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THE REAL SITUATION OF FOREIGN DIRECT INVESTMENTS OF DEVELOPED COUNTRIES AND UKRAINE

Introduction. The international investment has been shaped to take on an important new dimension in recent years with the expansion of FDI from developed, developing and transition economies. The rapid economic growth, high commodity prices and liberalization have been feeding a boom in outward investment from these groups of economies, reaching together $193 billion in 2011, the highest level ever recorded, and corresponding to 16% of world outflows; ten years ago that share was only 7%. This rise is of particular relevance to low-income countries since most of the outflow investment remains within developing and transition economies.

Although the bulk of South-South FDI is intraregional in the nature, there are some indications that TNCs based in developing countries and transitions economies are increasingly venturing beyond their neighbouring regions and have begun to invest in each other included technology transfer. However, technology and other firm-specific advantages are the key to further growth of investment amid intensified competition in FDI.

Literature review. FDI refers to long-term participation by a country in another country, and this involves participation in management, Zhang [12], joint-venture, transfer of technology, and expertise. There are two types of FDI as indicated by Damooei and Tavakoli [3], that is, inward foreign direct investment and outward foreign direct investment, resulting in a net FDI inflow (positive or negative). For an investment to be regarded as an FDI, the parent firm needs to have at least 10% of the ordinary shares of its foreign affiliates, but investing firm may also qualify for an FDI if it owns voting power in a business enterprise operating in a foreign country [7].

It is acknowledged that technology upgrading constitutes a critical element of the development process. In this regard, the Association of Southeast Asian Nations (ASEAN) member countries placed a strong emphasis on attracting DFI flows as a means of promoting technology transfer [5].

It is argued that technology transfer through FDI has the effect of stimulating competing firms in the domestic market to carry out technological upgrading. Employees can also learn the technology while working for the firm, and some of them may start their own ventures using the acquired technology [2]. For industry, in long term, it is a cost-efficient opportunity to get the newest knowledge and the best solutions for their technological problems [11].

In their respective positions towards DFI and technological upgrading, ASEAN economies have exhibited a diversity strongly conditioned by their economic situation and policy experience [1].

The common thread in the ASEAN experience included; ASEAN economies consistently sought multinational production technology for purpose of modernizing their manufacturing sector with economies undertaking an import-substitution strategy seeking external investments in the "mainline" development industries such as textile production and automobile assembly, eventually switching to export-promotion stances, seeking multinational enterprises (MNEs) serving global markets; provision of investment incentives and assistance for upgrading of labor skills; and undertaking policies, including lower tariffs or duty-free importation and tax deductions for various categories of costs, to assist companies relocating their production in reducing variable production costs, especially in the sourcing of inputs [5].

A study examining national R&D projects for technological learning in Korea showed that R&D plays an important role in indigenous technology capabilities (TCs) building in not only searching for appropriate technology but also absorbing, adapting, and "innovating" the technology [4].

Research results. The moderate recovery in global FDI flows expected in 2017 reflects accelerating economic growth in all major regions, a strong performance of stock markets and a rebound in world trade volume. The improving macroeconomic outlook has had a direct positive effect on the capacity of MNEs to invest. The 2017 UNCTAD Business Survey indeed indicates renewed optimism about FDI prospects [9, p. 3].

Developing economies are likely to see a 10 per cent increase in inflows in 2017, not yet fully returning to the 2015 level, while flows to developed economies are expected to hold steady. Among regions, FDI prospects vary (table 1).

Table 1 – FDI inflows by group of economies and region, 2014–2016, and projections, 2017 (Billions of dollars and per cent) [9, p. 4]

Group of economies/region	2014	2015	2016	Projections
				2017
World	**1 324**	**1 774**	**1 746**	**1 670 to 1 870**
Developed economies	**563**	**984**	**1 032**	**940 to 1 050**
Europe	272	566	533	560
North America	231	390	425	360
Developing economies	**704**	**752**	**646**	**660 to 740**
Africa	71	61	59	65
Asia	460	524	443	515
Latin America and the Caribbean	170	165	142	130
Transition economies	**57**	**38**	**68**	**75 to 85**
Memorandum: annual growth rate (per cent)				
World	**-8**	**34**	**-2**	**(-4 to 7)**
Developed economies	**-18**	**75**	**5**	**(-9 to 2)**
Europe	-20	108	-6	~5
North America	-15	69	9	~-15
Developing economies	**4**	**7**	**-14**	**(2 to 15)**
Africa	-4	-14	-3	~10
Asia	9	14	-15	~15
Latin America and the Caribbean	-3	-3	-14	~-10
Transition economies	**-33**	**-34**	**81**	**(10 to 25)**

Ukraine is currently in a very tense macroeconomic and financial situation. One problem area is the attraction of foreign direct investment (FDI). In 2014, only about USD 400 ml (equivalent to 0.2% of GDP) have been attracted on a net basis, which is a multi-year low [10]. The inward stock of FDI declined 2014 by about USD 52 bn to USD 47 bn over the year (table 2).

