UDC 339.727.22

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PECULIARITIES OF THE INVESTMENT FLOWS OF REGIONS WITH DIFFERENT LEVELS OF ECONOMIC DEVELOPMENT

In last decade we observed a new wave of globalization where the economic linkage between countries has been strengthened mainly by foreign direct investment (FDI) flows. FDI is generally considered as a driving force in the integration of countries into the globalization process that characterizes the world economy.

The development of the world economy globalization requires a revision of the existing system of theoretical and practical knowledge about the world economy functioning in terms of international capital flows in the form of investment. It is important to consider contemporary peculiarities of investment flows of countries with different levels of economic development at a qualitatively new stage of economic life internationalization that is the globalization of economic activity, as well as to analyze the investment attractiveness of the countries on the basis of the inward FDI attraction and potential indexes.

Against the background of ever-increasing interest to investment research activation of the foreign investment phenomenon in the economic literature is logical. Along with the certain reflection of some aspects of international investment activity in scientific literature, the research of the current trends in the investment flows of regions with different levels of economic development and the analysis of the investment attractiveness under the conditions of the world economy contemporary transformations are very limited and fragmentary.

As macroeconomic conditions improve and investors regain confidence in the medium term, TNCs may convert their record levels of cash holdings into new investments. FDI flows may then reach the level of $1,6 trillion in 2014 and $1,8 trillion in 2015 [1]. However, significant risks to this growth scenario remain. Factors such as structural weaknesses in the global financial system, the possible deterioration of the macroeconomic environment, and significant policy uncertainty in areas crucial for investor confidence might lead to a further decline in FDI flows.

The main feature of contemporary investment flows is a quantitative and qualitative change in the membership of the global investment process, primarily due to the participation of developing countries and transition economies [2].

The BRICS countries continued to be the leading sources of FDI among emerging investor countries. Their TNCs are becoming increasingly active. In the ranks of top investors, China moved up from the sixth to the third largest investor after the United States and Japan.

Based on the official sources of United Nations Conference on trade and development, and conclusions of competent professionals in this area, let’s consider and analyze the current state of foreign investment in the regional perspective. According to the data of investment flows, among regions, flows to developing Asia and Latin America remained at historically high levels, but their growth momentum weakened.

The FDI decline was reflected across all sub regions of Asia but was most severe in South Asia, where FDI inflows fell by 24 per cent. China and Hong Kong were the second and third largest FDI recipients worldwide, and Singapore, India and Indonesia were also among the top 20. Driven by continued intraregional restructuring, lower-income countries such as Cambodia, Myanmar, the Philippines and Viet Nam were attractive FDI locations for labor-intensive manufacturing.

FDI inflows to Africa rose for the second year running, making it one of the few regions that registered year-on-year growth. TNCs from the South are increasingly active in Africa, building on a trend in recent years of a higher share of FDI flows to the region coming from emerging markets. In terms of FDI stock, Malaysia, South Africa, China and India are the largest developing-country investors in Africa.

The main factors that preserved South America's attractiveness to FDI are its wealth in oil, gas and metal minerals and its rapidly expanding middle class. Flows of FDI into natural resources are significant in some South American countries. Also, FDI in manufacturing is increasing in Brazil, driven by new industrial policy measures. Outward FDI from Latin America and the Caribbean decreased moderately. According to the experts, over half of these outflows originate from offshore financial centers.

Considering the developed countries, it is necessary to establish the fact that FDI inflows to developed economies declined to a level last seen almost 10 years ago: both Europe and North America, as groups, saw their inflows fall, as did Australia and New Zealand. The European Union alone accounted for almost two thirds of the global FDI decline. It should be noted that the overall decline was due to weaker growth prospects and policy uncertainty, especially in Europe, and the cooling off of investment in extractive industries. However, inflows to Japan turned positive after two successive years of net divestments.

Both Europe and North America saw large declines in their FDI outflows. This was largely due to divestments and the continued "wait and see" attitude of developed-country TNCs. Although Japan bucked the trend, keeping its position as the second largest investor country in the world. In South-East Europe, FDI flows almost halved, mainly due to a decline in investments from traditional European Union investors suffering economic woes at home.

So, the main feature of contemporary investment flows is a quantitative and qualitative change in the membership of the global investment process, primarily due to the participation of developing countries and transition economies.

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