




# Risk perception in practice of Polish MNCs in Kazakhstan during COVID-19 time

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## Abstract

**Motivation:** The COVID-19 pandemic caused a major crisis in global economy. The year 2020 will be remembered in the history of global economy as the year of a massive supply and demand shock, and, consequently, a slump in economic growth in most countries. The effects of the pandemic will be felt to varying degrees by the majority of the world's economic entities. One such effect is the radical decrease in global foreign direct investment (FDI). It is hard to assess now how heavily the pandemic will influence the long-term FDI trends. The perception of the pandemic risk is, however, likely to heighten. This

article deals with foreign direct investment risks, and more specifically, with the pandemic risk seen as one of natural risks in COVID-19-related contexts.

**Aim:** The article aims to identify how the enterprises with Polish capital in Kazakhstan perceive the pandemic risk in comparison with other FDI risks. The authors of this paper were co-investigators on a scientific research project concerning FDI in Kazakhstan as exemplified by the investment intensity of Polish enterprises. The project was carried out from 2019 to 2021, i.e., when the pandemic started and during its course. The research concept was, however, created before there were any signs of the pandemic. Therefore, the research questions regarding FDI risk in Kazakhstan were not to any extent inspired by this occurrence. Nevertheless, the question about the pandemic risk was included in the research tool. Thus, the perception of this risk became the subject of research.

The findings of partial research that are presented in this article are original in nature, because the assessments constituting their basis were formulated at a time when Kazakhstan, like other countries around the world, struggled with the pandemic and when its effects were unknown.

**Results:** According to the enterprises with Polish capital in Kazakhstan, the main areas of risk entailed in their operation in this country were, most importantly, the risks of the investment country and global risks. Local currency exchange risk ranked 1<sup>st</sup>; as many as 70% of respondents said that this risk perception was high. This was followed by global economic events (e.g. depression), performance risks (e.g. product price, transfer risks, the price of capital) and government policy risks (e.g. tax reforms, monetary reforms, price controls, trade restrictions, nationalisation, government regulation, barriers to earnings repatriation). The 5<sup>th</sup> most distinctly perceived risk by the studied enterprises was global social events risks, including the pandemic risk. 40% of the surveyed entities defined this risk perception as high, and 30% each as medium and small. The fact that the pandemic risk ranked 5<sup>th</sup> among other FDI risk components in Kazakhstan indicates its great significance to the enterprises operating there at an early stage of the COVID-19 pandemic, i.e., when the level of uncertainty caused by the pandemic in terms of both its economic and its social effects was very high.

*Keywords:* foreign direct investment; FDI; risk  
*JEL:* F21; F23; D81

## 1. Introduction

The COVID-19 pandemic caused a major crisis in global economy. How it will evolve in the future is currently unknown, but the year 2020 will certainly be remembered in the history of global economy as the year of a massive supply and demand shock, and, consequently, a slump in economic growth in most countries (see e.g. Zinecker et al., 2022). One effect of the pandemic was breaking global supply chains, which resulted in serious disruptions in the fulfilment of contracts for the supply of materials, components, and consequently the final products. There was also a slump in demand. This is and will be felt to varying degrees by the majority of the world's economic entities. It can be stated already now that the crisis caused a limitation of their development ability, as illustrated, among others, by a sharp decline in their investment abroad.

The data of the United Nations Conference on Trade and Development (UNCTAD, 2022) indicate that the global value of FDI inflows in 2020 amounted to 963.1 billion U.S. dollars, which is the lowest level of such investment since 2006, an over 44% decrease compared to its annual average in the period of the preceding five years — 2015–2019 (1,734.1 billion dollars), and a similar level to its annual average from the 1996–2000 period (798 billion dollars). It should be noted that such a drastic decline in the value of FDI was unprecedented in the entire 2001–2020 period and was much more drastic than during the global financial crisis (in 2008, the value of FDI dropped compared to 2007 by 22%, and in 2009 by 35%), and also more drastic than in other periods during which the world struggled with natural disasters caused by pandemics or epidemics. There are, however, major differences between those epidemics and the COVID-19 pandemic. Contrary to the previous pandemics that were essentially local, COVID-19 caused a global natural disaster (Jaworek et al., 2020). The decline in FDI inflows was mainly felt by developed countries. Their value in 2020 (319.2 billion dollars) constituted nearly 31% of their annual average from 2005 to 2019 (1,032.6 billion dollars). This was caused, among others, by large negative FDI values in several European countries, and also by their drastic decline in the USA. The decline in developing countries was much less severe. The value of FDI in this group of countries in 2020 was 643.9 billion U.S. dollars, which is lower than its annual average from 2015 to 2019 (701.5 billion dollars) by merely around 8% (UNCTAD, 2022, p. 210). The difference in the scale of decline in FDI values between the developed and developing countries resulted in a historically high share of FDI made in 2020 in the developing countries in the global value of FDI (66.9%). This was mainly thanks to China that was the world's largest recipient of the said investment in 2020. FDI to the transition economies in 2020 amounted to 24.2 billion U.S. dollars (UNCTAD, 2021, p. 4). Thus, this group of countries suffered a 51% decline in the annual FDI compared to the annual average in the years 2015–2019, i.e. the decline was more drastic than in the developed countries. The sharpest decrease was recorded for the Russian Federation and Ukraine. It should be mentioned that compared to 2019, an increase in the value of the discussed investment was recorded for: Montenegro, Belarus and Kazakhstan. The first two countries experienced only a slight increase, while Kazakhstan — a significant increase of 34.9%.

