UDC 339.727

Buriak A.A., Ovcharenko D.O.
National University
«Yuri Kondratyuk Poltava Polytechnic»
a_buriak@ukr.net

STRATEGIC DIRECTIONS OF GLOBAL INVESTMENT FLOWS TRANSFORMATION IN CONDITIONS OF UNCERTAINTY OF THE SECURITY ENVIRONMENT

Abstract. *The impact of the uncertainty of the security environment on investment decisions in international economic activity has been analyzed and the concepts of capital flight and net capital inflows have been considered. Sources of investment have been systematized, from which companies have the opportunity to obtain resources to improve their work. Among the main sources of investment foreign aid in the form of grants, loans, etc. has been considered as a rather controversial category, as there were cases when state foreign aid had a positive impact on the economy of the recipient country and along with them there are many examples of failure to use such aid. Currently, there is an intensification of the global investment movement, as the number of countries that have increased financial resources and, as a result, have a surplus, is increasing every year. A well-established investment movement has significant positive effects not only for an enterprise that receives them, but also for a state as a whole. The uncertainty of the security environment has negatively affected global investment flows, leading to a decline in key economic indicators in all countries. During the crisis caused by the pandemic, the rules of the game in the investment field have changed significantly – there have been other priority areas of investment and the criteria by which investors choose objects for financing.*

Key words: *international strategies of economic development, foreign direct investment, investment market, globalization, world economy.*

Based on the existing foreign and domestic approaches to the interpretation of the investment concept, we hold the position that in terms of international economic relations investment should be considered as a component of the world economy, which involves investing in a company to further income increase and, consequently, profit.

In turn, the concept of the "investment process" should be considered as the financing of certain projects, which creates links with its participants and the investment environment in which the investment activity takes place. Transformation of the investment process is a change in quantitative and qualitative composition of participants in the global investment process, which occurs under the influence of quarantine restrictions.

Thus, analyzing the works of the authors, which are most correlated with the investment sphere, we can note that the categories of investment activity and transformation of investment activity are extremely broad, diverse and multifaceted. We can conclude that scientists in different fields of science interpret and consider these concepts according to their scientific needs.

The ways to regulate international investment activities, which aim at an even distribution of investment between all sectors of the economy, are represented below. They can be divided into domestic, which include measures that can be implemented only in a particular country and relate to its domestic policy, and external, which require the country to expand its activities abroad and attract foreign investment. It should be noted that the proposed ways of regulating international investment activities will have a different efficiency degree for each country.

Foreign direct investment is a catalyst for scientific and technological cooperation between countries, the spread of innovations around the world and global productivity increase. As a result, with the established movement of world investment flows, there is a revival of integration processes of the national economy in world economic processes and increase the welfare of its population.

The international division of labor is the highest degree of development of the socio-territorial division of labor between countries, the basis of which is the economically advantageous specialization of certain countries and the exchange of products of a certain quantity and quality. The international distribution of capital is called the transnational movement of a certain value in commodity or money form for the purpose of profit or entrepreneurial effect.

In 2018, FDI volumes decreased compared to the previous year, but in 2019 the movement of global investment flows revived again. Developing countries, particularly in Africa and Asia, have felt this to a lesser extent. In developed countries, the inflow of investment was about 5%, despite the general instability caused by the withdrawal of the United Kingdom from the European Union. The trend of improving investment activity in the world could continue if the pandemic did not bring the world into crisis [1].

With the beginning of quarantine norms' weakening, the economic situation became somewhat better in mechanical engineering and metallurgy, but this did not protect production from reducing its volume by 12.2%. However, online banking has experienced record growth, as Internet payments have actively entered the lives of the population of most countries [2].

In 2015, global foreign direct investment amounted to $1.23 trillion, in 2016 this figure rose to $1.81 trillion, and the following year began a decline in FDI – in 2017 and 2018, they amounted to $1.52 trillion and $1.2 trillion, respectively. In 2019, the rate of investment in the world intensified, which led to an increase in FDI to $1.39 trillion. In 2020, the economic crisis caused by the pandemic forced this figure to fall to a record $859 billion [5].

