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UDC 339.727.2:339.9

Pashchenko O.V.,
Lecturer at Department of International Economics and World Finance,
Oles Honchar Dnipro National University

IMPLEMENTATION MECHANISM OF THE COUNTRIES' INVESTMENT STRATEGIES IN THE CONTEXT OF INTERNATIONAL TRADE REGIONALIZATION

Pashchenko O.V. Implementation mechanism of the countries' investment strategies in the context of international trade regionalization. The essence of the investment strategy of the country is captured and its priority elements are determined. The goals, risks, and advantages of the implementation of countries' investment strategies according to their foreign economic priorities are determined. The mechanism of the countries' investment strategy implementation in regional integration associations is worked out. Instruments of investment liberalization and protectionism policy in accordance with the country's strategic goals are determined. The key factors of the investment strategies' formation environment of countries are established.

Key words: country's investment strategy, risks and advantages of countries' investment strategies, regionalization, mechanism of countries' investment strategy implementation, investment policy instruments.

Пащенко О.В. Механізм реалізації інвестиційних стратегій країн в контексті міжнародної торговельної регіоналізації. Розкрито сутність інвестиційної стратегії країни та встановлено її пріоритетні елементи. Визначено цілі, ризики та переваги від реалізації інвестиційних стратегій країн відповідно до їх зовнішньоекономічних пріоритетів. Розроблено механізм та визначено інструменти реалізації інвестиційних стратегій країн у регіональних інтеграційних об'єднаннях. Встановлено провідні фактори середовища формування інвестиційних стратегій країн.

Ключові слова: інвестиційна стратегія країни, ризики та переваги інвестиційних стратегій країн, регіоналізація, механізм реалізації інвестиційних стратегій країн, інструменти інвестиційної політики.

Пащенко О.В. Механизм реализации инвестиционных стратегий стран в контексте международной торговой регионализации. Раскрыта сущность инвестиционной стратегии страны и установлены ее приоритетные элементы. Определены цели, риски и преимущества от реализации инвестиционных стратегий стран в соответствии с их внешнеэкономическими приоритетами. Разработан механизм и определены инструменты реализации инвестиционных стратегий стран в региональных интеграционных объединениях. Установлены ведущие факторы среды формирования инвестиционных стратегий стран.

Ключевые слова: инвестиционная стратегия страны, риски и преимущества инвестиционных стратегий стран, регионализация, механизм реализации инвестиционных стратегий стран, инструменты инвестиционной политики.

Articulation of issue. At the present stage of the world economic development, the problem of attraction and effective use of investment resources remains one of the most pressing problems of economic performance of both individual countries and regional integration associations. The consequences of direct foreign investment are, on the one hand, the determinants of problems and, on the other hand, the way of solving them. This is due to the differences between the interests of exporting countries and the importers of capital, as well as the asymmetry of power. This asymmetry is felt immediately as soon as both parties try to maximize their benefits. In their turn, regional integration associations of countries have already proven successful in the context of trade intensification within their borders, which makes them attractive for the allocation of investment as well. Therefore, the governments of the countries are faced with the task of investment strategy formation taking into account all the aspects of foreign investment, maximizing national benefits, and providing the mechanism for its implementation in the context of international trade regionalization strengthening.

Recent research and publications analysis. Many both domestic and foreign scholars, namely: R. Baldwin, D. Welde, O. Khuseinov, A. Kochneva, M. Lesher, D. Miedviedev, G. Mirdal, V. Rokoch, E. Semak, I. Turlay, U. Sharp, A. Shumsky, and others focus on the study of international investment activity in the context of international trade regionalization. However, the problem of implementation providing of the countries' investment strategies taking into account their advantages and risks, as well as the key factors of their formation environment, remains poorly researched.

Tasking. The purpose of the article is to determine the goals, advantages, and risks of investment strategies of countries in accordance with foreign economic priorities, and to develop the mechanism for their implementation in the context of international trade regionalization.