The decline in FDI is mainly related to the reduction of greenfield investment projects, but the differentiation of its scale is not consistent with the differentiation of the value of this investment between the individual types of economies. The data published by UNCTAD (2021, p. 3) indicate that the number of such projects declined in 2020 compared to 2019 by 19% in developed countries, by 42% in developing countries, and by 47% in transition economies. The number of the announced cross-border projects (M&As) decreased by: 10%, 24% and 40%, respectively.

The presented data raise an important research question: How will the dramatic changes observed in the scale of global FDI influence the position of the pandemic risk among the risks related to this investment. This article deals with foreign direct investment risks, and more specifically, with the pandemic risk seen as one of natural risks in COVID-19-related contexts.

The paper is organised as follows. The following section provides a brief general overview of the literature related to FDI risk in particular global pandemic risk. Next, the methods used in the research is presented. Then, the research findings are discussed. Finally, the general conclusions are stated, along with some limitations that the researchers faced, along with useful insights regarding future research.

## 2. Literature review

### 2.1. Selected types of risk in the light of the literature on the subject

FDI risk comprises global risk, country risk, industry risk and enterprise risk (Scheme 1). Definitely, the most important type of risk for making FDI and for the operation of subsidiaries is the investment country risk. Country risk is defined as an unexpected deterioration of the performance indicators or the risk of failing to achieve the strategic goal, as a result of entering into international business transactions involving an unavoidable exposure to the policy of the investment country (White & Fan, 2006). Country risk comprises political risk, economic risk, financial risk and cultural risk. The first component of country risk is political risk that is understood as the likelihood that an independent country will be unwilling or unable to guarantee a favourable business and investment environment due to its policy (e.g. nationalisation, blocking transfer of money, other sudden political changes) or due to events beyond its control (e.g. instability, social unrest, other aspects of the political and social environment) (Kobrin, 1979, as cited in Aguiar et al., 2012). International Business scholars suggest that country risk has multiple dimensions and these risk concepts need to accommodate a whole host country dimensions (Buckley et al., 2020, p. 2). The next component of the country risk is economic risk understood as a significant change in the economic structure or in the growth rate, causing a considerable change of the expected return on investment. Economic risk often corresponds to political risk in certain measurement systems, because both these risks are related to policy (Meldrum, 2000). Financial risk constituting the third component of the country risk encompasses unexpected changes of creditworthiness (White & Fan, 2006). The last component of country risk is the risk of cultural differences that stems from the failure to understand the influence of the country-specific culture on the patterns of business behaviour, including sales, consumption and negotiations. This risk includes the risk of transaction costs, including nepotism, corruption, extensive bureau-

cracy and the negotiation risk resulting from interpretation difficulties such as language barriers or ethnic/religious tensions.

It should be noted that literature on the subject most frequently discusses country risk, including political risk, in the context of foreign investment (e.g., Baek & Qian, 2011; Erol, 1985; Harms, 2002; Hefeker & Büsse, 2005; Osabutey & Okoro, 2015; Wu, 1982). It also presents the findings of studies concerning the influence of country-specific factors on capital flows in the form of FDI; factors such as bureaucracy (Bitzenis et al., 2009), corruption (Bitzenis et al., 2009; Büsse & Groizard, 2008; Habib & Zurawicki, 2002; Harms, 2002; Hefeker & Büsse, 2005; Li, 2006; Türedi, 2018; Wei, 2000) or political instability (Asiedu, 2006; Jun & Singh, 1996; Levis, 1979).

