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РЕГІОНАЛЬНІ ТЕНДЕНЦІЇ ІНВЕСТИЦІЙНОЇ ПОЛІТИКИ В УМОВАХ ТРАНСФОРМАЦІЙНИХ ПРОЦЕСІВ ТА ГЛОБАЛІЗАЦІЙНИХ ЗМІН У КРАЇНАХ З РИНКОВОЮ ЕКОНОМІКОЮ

Костик Є.П.

Ключові слова: *світова економіка, потоки прямих іноземних інвестицій, інвестиційна політика, лібералізація інвестицій, міжнародні інвестиційні угоди, інвестиційний капітал, інвестиційний процес, темпи економічного зростання, фіскальне стимулювання, посилення протекціонізму, зростання цін на біржові товари, рівень інфляції, обсяг виробництва, ціни на нафту, інвестиції в інфраструктуру і нерухоме майно, ціни на недорогоцінні метали, темпи загальної інфляції, довгострокові номінальні і реальні процентні ставки.*

РЕГИОНАЛЬНЫЕ ТЕНДЕНЦИИ ИНВЕСТИЦИОННОЙ ПОЛИТИКИ В УСЛОВИЯХ ТРАНСФОРМАЦИОННЫХ ПРОЦЕССОВ И ГЛОБАЛИЗАЦИОННЫХ ПЕРЕМЕН В СТРАНАХ С РЫНОЧНОЙ ЭКОНОМИКОЙ

Костик Е.П.

Предметом исследования *является мировым экономическое развитие и особенности процессов регионализации инвестиционной политики в странах с рыночной экономикой.*

Цель научного исследования *заключается в рассмотрении региональных тенденций инвестиционной политики в условиях трансформационных процессов и глобализационных изменений в странах с рыночной экономикой.*

Методы исследования. *Для уточнения **категориального** аппарата, определения содержания процесса оценки, обоснования критериев и системы показателей, классификации направлений и методов оценки, применены методы абстракции, анализа и синтеза, систематизации и обобщения.*

Методология проведения работы. *Основные положения экономической теории, международной и региональной экономики в области инвестиционной политики; труды отечественных и зарубежных ученых и практиков в указанной сфере.*

Результаты работы. *В контексте обозначенной проблематики мы попытались раскрыть современные тенденции мирового экономического развития и особенности процессов регионализации инвестиционной политики в странах с рыночной экономикой.*

Область применения результатов. *Результаты данного исследования могут быть применены в области изучения проблем международной и региональной экономики.*

Выводы. *Как показывает исследование, по прогнозным показателям глобальные потоки прямых иностранных инвестиций (ПИИ) в 2018 году увеличатся до $ 1,85 трлн., но это ниже пикового значения 2007 года. Потенциальная неопределенность и геополитические риски могут мешать восстановлению и изменениям налоговой политики, существенно повлияет на трансграничные инвестиции. Следует подчеркнуть, что перспективы ПИИ является заметно положительными в большинстве регионов. Ожидается, что ПИИ будут расти в Африку и Азиатские страны, это обусловлено ростом цен на нефть и региональной интеграцией. Напротив, перспективы ПИИ в Латинской Америке и Карибские острова снижены, это обусловлено неопределенной макроэкономической и политической перспективой. Тогда как, потоки ПИИ в страны с переходной экономикой смогут восстановиться после роста ихней экономики в течение последних двух лет. Ожидается, что ПИИ в развитых экономиках стабилизируются в 2017 году.*

Ключевые слова*: мировая экономика, потоки прямых иностранных инвестиций, инвестиционная политика, либерализация инвестиций, международные инвестиционные соглашения, инвестиционный капитал, инвестиционный процесс, темпы экономического роста, фискальное стимулирование, усиление протекционизма, рост цен на биржевые товары, уровень инфляции, объем производства, цены на нефть, инвестиции в инфраструктуру и недвижимое имущество, цены на недрагоценные металлы, темпы общей инфляции, долгосрочные номинальные и реальные процентные ставки.*

REGIONAL TRENDS OF INVESTMENT POLICY IN THE CONDITIONS OF TRANSFORMATIONAL PROCESSES AND GLOBALIZATION CHANGES IN COUNTRIES WITH MARKET ECONOMIES

Kostyк Ye.P.