Presentation of the main research material. The country's investment strategy is a detailed, comprehensive plan of activities aimed at achieving the strategic goal of establishing the main priority areas of activity (foreign and direct investment), determining the measures for investment resources allocating and foreign investment encouraging in promising industries in accordance with the stated goals. The investment strategy is an integral part of the national development strategy, and investment attraction is, at the same time, its goal and the method of achieving the related goals and the realization of the strategies' stated objectives of economic, innovation, infrastructure, information, social, and cultural development.

The key elements of the country's investment strategy are the following: the purpose and objectives, the implementation directions (regional and sectoral ones), forecasts, plans and programs, investment policy, the strategies' implementation mechanism. The process of the country's investment strategy development and implementation includes the analysis of the internal and external country's environment; strategic goal setting; the set of goals, tasks (establishment of investment guidelines or investment attraction) and principles determination; forecasting, planning and programming; investment policy formation (selection of tools for investment strategy implementation, as well as the efficiency criteria at all the stages of its implementation); realization of investment strategy (mechanism); monitoring, evaluation and control.

The main objective of the country's investment strategy is to maximize the economic and social impact in the long-term, conditioned upon minimizing potential risks, as the investment strategy is an integral part of the national development strategy. The objectives of the investment strategy are the creation of attractive investment and business climate, the formation and efficient allocation of investment resources among the priority sectors of the economy, preservation of national intellectual potential, that is, increasing of investment in science, education, staff retraining, creating of a competitive economy, diversification of economy, raising of people's living standards, solving of the country's defence and geopolitical tasks. The tasks can include the formation and implementation of state partnership or private programs and development projects for individual sectors of the economy. In this case, the tasks represent a set of indicators that are necessary to be achieved in the process of the strategy implementation, expressed in the quantitative and qualitative correlation of the future and the present periods.

The development of the most effective directions of the country's investment strategic goals and tasks realization involves the determination and substantiation of the sectoral and regional investment activity orientation in accordance with the forecast needs in investment resources, the determined sources of their formation and various investment programs and projects financing methods. Forecasting, planning, and programming imply the clear determination of how governmental authorities influence the subjects of investment activity and how to form and allocate investment resources in order to achieve their goals in the shortest possible time [1, p. 15].

The country's investment policy is a complex activity of the country as for investment activity regulating aimed at creating a favourable investment climate, stimulating investment activity, and increasing investment allocation efficiency in the country in order to realize the goals of the national development strategy [2, p. 133]. The tools (measures) of investment policy can have either a direct or indirect impact on the participants in the investment process. Direct measures should include state plans and programs, the system of state contracts and orders, state and private investment projects, the creation of a state monopoly (monopolization of prices in certain sectors of the economy), etc.; measures of indirect influence include legal and tax regulation, privileged loans, customs policy, insurance, etc.

The main factors determining and influencing the investment policy of the country are the following: the state of economic development of the country, the structure of the economy, and the tasks of its improvement (tasks of the national development strategy), the country's investment resources, the efficiency of use of internal investment resources (state or private investment), the necessity of private foreign capital attracting (direct foreign investment), the level of scientific and technological development of the country, the type and efficiency of investment processes state management, the degree of market infrastructure institutions' development.

Implementation of the country's investment strategy involves its implementation mechanism providing, monitoring, evaluation, and performance control. The coordination of these components lies in the ability to edit the methods and tools of the country's developed investment strategy implementation. At the same time, the investment strategy should be regularly reviewed to ensure its efficiency and relevance to changes in the dynamics of the country's development.

Investment strategies should be differentiated depending on the directions of foreign economic priorities for trading expansionist, trading investment and investing dependent ones [3, p. 8]. The trading expansionist strategy is innovative and aimed at ensuring geopolitical domination. For the countries that implement trading expansionist strategy, on the one hand, there are political, financial, and economic risks, risks of invested capital nationalization, risks of highly competitive producers already present in the market, imposition of limitations and increase in tax payments, tax avoidance; on the other hand, there are opportunities for access to tight resources, expansion of markets and channels of marketing, diversification of risks and a revenue increase.

The trading investment strategy is aimed at economic growth and increase of the national economic competitiveness in the international markets. The trading investment strategy carries the risks of political freedom partial loss, resources exploitation, profits repatriation, conduct of environmental business rules violation, crowding out of a national producer; benefits from additional capital, technologies, new management and marketing methods, implementation of state and private investment projects, production growth, export and competition promotion, additional budget revenues, value-added creation at the local level, and the establishment of economic relations.