Direct investors are also exposed to industry risk that stems from unexpected changes in the given sector (Szóstek, 2008, p. 150). It can be defined as ‘potentially negative consequences for the key performance indicators or for the achievement of a strategic goal, as a result of an unexpected change in the industry-specific environment’ (White & Fan, 2006, p. 139). It should be noted that an MNE’s industry of activity may influence its country risk exposure (Beckaert & Hodrick, 2008, p. 508).

The last type of risk is enterprise risk. Enterprise risk is defined as ‘a potentially negative impact on the key performance indicators or on the achievement of a strategic goal, as a result of unexpected events and/or a change of enterprise-specific behaviour’ (White & Fan, 2006, p. 169) or as the likelihood that the actual results will not reach the expected ones (Hampton, 2009, p. 5). Enterprise risk comprises operational, financial and behavioral risk.

Global risk stems from events whose impact may be global. It comprises risk related to: natural events (drought, floods, earthquakes, volcanic eruption), social events (epidemics or epizootics), political events (wars), economic events (depressions), technical events (computer viruses) (White & Fan, 2006, p. 135). The relevant literature on the subject does not comprise many studies concerning the influence of global risk or any of its components on FDI. The few studies concerning the influence of natural risk on the decisions regarding foreign investment include the study of Escaleras & Register (2011, pp. 346–363) that proves a statistically relevant negative impact of natural disasters on foreign direct investment. Moreover, the study indicates that investors engaging in foreign projects devote more attention to the recent events than to those that took place in the past.

It should be noted that an inherent part of global risk is the fact that an occurrence generating risk at a specific location poses threat in a much larger area. This can be exemplified by the COVID-19 pandemic.

## 2.2. The pandemic risk perception

For decades, an important management issue has been to better understand how risk and uncertainty affect firm decision (Oh & Oetzel, 2017). Seemingly,

epidemic or pandemic risk should be taken into account in decisions concerning the internationalisation of business activity, especially if funds are invested for operating internationally. Research findings, however, do not support this thesis (Karaszewski, 2009). According to the managers of direct investors, the degree of risk taken into account by Polish entities in their FDI decisions was essentially limited to the investment country risk assessment. They did not include the pandemic or epidemic risk among natural risks. The findings of another study of these authors (Karaszewski et al., 2014) proved to be extremely similar to those obtained in the first study. The second study, apart from the risk assessment by foreign direct investors, also concerned risk identification from the perspective of multinational companies with Polish capital. The most important risks, according to the subsidiaries, were market risks (competition risk, market economic fluctuation risk). The risk of breaking the supply chains that can be caused by epidemics or pandemics was considered to be only the 12<sup>th</sup> most important risk, but epidemics or pandemics were not mentioned specifically.

A study concerning a similar subject with the use of a similar method was conducted by the UNCTAD in 2017 among a group of managers of enterprises belonging to the largest transnational corporations. Nearly a hundred respondents participated in the study. The goal was to identify the factors that will influence the scale of FDI<sup>1</sup>. In the group of corporate and external factors, the majority of respondents saw sources of risk in terrorism and social instability. Significantly fewer respondents saw them in natural disasters including pandemics (UNCTAD, 2017, p. 6–7).

As already mentioned, there are no studies concerning a pandemic-related FDI risk. It should be also mentioned that there is relatively little scientific interest in general concerning FDI in Kazakhstan, as illustrated by the small number of papers in the literature on the subject that present findings of studies concerning this topic. The few that exist include Ashurov et al. (2020), Dosmukhamedov (2002), Rakhmatullayeva et al. (2015; 2020). The existence of this research gap gave rise to starting research aimed at identifying how investors perceive the threats posed by pandemics among FDI risks and to putting forward the following research hypothesis:

H: The perception of the pandemic risk compared to other FDI risk components in Kazakhstan is high.

### 3. Methods

The article uses both primary and secondary data. The former was obtained in scientific research projects regarding FDI of Polish enterprises. A study planned for stage one was carried out from January to August 2020. It included a group of enterprises based in the Republic of Poland that made direct investment in Kazakhstan and their subsidiaries located in Kazakhstan. These en-

<sup>1</sup> The responses concerned two groups of factors – macroeconomic factors on the one hand and corporate and external factors on the other.

terprises were selected from a list of direct investment enterprises established through foreign investment made by Polish enterprises provided by the Foreign Trade Office of the Polish Investment and Trade Agency in Kazakhstan. It was extended with information from the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan Bureau of National Statistics concerning active direct investment enterprises with Polish capital in the Republic of Kazakhstan, recorded in the Statistical Business Register as at 1 January 2021. The information concerning the number of Polish direct investment enterprises obtained from Kazakhstan was compared with the number of foreign entities in Kazakhstan owned by entities based in Poland recorded by Statistics Poland (GUS). In effect, 24 enterprises established through investment of Polish enterprises were invited to participate in the study. A return rate of 37.5% was obtained in the study.