The subject of research *is global economic development and the features of the regionalization processes of investment policy in countries with market economies.*

The aim of the article *is to study the regional trends of investment policy in the conditions of transformational processes and globalization changes in countries with market economies.*

Research methods. *The methods of abstraction, analysis and synthesis, systematization and generalization were used for definition the conceptual apparatus and the content of the assessment, foundation criteria and indices, classification directions and methods of assessment.*

Methodology of scientific research *is the main principles of the economic theory, world and regional economy in spere investment policy; the works of Ukrainian and foreign scholars and practitioners in this field.*

The results of the study. *In the context of the issue we have tried to show up the current trends of global economic development and features of the regionalization processes of investment policy in countries with market economies.*

Practical implications*. The results of the research may be used in the study of international and regional economy issues.*

Conclusions*. The study shows that, according to forecasts, global flows of foreign direct investment (FDI) will grow to $ 1.85 trillion in 2018 but it's below the peak of 2007. Potential uncertainty and geopolitical risks may interfere with the restoration and changes of tax policy, which will have a significant impact on cross-border investments. It should be noted that the prospects for FDI are markedly positive in most regions. FDI is expected to grow in Africa and Asia that was attributable to oil price increases and regional integration. On the contrary, the prospects for FDI are lowered in Latin America and the Caribbean this is due to an uncertain macroeconomic and political perspective. While, FDI flows to emerging economies will be able to recover after the growth of their economy over the past two years. It is expected that FDI to developed economies will stabilize in 2017.*

Key words: *world economy, foreign direct investment flows, investment policy, investment liberalization, international investment agreements, investment capital, investment process, rate of economic growth, fiscal stimulus, protectionist strengthening, rising commodity prices, inflation rate, production volume, prices for oil, investment in infrastructure and real estate, prices for non-precious metals, rates of general inflation, long-term nominal and real interest rates.*

A problem statement. In modern conditions of the development of the world economy, investment has become the determinant factor in economic growth, and therefore this issue is currently of great interest. It should be noted that due to the globalization processes of investment financially-investment schemes are being implemented today, in which practically all market participants are involved: individuals, corporations, governments, and international organizations. As a result, investment practice is not only substantially adjusted but somewhat discredited by the traditional investment theory. New investment instruments, emerging in the global financial markets, are often speculative in their essence and have not addressed on find a solution to the problem of the real economy yet. World financial crises are becoming more frequent and more devastating. However, the globalization of the economy contributed to the rapid spread of crisis phenomena, led to a significant increase in demand for investment, increased competition for investment resources, especially long-term nature. Taking into consideration that the state of the world economy and the need to transform model of its growth and further accelerate of globalization the problem of satisfying the investment deficit was updated for each country. All this greatly complicates theoretical analysis and leads to the emergence of new problems of international investment which need to be addressed by means that are adequate to the modern development of environment. As a result of this it is reasonable to consider regional trends of investment policy in countries with market economies [1, p. 5]**.**

Analysis of the researches and publications. In recent years, many works have been written on this issue in Ukraininan scientific literature. Thus, Z. Adamanova considers the issue of investment processes in the EU: post-crisis trends and a new stimulus policy. D. Bieliaiev, in turn, studies the trends of development of foreign direct investment in the conditions of globalization, Ye. Kostyk analyzes the issue of contemporary trends in world economic development and the features of regionalization processes of investment policy in the countries with market economies. The issue of the flows of foreign direct investment: trends and impacts on economic growth have been examined by T. Boiko. It should be noted that this issue is currently of great interest among the scholars as some of its aspects remain unresolved. The importance of the issue, its insufficient theoretical study and practical significance determined the aim and objectives of the study.

The aim of the article is to study the regional trends of investment policy in the conditions of transformational processes and globalization changes in countries with market economies.

