

# DIGITAL FDI ECOSYSTEM IN THE CAREC REGION (PHASE II)

by Asif Razzaq, Tofiq Babayev, Mumtaz Ahmed Shokhrukh Avazov

## Research goal

Using the Digital FDI Framework to evaluate different deriving/inhibiting factors of the digital FDIs and define policy measures to maximize FDI inflows in digital sectors of the CAREC countries.

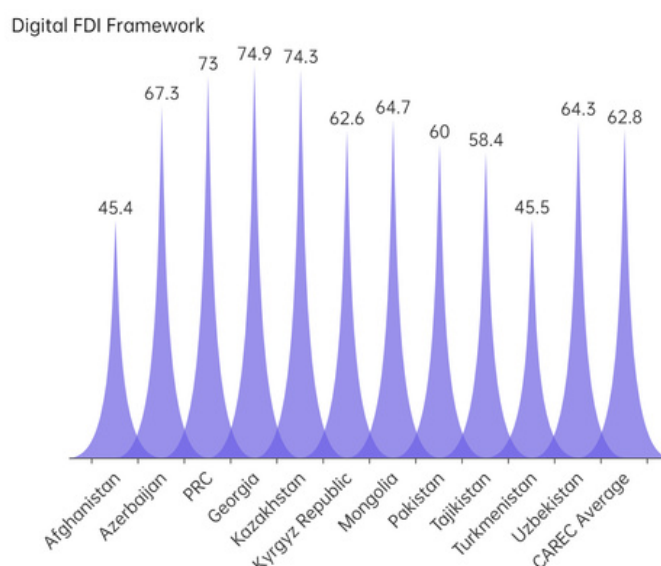
Results are scaled between 0 (highest restrictions for digital FDI) and 100 (lowest restrictions for digital FDI).

## Digital FDI Framework

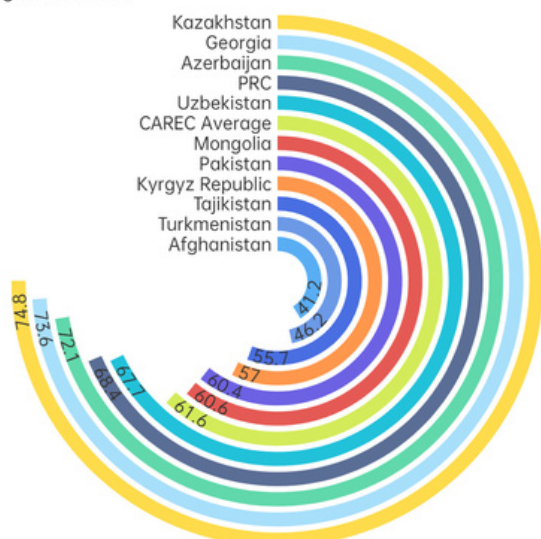
Georgia (74.9), Kazakhstan (74.3), and the People's Republic of China (PRC) (73) are leading CAREC countries with a conducive digital FDI environment and lower restrictions on digital FDI in the CAREC region.

Azerbaijan (67), Mongolia (64.7), Uzbekistan (64.3), Kyrgyz Republic (62.6), and Pakistan (60) report moderate scores.

Tajikistan (58.4), Turkmenistan (45.5), and Afghanistan (45.4) display the lowest scores compared with the CAREC regional average (62.8).



New Digital Activities



## NEW DIGITAL ACTIVITIES

New digital activities necessitate digital content tailored to the local market, creating opportunities for SMEs to create such content and collaborate with international corporations, with all the benefits of digital collaboration.

This dimension comprises data privacy and security, consumer laws, investors' rights, and firm-specific regulations.

## Digital Adoption

Digital adoption is the process of learning how to use new technology to internalize its full potential.

This dimension comprises three subdimensions: support for digital adoption, tariffs and taxes, and independence of ICT regulations.