The study was carried out using a method of mail and Internet surveys. The research tool was a multivariate questionnaire that contained mainly closed-ended questions, with the possibility to add one's own response. One aim of the study was to identify risk factors in the operation of direct investment enterprises in Kazakhstan.

The advantage of qualitative approach is gaining insight into the process of making strategic decisions, which is essentially very poorly researched due to the dominance of an approach with the use of secondary data and econometric modelling.

The secondary data presented in the article was obtained from official statistical sources, including the United Nations Conference on Trade and Development (UNCTAD), World Economic Forum (WEF), World Bank, the National Bank of Kazakhstan (NBK) and the National Bank of Poland (NBP).

This study uses a variety of methods, such as statistical and economic analyses, comparisons, analogies, synthesis as well as the method of measuring and aggregating data, and graphical and tabular method. The choice of economic parameters presented below as well as the related parameter formulas as proposed by the authors is based on the results of a preliminary query of the scientific literature on the subject, available statistical data, as well as the authors' research experience and own conclusions.

## 4. Results

According to the data published by UNCTAD (2022), at the end of 2021 the value of FDI inward stock in Kazakhstan amount to 152.0 billion U.S. dollars. This result ranked Kazakhstan in 14th position among 50 FDI Asian importers included in the UNCTAD's report, right after the mainland China, Hong Kong, Singapore, India, Thailand, Republic of Korea, Saudi Arabia, Indonesia, Japan, Israel, Viet Nam, Malaysia and United Arab Emirates. In the years 1993–2021, the average FDI inward stock growth rate of Kazakhstan was very high and amounted to 19.5% (Chart 1). For comparison, in the same period,

this average growth rate for all Asian countries was much lower and reached to 11.9%.

As reported by the National Bank of Kazakhstan in its International Investment Position data as of January 1, 2022, the main foreign direct investors in the country were companies from the Netherlands (with 37.4% of Kazakhstan's total direct investment liabilities), the USA (23.6%), France (7.8%), Bermuda (5.7%), Russia (3.6%), Japan (3.4%) and the mainland China (3.3%). In the same period, the value of Kazakhstan's liabilities from Polish direct investments amounted to 85.4 million U.S. dollars, which accounted for only 0.1% of Kazakhstan's total FDI liabilities (NBK, 2022, pp. 74–79). In Kazakhstan, direct foreign investors located their capital mainly in the mining and quarrying sector (76.0% of Kazakhstan's total direct investment liabilities as of January 1, 2022) and in the manufacturing industry (7.4%) (NBK, 2022, pp. 71–73).

According to the data published by NBP (2020), at the end of 2020 the value of Poland FDI outward stock amounted to 28.1 billion U.S. dollars. Polish companies have invested mainly in the European countries, where they have located as much as 83.7% of their total FDI outward stock. In Asian countries, Polish enterprises have invested 4.8% of the total capital in the form of FDI, mainly in Israel, the United Arab Emirates, India, the mainland China, Thailand and a little less in Kazakhstan, Malaysia and Indonesia.

In the *Global competitiveness report 2019* published by the WEF (2019), Kazakhstan ranked 55<sup>th</sup> in the global competitiveness ranking. The WEF (2021a) defines competitiveness as 'the set of institutions, policies, and factors that determine the level of productivity of an economy, which in turn sets the level of prosperity that the country can earn'. The competitiveness is measured by Global Competitiveness Index (GCI), which combines 114 indicators grouped into 12 pillars: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation. The factors that increase Kazakhstan's competitiveness included: labour market (with flexibility of wage determination and redundancy costs getting particularly high scores), market size, electricity access, ICT adoption, attitudes towards entrepreneurial risk, low bureaucracy and administrative requirements to run a business. Kazakhstan's high potential as the location for running business is also confirmed by the annual World Bank's (2020) ranking, *Doing business*. In the 2020 edition, Kazakhstan ranked high, 25<sup>th</sup>, from among 190 countries on their ease of doing business. The *Global competitiveness report* mentions additional factors that have a negative impact on Kazakhstan's competitiveness, most importantly including inflation, corruption, freedom of the press, complexity of tariffs, weakness of auditing and accounting standards, unsoundness of banks, low growth of innovative companies and R&D expenditures (WEF, 2019).