The investing dependent strategy ensures the economy reforming, the improvement of the business environment, and realization of sustainable development goals. The implementation of the investing dependent strategy ensures the possibility of emerging risks of investors' political, economic, and social influence, high dependence on foreign capital, establishment of monopolistic prices for energy resources and goods, exploitation of natural and manpower resources by foreign companies; provides benefits in the case of foreign investment attracting in underdeveloped sectors of the economy, creating new jobs, infrastructure development, improving the economic transparency, creating additional export opportunities, obtaining new technologies and skills.

The mechanism of the countries' investment strategy implementation in regional integration associations, aimed at achieving their goals (geopolitical dominance, economic growth and competitive recovery, economic reforms and business environment improvement) and includes the following elements: the countries' investment strategy implementation levels (national, bilateral, regional, and international); institutions of investment strategies regulation (national, regional, and international); investment regimes (most favoured, national or preferential ones); investment liberalization or protectionism policy instruments. The mechanism is based on the principles of investment attraction for sustainable development objectives, the reservation of sovereign right for regulating, protecting and investment attracting, the rights and obligations balancing of the investment process participants, the consistency of decisions, the openness and transparency of the process, international standards compliance, international cooperation [3, p. 9].

Each of the countries' investment strategy implementation level provides realization of separate tasks. At the national level, the tasks of the investment strategy are the following: maximization of positive and minimization of negative investment activity consequences; investment attraction into strategically important sectors for the development of the national economy; ensuring the coherence of all the national development strategy components; taking into account the goals of sustainable development in the investment strategy; investment legislation reforming (improvement); providing the institutional basis for investment processes monitoring, control, and management [4; 5, p. 102-105].

At the bilateral level, the investment strategy is implemented within the bilateral investment treaties (BITs) and bilateral regional agreements. This level duplicates the investment control regulations both at the regional and international levels. Therefore, a two-way approach to the regulation of investment flows requires not only the making of new agreements but also the modernization of existing ones. The problem of fragmentation, both within the BIA and between the BIA and other areas of international legal regulation (ecology, labour relations, tax policy, etc.) has to be solved.

The objectives of the regional investment strategy are the following: declaration of a uniform investment regime with the signing of regional trade agreements (RTA); eliminating the possibility of investment rules duplication with other agreements; providing guarantees to foreign investors, investments protection and investor-state dispute settlement procedures (ISDS); investment rules harmonization in accordance with the priority directions of RTA member countries' trade; providing interaction with other areas of international law, such as environment, human rights, tax law, labour law, and trade; the completion of the ratification process of RTA, which includes investment rules, within the framework of the WTO [6, p. 126-146].

At the international level, the tasks of the investment strategy are the following: regulations specifying on investment attraction and bringing them into accordance with the goals of sustainable development in the framework of international investment agreements (IIAs); ensuring the countries and investors balance of rights and obligations; solving problems related to the simplification of the IIAs (eliminating duplication in the IIAs action sphere and content, disputes settlement); providing compliance and effective interaction with the other areas of government policy (e.g. climate change, labour) and systems (e.g. trade, finance) [4].

Realization of the country's investment strategy largely depends on the effective functioning of the institutes (national, regional, international ones) that regulate foreign economic relations. National institutions of the countries' investment strategies regulating provide the investment regulations and the rules formation and implementation in the framework of national laws, guidelines, and regulations. International institutions are divided into WTO multilateral agreements WTO –TRIMS, TRIPS, GATS, ASCM, and universal conventions of the World Bank – MIGA, ICSID [3, p. 11]. The agreement on trade-related investment measures (TRIMS) has to discipline the governments' behaviour with respect to foreign investment in the manufacturing sphere, in order to avoid the use of unfavourable actions in international trade. The agreement establishes a national regime and eliminates quantitative restrictions to facilitate investment abroad. The General Agreement on Trade in Services (GATS) includes the regulation of foreign investment in services [7]. The Agreement on Subsidies and Countervailing Measures (ASCM) introduces restrictions for WTO member countries "to apply certain measures to attract investment or to influence the activities of foreign investors." The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and the Agreement on Government Procurement (GTA) include the regulations concerning the investment, particularly, the rules for entering the national market, foreign enterprises and certain property rights protection [8].

