic level, its geographical position between major powers and intensifying competition for influence in Central Asia create strong incentives to diversify economic partnerships and avoid overdependence on any single actor. At the domestic level, policy outcomes are mediated by institutional arrangements, leadership priorities, and state capacity.

Within this framework, FDI policy functions not only as an economic instrument but also as a strategic tool of hedging. However, the findings of this study indicate that the effectiveness of this approach remains uneven. Its success depends on the state's ability to implement a coherent and well-coordinated investment ecosystem. As demonstrated in this study, mechanisms such as Kazakh Invest, the legal and regulatory framework, and Special Economic Zones play a central role in facilitating investment, while challenges related to institutional coordination and implementation continue to constrain overall effectiveness.

Kazakhstan's experience thus demonstrates that the success of foreign investment policy is determined not only by external conditions, but also on the capacity of domestic institutions to translate these conditions into sustained and diversified economic outcomes.

### **Recommendations**

Several policy lessons for Mongolia can be drawn from Kazakhstan's experience in developing an effective framework for attracting foreign direct investment.

1. Mongolia could benefit from establishing a more comprehensive and unified investment policy framework. At present, foreign investment is addressed primarily in general terms within strategic

documents such as *Vision 2050* and the *Government Action Plan for 2024–2028*, without a fully integrated approach. Developing a coherent framework that aligns legislation, clearly defines priority sectors, and links government programs to measurable targets would likely enhance overall policy coordination and effectiveness.

2. Mongolia could consider introducing a centralized investment facilitation mechanism such as a one-stop shop service. This could streamline administrative procedures, reduce bureaucratic barriers, and improve the investment climate by providing investors with more centralized and efficient access to public services.
3. Strengthening the rule of law and improving the effectiveness of the judicial system remain critical for enhancing Mongolia's investment environment. In particular, enhancing the predictability of legal processes, ensuring consistent contract enforcement, and strengthening dispute resolution mechanisms would contribute to greater investor confidence and reinforce the impact of other policy measures.

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