The study carried out by the authors of the present article also enabled the identification of factors that negatively impact the investment attractive-



ness of Kazakhstan and frequently constitute the main sources of risk related to operating in this country. According to the enterprises with Polish capital in Kazakhstan, the main areas of risk were, most importantly, the risks directly related to the investment country and global risks (Table 1). Local currency exchange risk ranked 1<sup>st</sup> ( $I=2.70$ ); as many as 70% respondents said that this risk's perception was high. The second most distinctly perceived risk was also an economic one, but global in scope; it was called 'economic events (e.g. depression)' ( $I=2.60$ ). 60% of the surveyed entities thought that the level of this risk was high, while the remaining 40% thought it was medium. Performance risks (product price, transfer risks, the price of capital) related to the investment country ( $I=2.50$ ) ranked 3<sup>rd</sup>; 60% of respondents said that their level was high. This was followed (with  $I=2.20$ ) by government policy risks (e.g. tax reforms, monetary reforms, price controls, trade restrictions, nationalisation, government regulation, barriers to earnings repatriation). 30% of respondents defined the level of these risks as high, 60% as medium and 10% as small. Global social events risks (epidemics or epizootics) ( $I=2.10$ ) ranked 5<sup>th</sup>, but the assessments of the level of this risk varied — 40% of respondents said it was high, and 30% each thought it was medium and small (Charts 2–3). This supports formulating the suggested research hypothesis concerning the high importance of the pandemic risk when compared to other FDI risk components in Kazakhstan.

The high position of global social events risks, including the pandemic risk, among the most important risks named by the surveyed enterprises may be directly correlated to the moment of conducting the survey. The survey questionnaires were sent to the enterprises with Polish capital in Kazakhstan between June and September 2020, i.e., at a time when the level of uncertainty caused by the COVID-19 pandemic in terms of both its economic and its social effects was very high. This is confirmed by the results of The Global Risks Perception Surveys, conducted periodically by the World Economic Forum<sup>2</sup>, in which in 2021 the respondents identified infectious diseases as the most important global risks by impact (WEF, 2021b, p. 14). In previous reports, infectious diseases were among the top 5 global risks in terms of impact only three times: in 2007 and 2008 (ranking 4<sup>th</sup> and 5<sup>th</sup> respectively) due to the global spread of H5N1 virus (WEF, 2007, p. 29) and in 2015 following the unprecedented spread of Ebola (ranking 2<sup>nd</sup>) (WEF, 2015, p. 14).

Apart from the already mentioned risks, the following country risks were also identified by the Polish companies in Kazakhstan as relatively high: corruption and changes in interest rates risk ( $I=2.00$ ; tied for 6<sup>th</sup> position), as well as bureaucracy and nepotism ( $I=1.80$ ; tied for 8<sup>th</sup> position). The most distinctly perceived enterprise risks, by comparison, involved input supply risks related to raw material shortages, quality changes, spare parts restrictions ( $I=2.00$ ; 6<sup>th</sup>

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<sup>2</sup> In the surveys participated respondents from the World Economic Forum's multi-stakeholder communities (including the Global Shapers Community), the professional networks of its Advisory Board, and members of the Institute of Risk Management (WEF, 2022, p. 109).

position); 30% of respondents said that their impact was strong (Chart 5). Seen as relatively high were also industry risks, including product market risks ( $I=1.90$ ; 7<sup>th</sup> position) and competitive risks ( $I=1.80$ ; 8<sup>th</sup> position) (Chart 4). It should be mentioned here that the *Global risks report 2022* is the first edition that identified the most important risks by country. As for Kazakhstan, the respondents identified the following risks in descending order: employment and livelihood crises, failure to stabilize price trajectories, severe commodity shocks, interstate conflict and geopolitization of strategic resources (WEF, 2022, p. 102).

It should be also emphasised that the surveyed enterprises evaluated the influence of natural disasters on their operation in Kazakhstan as relatively small. Natural events risks (drought, floods, earthquakes, volcanic eruption) ranked 13<sup>th</sup> with the index score  $I=1.30$ . 55.6% of respondents thought that the level of this risk is medium, and the remaining ones identified it as small or said that this risk is non-existent (22.2% of responses each) (Chart 2). In the years 2017–2019, by comparison, natural disasters were among the top 5 global risks in terms of impact, as identified by WEF (2020, p. 2). The negative and statistically significant relation between foreign direct investment and natural disasters was identified by Escaleras & Register (2011). The reason for natural events risk not being perceived as very significant in the conducted study may be the fact that the risks related to natural disasters, technological disasters or terrorist attacks are perceived as discontinuous risks, as opposed to the political risk that is perceived as continuous (Oetzel & Oh, 2014). It is also very likely that if surveyed today, the enterprises would see the scale of the pandemic risk impact as smaller.