The International Centre for Settlement of Investment Disputes (ICSID) between countries and private foreign investors provides for the settlement of investment disputes through a conciliation or arbitration procedure, as well as providing guarantees to foreign investors by the host countries [9]. The Multilateral Investment Guarantee Agency (MIGA) provides the financial guarantees provision to foreign investors by means of making contracts for investment insurance from non-commercial risks [10].

Regional institutions of the countries' investment strategy regulation are divided into international investment agreements (IIAs) and regional integration associations. IIAs, depending on the regulation spheres of the countries' foreign economic relations, are divided into bilateral investment treaties and RTAs, which include investment provisions (TIPs). Multilateral and megaregional agreements perform as the basis for the formation of regional integration associations.

Investment liberalization and protectionism policy instruments are distributed in accordance with the stated objectives of the countries' investment strategies (Fig. 1). Such measures are used to influence the investors' behaviour and can be offered at the national, regional, and local levels.

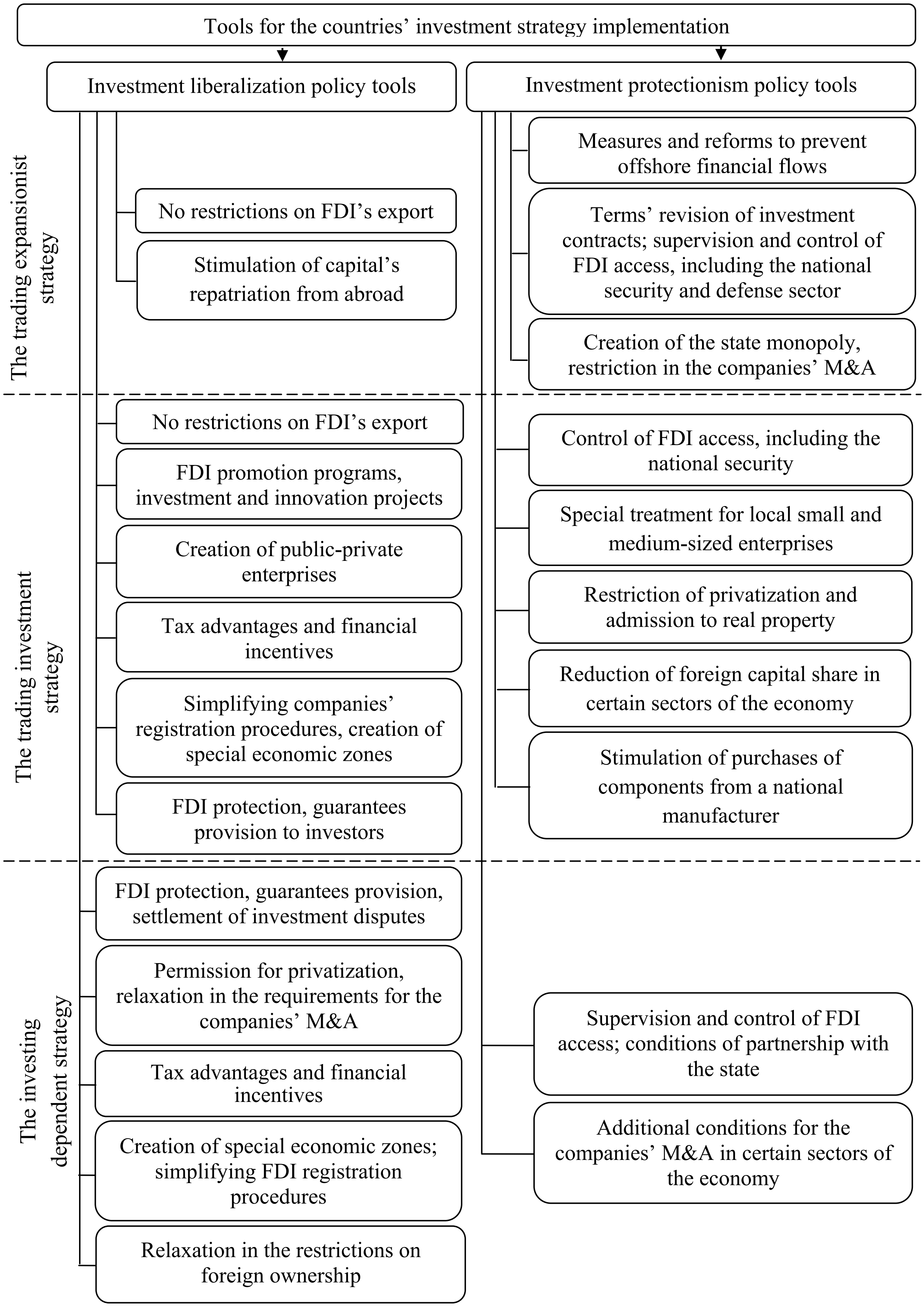

Figure 1. Tools for the countries' investment strategy implementation

Source: developed by the author

The country's investment policy in the period of 2005–2016 years was rather liberal than protectionist in nature, contributing to the formation of the attractive investment climate and the achievement of the countries' strategic development goals. However, the share of liberalization measures has decreased from 75% in 2015 to 68% in 2016. Among the instruments of investment liberalization, the following should be distinguished: tax advantages, the creation of special economic zones, granting of permission for privatization and relaxation in the requirements for the companies' mergers and acquisitions projects. Liberalization is peculiar to developing countries and the countries with transition economies with restrictions as for entering into strategically important sectors of the economy. In 2016, 48% of all the activities related to the regulation of foreign investment flows were introduced by the developing countries in the Asian region. In European countries and the countries with transition economies, the share of measures as for foreign investment was 18%, in Africa it was 16% [6, p. 99].

Protectionism is peculiar to developed countries, which are more restrained in introducing foreign investment liberalization tools. Investment protection policy tools help to protect strategically important sectors of the economy from foreign competition, among which there are the following: supervision and control of FDI access, including the national security and defence sector, creation of the state monopoly, reduction of foreign capital share in certain sectors of the economy, the increase in tax and license fees. The share of such FDI activities in 2016 amounted to 18%, compared with 14% in 2015 [6, p. 99; 11 p. 90], moreover, most of the investment restrictions and regulations concerned strategically important sectors of the economy and national security.