Statement of the main material. The pickup in growth projected in the April 2017 World Economic Outlook (WEO) is strengthening. The global growth forecast for 2017 and 2018-3.6 percent and 3.7 percent, respectively-is 0.1 percentage point higher in both years than in the April and July forecasts. Notable pickups in investment, trade, and industrial production, coupled with strengthening business and consumer confidence, are supporting the recovery. With growth outcomes in the first half of 2017 generally stronger than expected, upward revisions to growth are broad based, including for the euro area, Japan, China, emerging Europe, and Russia. These more than offset downward revisions for the United States, the United Kingdom, and India [2, p. 1].

However, the recovery is not complete: although the baseline outlook is better, growth remains weak in many countries. The outlook for advanced economies has improved, notably for the euro area, but in many countries inflation remains weak, indicating that slack has yet to be eliminated, and prospects for growth in GDP per capita are held back by weak productivity growth and rising old-age dependency ratios. Prospects for many emerging market and developing economies in sub-Saharan Africa, the Middle East, and Latin America are lackluster, with several experiencing stagnant per capita incomes. Fuel exporters are particularly hard hit by the protracted adjustment to lower commodity revenues.

Risks to the baseline are broadly balanced in the short term but skewed to the downside in the medium term. Short-term growth could increase further, as stronger confidence and favorable market conditions unleash pent-up demand, but setbacks are also possible. With high policy uncertainty, missteps-which the baseline assumes will be avoided-or other shocks could materialize, taking a toll on market confidence and asset valuations, and tightening financial conditions. Over the medium term, dealing with financial sector challenges will be essential. Minimizing the risk of a sharp slowdown in China will require the Chinese authorities to intensify their efforts to rein in the credit expansion. Many other economies need to guard against a buildup of financial stability risks in a global environment of easy finance and monitor the risks from volatility as advanced economies' central banks gradually withdraw stimulus. A decompression of risk premiums and higher long-term interest rates would expose fragilities, including by worsening public debt dynamics. Although progress has been made in addressing European banking sector issues, remaining problems need to be addressed forcefully to avoid weakening confidence and fears of adverse feedback loops between low demand, prices, and balance sheets in parts of the euro area. Persistently low inflation in advanced economies, which could ensue if domestic demand were to falter, also carries significant risks, as it could lead to lower medium-term inflation expectations and interest rates, reducing central banks' capacity to cut real interest rates in an economic downturn. Although the chances of advanced economy policies turning inward appear to have diminished in the near term, pressures for increased protectionism have not disappeared and ought to be resisted. A host of noneconomic risks, including intensified conflict and geopolitical tensions, also remain salient [2, p. 1].

The welcome cyclical upturn after disappointing growth over the past few years provides an ideal window of opportunity to undertake critical reforms, thereby staving off downside risks and raising potential output and standards of living more broadly. Structural reforms and growth-friendly fiscal policy measures are needed to boost productivity and labor supply, with varying priorities across countries. In advanced economies, monetary policy should remain accommodative until there are firm signs of inflation returning to targets. At the same time, stretched asset valuations and increasing leverage in some market segments bear close monitoring, including through proactive micro- and macroprudential supervision, as necessary. Fiscal policy should be aligned with structural reform efforts, taking advantage of favorable cyclical conditions to place public debt on a sustainable path while supporting demand where still needed and feasible. In many emerging market and developing economies, fiscal space to support demand is limited, especially in commodity exporters. But monetary policy can generally be supportive because inflation appears to have peaked in many countries. Exchange rate flexibility helps the adjustment to external shocks. Efforts to improve governance and the investment climate would also strengthen growth prospects. Growth-enhancing reforms would help low-income countries-many of which need to undertake durable fiscal adjustment efforts and reduce financial vulnerabilities-make the best use of the coming demographic dividend by spurring job creation.

It should be noted that an important component in the development of the world economy is the investment policy of different countries, which should be aimed at liberalization and encouragement of investments; moreover, investments contribute to economic growth in the long term. A thorough analysis of the study of the reasons and motives for making financial investments by the subjects of investing of one country in the objects of the economies of other countries, who was conducted by John Dunning, showed that firms were interested in such investments only when they obtained advantages related to direct access to existing markets, resources, raw materials and cheap labour and had a positive correlation with investment costs associated with transportation and communications, overcoming tariff and non-tariff barriers [3, p. 103-104]. As D.V. Beliaiev notes, for most developing countries, foreign direct investment (FDI) is a significant source of financial resources, as they are not only a fairly stable source of capital, but also can ensure the emergence of modern technologies, organizational skills and distribution networks. Under the assumption that returns are maximized in conditions of resource scarcity, then poorer countries with low capital, rich natural resources and high numbers of unskilled labour should attract TNCs, turning FDI into a potentially powerful convergence factor of incomings [4, p. 253].