The authors realise that utmost caution must be exercised when generalising the findings of the study, but the results based on the enterprises' assessments shed an interesting light on a topic that is yet to be thoroughly discussed.

## 5. Conclusions

When deciding to start business activity through FDI, investors obviously take into account numerous risks that may occur at a given location at a given time. The COVID-19 pandemic showed the importance of global risks. The pandemic has spread across the entire world and dramatically showed the tragic consequences of a fast-moving wave of infections compounded by the helplessness of the unprepared healthcare systems. Although the situation in the different countries varied, not a single country was prepared to successfully counteract the effects of the pandemic. Initiation of research aimed at the development of a vaccine that would protect against infection, with financial involvement of many countries across the world, mass production of vaccines, and the society's endeavours aimed at promoting vaccinations did not change the fact that threats still occur, that there are new infection outbreaks, and the declarations predicting the end of the pandemic constitute unjustified rhetoric. The risk lo-

cation of the COVID-19 pandemic is the entire world. Its start date is currently considered to be December 2019. Its end date is unknown.

In retrospect, it can be said that until 2019, foreign direct investors essentially failed to take into account the occurrence of a global pandemic in their decisions concerning the allocation of capital. Only after experiencing the consequences of COVID-19, investments were reduced, which led to a drastic drop in the FDI scale in 2020. As soon as 2021, however, global capital flows in the form of FDI increased by as much as 54% compared with the preceding year, and in developed countries, the investment increased by almost 134% (UNCTAD, 2022). Predictions concerning the future scale of FDI in the coming years should be formulated with great caution, not so much due to the pandemic, but due to the political situation caused by the war in Ukraine and the associated consequences, including without limitations the problems with raw materials, energy and food supply. The choice of the investment location will depend to a large extent on factors inherent in the country risk, as indicated by the described study results. In this context, a significant change in the spatial structure of investment must be predicted in the near future, due to the war in Ukraine. It is not hard to predict that apart from the drastic drop in FDI in the Russian Federation and the severely war-affected Ukraine (hopefully short-term), the effects of the heightened political risk will be felt not only by Post-Soviet states, including Central Asia, but also by Central and Eastern European countries and others. These risks may prove more important in terms of attracting FDI than the COVID-19 pandemic risk. Nevertheless, even such extreme events are unlikely to halt the elaborate system that enterprises have developed to ensure the adequate level of international competition, including the strive for optimum investment of capital. The assessment of the location for capital investment in the form of FDI will, however, include to a greater extent factors such as the country's ability to ensure an efficient healthcare system or lower political risk resulting from the global situation.

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## Appendix

**Table 1.**  
**Risk perception by enterprises with Polish capital in Kazakhstan**

Variable/measure	Index*	Pos.	D**	Me***
I. Global risk	1.84	II	2	2.0
– natural events (drought, floods, earthquakes, volcanic eruption)	1.30	13	2	1.5
– social events (epidemics or epizootics)	2.10	5	3	2.0
– political events (wars)	1.70	9	1	1.0
– economic events (depressions)	2.60	2	3	3.0
– technical events (computer viruses)	1.50	11	1	1.5
II. Country risk	2.02	I	2	2.0
1. Political risk	–	–	2	2.0
– political instability (war, revolution, democratic change of government, other political instability)	1.60	10	2	2.0
– government policy risks (tax reforms, monetary reforms, price controls, trade restrictions, nationalisation, government regulation, barriers to earnings repatriation)	2.20	4	2	2.0
– social instability risks (civil unrest, riots, demonstrations, terrorism)	1.60	10	1	1.5
2. Economic risks	–	–	3	3.0
– performance risks (product price, transfer risks, the price of capital)	2.50	3	3	3.0
– local currency exchange rate risk	2.70	1	3	3.0
– changes in interest rates risk	2.00	6	2	2.0
3. Financial risk	–	–	2	2.0
– creditworthiness risk	2.00	9	2	2.0
4. Cultural risks	–	–	2	2.0
– corruption	2.00	6	2	2.0
– bureaucracy	1.80	8	2	2.0
– nepotism	1.80	8	2	2.0
III. Industry risk	1.77	III	2	2.0
– product market risks	1.90	7	2	2.0
– input market risks	1.60	10	2	2.0
– competitive risks	1.80	8	2	2.0
IV. Enterprise risk	1.58	IV	2	2.0
1. Operational risk	–	–	2	2.0
– labour risks (labour unrest, high labour turnover or absenteeism)	1.40	12	2	1.5
– input supply risks (raw material shortages, quality changes, spare parts restrictions)	2.00	6	2	2.0
– production risks (teething problems with new technology, machine failure, other random production factors)	1.40	12	2	1.5
2. Finance risk	–	–	2	2.0
– liquidity problems (problems with collectibles)	1.70	9	2	2.0
– credit problems (deteriorating credit rating, poor structure of assets and liabilities)	1.40	12	2	1.5