## Digital Infrastructure

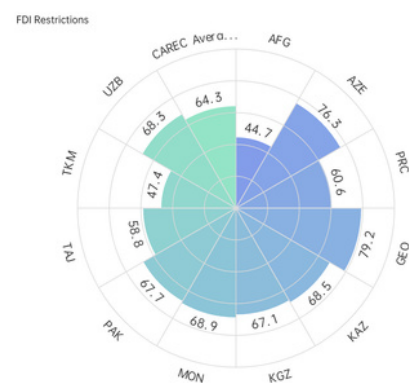
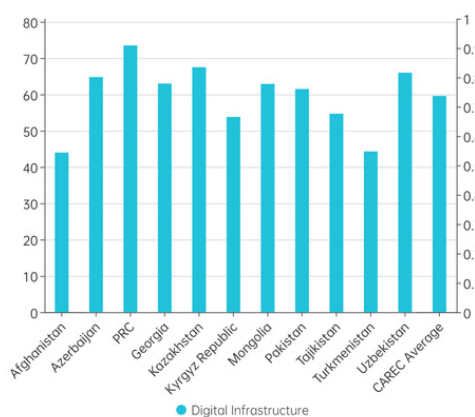
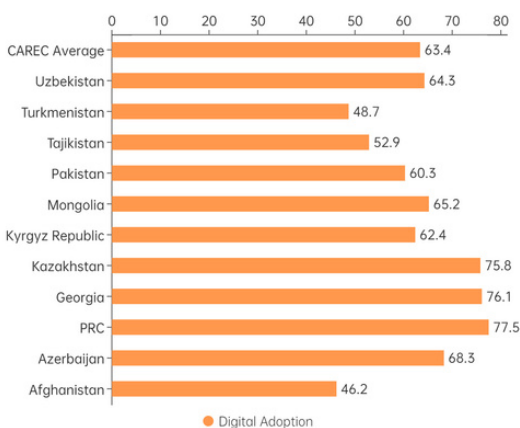
The availability or absence of existing infrastructure affects the ability to attract investment in digital infrastructure.

This dimension comprises five subdimensions: connectivity; availability of networks; access to infrastructure, finance, and manpower; ease of receiving visas and licenses; and privatization and taxation.

## FDI Restrictions

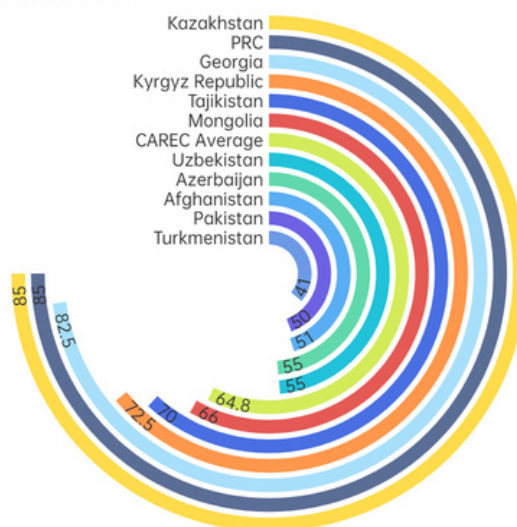
Regulatory barriers such as limits on enabling sectors and restrictions on digital activity affect digital FDI.

This dimension comprises sectoral restrictions, restrictions on key foreign personnel/directors, other restrictions, foreign equity limits, and screening and approval of FDI.



## DIGITAL PROMOTION TOOLS

Digital Promotion Tools



Digital promotion tools are used to discover, engage, and support foreign direct investors.

This dimension includes incentives and promotions for FDI.

# CAREC REGIONAL APPROACH

The average score for the CAREC region indicates the lowest score in digital infrastructure (59.6), followed by new digital activities (61.6) and digital adoption (63),

The highest score is observed in digital promotion tools (65).

## Addressing these core lagging areas would encourage FDI inflows into the CAREC region:

- Digital security and privacy,
- Data regulations,
- Intellectual property rights,
- Validity of e-agreements,
- Higher tariffs and taxes,
- Restrictions in acquiring land for business purposes,
- Lack of regional integration and mutual investment/technology agreements,
- Ineffective consumer laws,
- Governance issues,
- Lack of digital skills,
- Lower connectivity of national and international infrastructure,
- Higher approval turnaround time,
- Lack of venture capital, privatization and competition policies,
- Sectoral and equity restrictions.



## Contact US:

CAREC Institute

No.376 Nanchang Road, Sha Yi Ba Ke District, Urumqi, 830000

Xinjiang Uygur Autonomous Region, the People's Republic of China

+86.991.8891151 | [www.carecinstitute.org](http://www.carecinstitute.org)

[km@carecinstitute.org](mailto:km@carecinstitute.org) | LinkedIn: carec-institute