Following a surge in foreign investment in 2015, global FDI flows fell 2 per cent, to $1.75 trillion,1 amid weak economic growth. A fall in inflows to developing economies was partly offset by modest growth in developed countries and a sizeable increase in transition economies. As a result, developed economies accounted for a growing share of global FDI inflows in 2016, absorbing 59 per cent of the total (Figure 1).

A modest recovery in global FDI flows is forecast for 2017, although flows are expected to remain well below their peak of 2007. A combined upturn of economic growth in major regions and improved corporate profits will boost business confidence, and consequently MNEs' appetite to invest. A cyclical uptick in manufacturing and trade is expected to result in faster growth in developed countries, while a likely strengthening of commodity prices should underpin a recovery in developing economies in 2017. As a result, global FDI flows are expected to increase by about 5 per cent in 2017 to almost $1.8 trillion.

However, elevated geopolitical risks and policy uncertainty for investors could have an impact on the scale and contours of the FDI recovery in 2017 [5, p. 2].

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. Unlike in 2016, a majority of executives polled, particularly in developed economies, are confident that the economic upturn will strengthen, bolstering investment in the coming years. The expected increase in FDI inflows in 2017 is already apparent in the values of announced greenfield investments in 2016 and cross-border M&A deals announced in the beginning of 2017.

Nevertheless, elevated geopolitical risks and policy uncertainty could have an impact on the scale and contours of the FDI recovery in 2017. Political developments, such as the United Kingdom's exit from the European Union (EU), moves by the administration in the United States to abandon the Trans-Pacific Partnership and to renegotiate key trade agreements such as the North American Free Trade Agreement (NAFTA), as well as elections in Europe, have all heightened uncertainty. A potential tax reform in the United States could also significantly affect FDI flows, if United States MNEs reduce retained earnings held in their overseas affiliates [5, p. 3-4].