Notes:

\* Weighted arithmetic mean:  $\bar{x} = \frac{\sum_{i=1}^n w_i x_i}{\sum_{i=1}^n w_i}$ , where:  $i$  — the evaluation index;  $n_i$  — the number of indications for a given factor at the  $i$ -th position;  $k$  — the maximum rating on a scale of 1 to  $k$  (the order of the factors meant assigning them ratings in the reverse order);  $N$  — the number of respondents; and  $w_i$  — a rating corresponding to the risk factor  $i$ ; \*\* Dominant; \*\*\* Median.

Source: Own preparation based on Author's research.



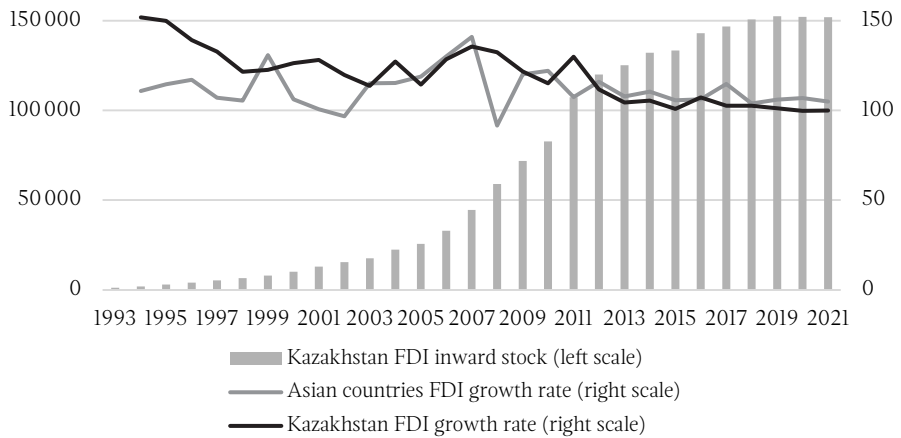


**Scheme 1.**  
**FDI risk context**



Source: Own preparation based on literature review.

**Chart 1.**  
**Kazakhstan FDI inward stock in 1993–2021 and FDI growth rate in Kazakhstan and Asian countries (millions of dollars, previous year=100%)**

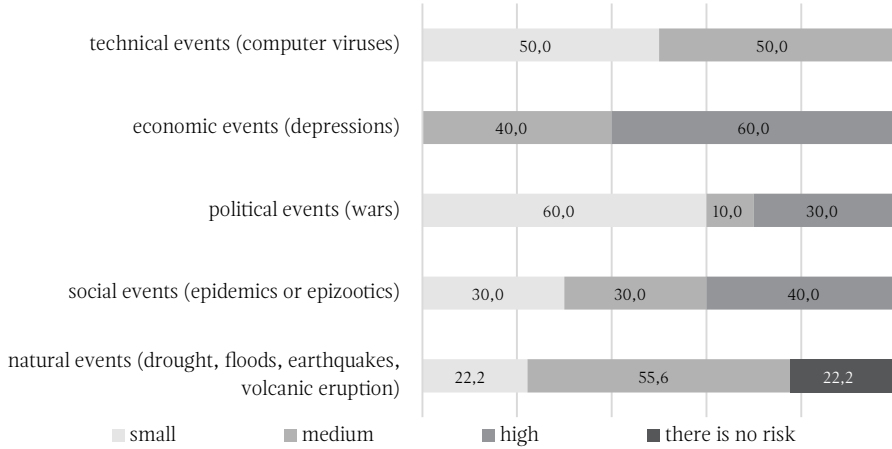


Source: Own preparation based on UNCTAD (2022).