The outlook for the full year remains, according to previous UNCTAD forecasts, to reduce FDI flows by 30-40%. According to UNCTAD, despite the decline in 2020, FDI remains the most important source of external financing for developing countries [6].

The slowdown in investment has also led to global unemployment. The unemployment rate in the Organization for Economic Co-operation and Development (OECD) continued to decline in November 2020 to 6.9% from 7.1% in October, but remained 1.7% higher than in February 2020 [3].

Also, the unemployment growth across the globe is facilitated by a decrease in average wages compared to "pre-quarantine" times. Thus, in the spring of 2020, real wages in Ukraine decreased by 0.5% for the first time. This is the absolute minimum since March 2016. This situation is also associated with a reduction in investment income in enterprises [4].

Investment movement has declined significantly due to general uncertainty about the further development of the pandemic situation. Investors simply do not want to take risks and invest in companies that can go bankrupt at any time and lose their profitability.

For obvious reasons, coronavirus has diverted investors' attention to securities owned by pharmaceutical and medical companies. There is also a lot of capital being invested in online platforms and communication providers, as the transition to self-isolation has greatly increased the demand for online shopping, social networking and other online services.

In addition, one of the golden rules of investing is more important than ever – you need to invest in several industries. It will share the risks and help preserve assets. Some investors use the tactic of "buy a cheap asset and wait for the price to rise". The main disadvantage of this tactic is that it is very difficult to predict which assets will be profitable in the future. But there is a significant advantage – the less money you invest, the lower the risk of loss. The practice of capital injection into innovation also remains relevant, but in this case the risk situation will be diametrically opposed.

Thus, on the one hand, quarantine restrictions have prompted investors to limit the amount of capital invested in heavy industry, and on the other hand, global self-isolation has given impetus to the development of digital technologies. The further course of events in the investment field will depend on the state of medicine and the speed of economic recovery after the pandemic.

Attracting FDI remains an important component of world economic policy. In total, in 2019, 54 countries developed about 107 measures related to foreign investment; three of their quarters were aimed at liberalization, stimulation and simplification of investment processes, with the most active developing countries and Asian markets. Steps towards liberalization have been taken in the mining, energy, financial, transport and telecommunications sectors. Several countries have simplified administrative procedures for investors or expanded investment incentives [8].

The number of sustainable investment funds is growing rapidly. UNCTAD estimates that investment in sustainable development has reached 1.2-1.3 trillion. dollars USA. However, most of these funds are invested in developed countries (for example, in the development of renewable energy sources) [7].

More than 150 countries have adopted national sustainable development strategies or revised existing plans that include sustainable development goals. Data from the UNCTAD analysis suggest that, despite the many strategies that determine the need for additional financial resources, very few contain specific roadmaps to promote investment in CSR.

To sum up, it cannot be denied that coronavirus has negatively affected global investment flows, leading to a decline in key economic indicators in all countries. Some industries have suffered less, some more, but it is impossible to deny the deterioration of the economic situation in all economic aspects.

References:

1. Foreign Direct Investment Statistics: Data, Analysis and Forecasts // The World Bank Group. Retrieved from https://www.oecd.org/corporate/mne/statistics.htm.

2. Foreign direct investment, net inflows (BoP, current US$). Retrieved from https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD.

3. Official site of United Nations Conference on Trade and Development Retrieved from www.unctad.org.

4. PwS UK. Retrieved from https://www.pwc.co.uk/.

5. The World Bank. Global Economic Prospects. June 2020. Retrieved from https://www.worldbank.org/en/publication/globaleconomic-prospects.

6. UNCTAD // TheWorldBank. Retrieved from https://unctad.org/.

7. UNCTAD, FDI/MNE database. Retrieved from www.unctad.org/fdistatistics.

8. World Investment Report 2020. Retrieved from https://unctad.org/webflyer/world-investment-report-2020.