The necessary stage of the countries' investment strategies realization is monitoring, estimation, and control of the developed strategy. This phase provides for a review of all the previous stages with the aim of eliminating inaccuracies, adjusting strategic goals and objectives in accordance with the country's capabilities, depending on the trends of its internal and external environment. Therefore, it is advisable to take into account the risks and benefits of the selected strategies' implementation, as well as the key factors of their formation environment, which are divided into:

– national ones (security of the country, state regulation effectiveness, tax policy, technological and innovative opportunities, regulation transparency and lack of corruption, skilled labour force);

– regional ones (the state-of-the-art of the emerging economies in Asia, in particular, China, Hong Kong, Singapore, India, the Republic of Korea, which strengthen their position both as recipients and FDI donors);

– global ones (geopolitical uncertainty, terrorism, social instability, technological changes, global urbanization);

– organizational and institutional ones (negotiations on signing new or changing the regulations of the existing RTAs, the introduction of the investment disputes' setting mechanism, reforming of the IIAs, signing of the megaregional agreements).

Conclusions. To sum up the above-mentioned material, we can conclude that the formation and realization of the countries' investment strategy implementation mechanism in regional integration associations is the guarantee of investment activity state deliberate management. Making of international investment agreements and the creation of regional integration associations enable countries to gain additional benefits from international regional relations and to protect the national market from undesired competition. In its turn, the investment strategies' implementation mechanism of the countries in regional integration associations involves two directions of investment management: liberalization of investment flows, if the benefits granting or access to the national market to foreign investors takes place, or if there is investment protectionism, when restrictions are imposed on the investors' activity in strategically important economic sectors or the action of international investment agreement is completely terminated. An important aspect in ensuring the effectiveness of the developed investment strategy of the country is monitoring, evaluation, and control with an account of the key factors of their formation environment, the implementation risks and benefits.

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