**Chart 2.**

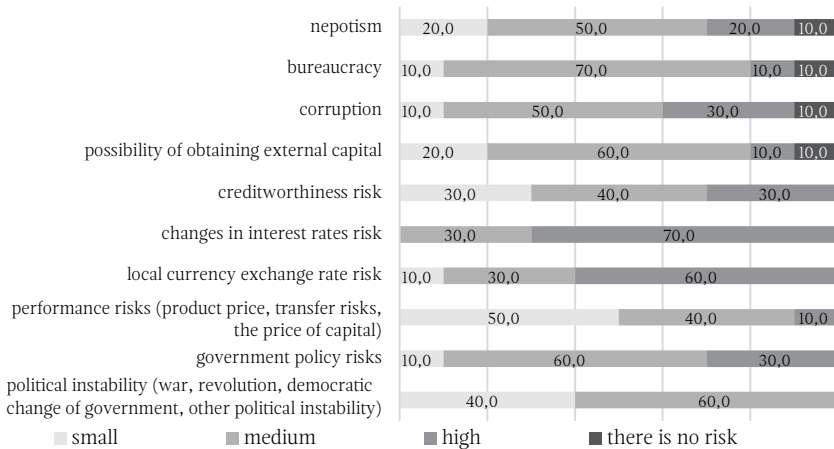
**Global risk perception by enterprises with Polish capital in Kazakhstan (%)**



Source: Own preparation based on Author's research.

**Chart 3.**

**Country risk perception by enterprises with Polish capital in Kazakhstan (%)**

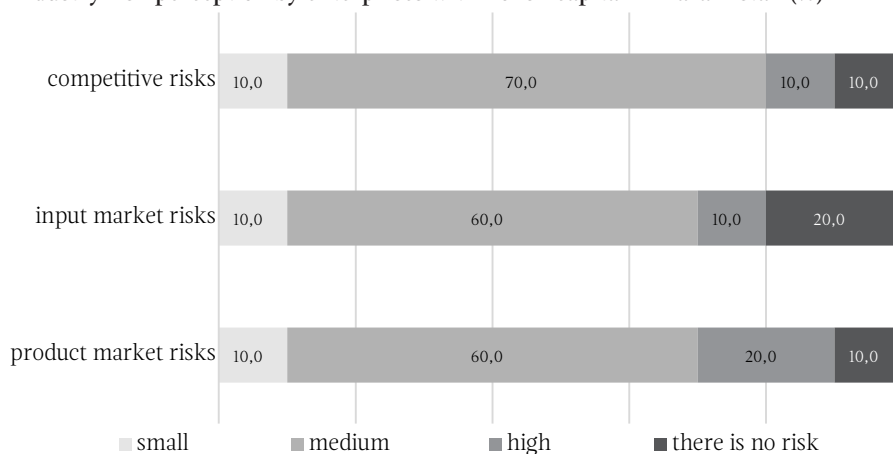


Source: Own preparation based on Author's research.



Chart 4.

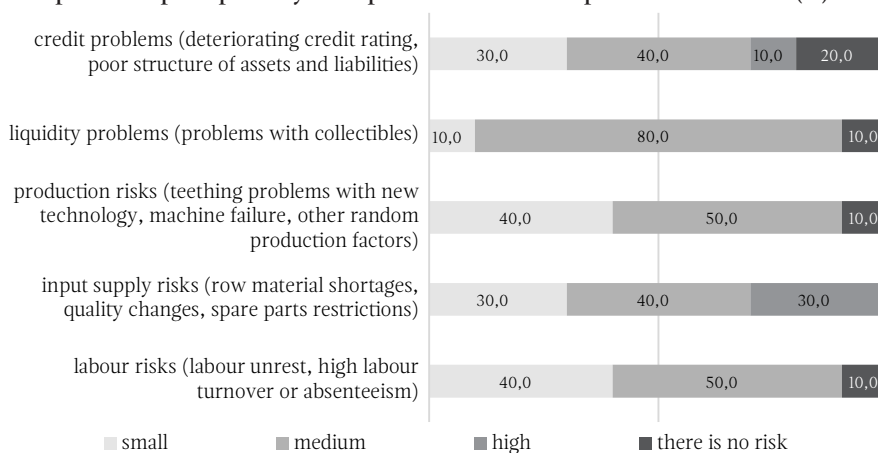
## Industry risk perception by enterprises with Polish capital in Kazakhstan (%)



Source: Own preparation based on Author's research.

Chart 5.

## Enterprise risk perception by enterprises with Polish capital in Kazakhstan (%)



Source: Own preparation based on Author's research.