Table 2 – Foreign direct investment (FDI) overview in Ukraine, selected years [10]
(Millions of dollars and per cent)

FDI flows	2005–2007 (Pre-crisis annual average)	2014	2015	2016	2017	as a percentage of gross fixed capital formation			
						2005–2007 (Pre-crisis annual average)	2015	2016	2017
Inward	7 768	410	2 961	3 284	2 202	26.7	25.0	20.1	12.9
Outward	272	111	-51	16	8	0.9	-0.4	-	-
FDI stock	1995	2014	2015	2016	2017	as a percentage of gross domestic product			
						1995	2015	2016	2017
Inward	897	52204	47049	48385	50970	2.3	51.7	51.9	53.1
Outward	84	7 584	7 443	7 469	7 473	0.2	8.2	8.0	7.8

These adverse developments give rise to a number of concerns, as FDI flows serve a dual purpose: They provide stable, long-term capital inflows that can support the external balance of the country, which is still rather shaky, and add to the country's overall investment levels, which are under severe pressure, despite significant reform efforts to improve and deregulate the business and investment climate [9].

Despite the difficult time for the Ukrainian economy, investors say that Ukraine has not lost its reputation in their eyes. Yes, we are still observing a falling economy, political instability and armed conflict, and as a result is a significant rate decline in the inflow of foreign capital investments in our country. However, according to 2016 statistics, everything is not lost. So, it totaled $ 2.9 billion for the first half of 2016, according to the State Statistics Service, the inflow of direct foreign investments in the Ukrainian economy [6].

In order to increase the likelihood of the attraction of genuine foreign capital to Ukraine, significant obstacles to attracting foreign direct investment must be eliminated. The volumes of foreign direct investment from EU countries to the Ukrainian economy are shown in the table 3.

According to the data provided (Table 2), Cyprus remains the key investor with an investment of $ 9925,4 million over the period. The largest volumes of foreign direct investments were made to the industry – $ 464,4 million, financial and insurance activities – $ 248,8 million. Also, the volume of foreign direct investments (equity) of enterprises – residents of Ukraine in the economy of the world for 9 months amounted to $ 10,2 million [8].

Table 3 – Foreign direct investment (equity) from EU countries to the economy of Ukraine * [8]

	Volumes of foreign direct investment as of July 1, 2017 (USD million)	In% to the total
Total from EU-28	**27387,3**	**100,0**
Cyprus	9925,4	36,2
Netherlands	6326,1	23,1
United Kingdom	2155,8	7,9
Germany	1741,0	6,4
France	1334,1	4,9
Austria	1307,3	4,8
Luxembourg	988,2	3,6
Poland	800,4	2,9
Hungary	791,6	2,9
Other EU countries	2017,4	7,3
Reference:		
Total in Ukraine	**38981,5**	x
Total from EU-15 countries	**15134,0**	x

*(without taking into account the temporarily occupied territory of the Autonomous Republic of Crimea and the city of Sevastopol, and parts of the zone of conducting an antiterrorist operation)

Ukraine is considered as a leader in investment potential in the agribusiness sector. The share of agrarians in total exports exceeds is 40%. For comparison, the share of exports of steel products is in a half less and engineering products – three times less. In addition, because of a permanent global rise of food prices, agriculture in the extremely attractive for investment industry. According to various estimates, Ukraine has from 25 to 30% of world reserves of black earth. So, it created the opportunities for growing environmentally friendly (organic) products, whose worldwide consumption is growing rapidly. Besides, we already got the experience in this field. About 400 thousand hectares of Ukrainian land are certified for organic farming. And the products grown on these lands are demanded in the European Union [6]. The prospects for FDI flows to Ukraine, the country most affected by conflict, are unlikely to pick up in the short term. Even though industries such as agribusiness and information technology offer good potential, the perceived risk of investing in the country remains high.

Conclusions. It can be concluded that foreign direct investment may promote economic development by contributing to productivity growth and exports in the host countries. However, the exact nature of the relation between foreign direct investment and the host economies vary between industries and countries. It is reasonable to assume that the characteristics of the host country's industry and policy environment are important determinants of the net benefits of FDI which include industrial growth, improved technology, and infrastructure in the country. It is contended that FDI not only provides the countries with much needed capital for domestic investment but also creates employment opportunities and helps transfer of managerial skills and technology, all of which contribute to economic development. Thus, there is recognition for the need to foster a favourable climate for attracting FDI in order to contribute economic development Ukraine.

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УСЛОВИЯ ФОРМИРОВАНИЯ СПЕЦИАЛИСТА, ПРЕУСПЕВАЮЩЕГО В СВОЕМ РАЗВИТИИ

Цель Комплекса мер на 2016–2020 гг. по стимулированию внедрения в экономику страны передовых методик и современных международных систем управления качеством [5] повысить конкурентоспособность организаций за счет внедрения современных систем менеджмента и передовых техник эффективного менеджмента.

Для достижения этой цели в Комплексе мер поставлена задача – «обеспечить повышение компетентности, стимулирования, мотивации руководителей и специалистов для перехода на требуемые рынком новые уровни стратегического мышления, системного менеджмента и внедрения инноваций».