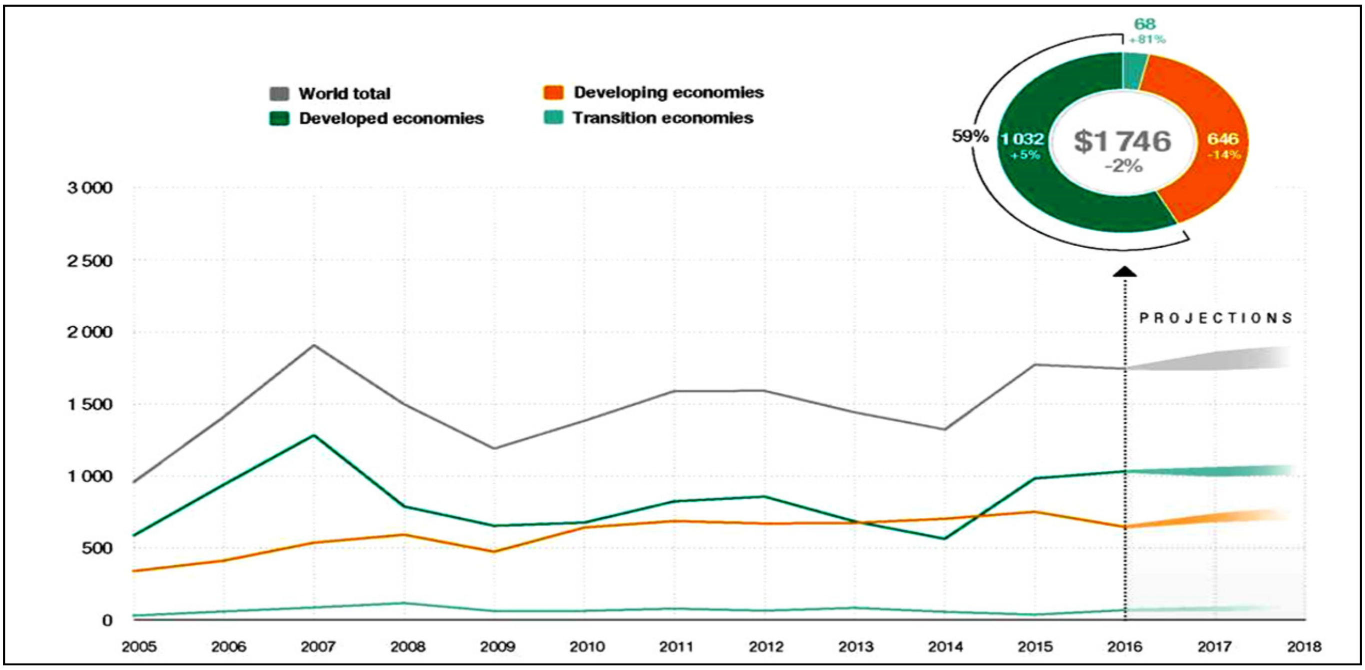

Figure 1. FDI inflows, global and by group of economies, 2005-2016, and projections, 2017-2018 (Billions of dollars and per cent) [5]

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).

- FDI inflows to Africa are forecast to increase slightly in 2017, to about $65 billion, in view of modest rises in oil price and a potential increase in non-oil FDI. Announced greenfield FDI projects in 2016 were high in real estate, followed by natural gas, infrastructure, renewable energy, chemicals and automotives. Advances in regional and interregional cooperation, through the signing of economic partnership agreements with the EU by regional economic communities and the negotiations towards the Tripartite Free Trade Agreement should encourage stronger FDI. However, a slump in economic growth could harm investment prospects in 2017.

Table 1. FDI inflows by group of economies and region, 2014-2016, and projections, 2017 (Billions of dollars and per cent)

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)**

Source: UNCTAD, World Investment Report 2017

- FDI inflows to developing Asia are expected to increase by 15 per cent in 2017, to $515 billion, as an improved economic outlook in major Asian economies is likely to boost investor confidence. In major recipients such as China, India and Indonesia, renewed policy efforts to attract FDI could contribute to an increase of inflows in 2017.

- In South and South-East Asia, several countries are expected to further strengthen their position in regional production networks. In West Asia, FDI is expected to remain flat, with the positive effect of recovering oil prices offset by political and geopolitical uncertainty.

- Prospects for FDI in Latin America and the Caribbean in 2017 remain muted, as macroeconomic and policy uncertainties persist. Flows are forecast to fall by about 10 per cent, to some $130 billion. Investment in the region's extractive industries will likely be modest as operators continue to hold back on capital expenditures. Investment in the region, especially in Central America, is also likely to be affected by uncertainties about economic policy in the United States.

- FDI flows to transition economies are forecast to rise moderately in 2017, to about $80 billion, supported by the bottoming out of the economic downturn, higher oil prices and privatization plans. However, they may be hindered by geopolitical problems.

- FDI flows to developed countries are expected to hold steady, at about $1 trillion. Flows to Europe are projected to recover, as the large volume of negative intracompany loans recorded in 2016 is unlikely to be sustained. However, political events may yet derail the FDI recovery. In contrast, FDI flows to North America, which reached an all-time high in 2016, appear to be running out of steam, and MNE executives are likely to take a wait-and-see approach in the face of policy uncertainty.

Global foreign direct investment (FDI) inflows declined by 2 per cent overall in 2016 to $1,746 billion, down from $1,774 billion in 2015, but with variance among country groups and regions (Table 2).

Table 2. FDI flows by region, 2014-2016 (Billions of dollars and per cent)

Group of economies/region	FDI inflows			FDI outflows		
	2014	2015	2016	2014	2015	2016
World	**1 324**	**1 774**	**1 746**	**1 253**	**1 594**	**1 452**
Developed economies	563	984	1 032	708	1 173	1 044
Europe	272	566	533	221	666	515
North America	231	390	425	353	370	365
Developing economies	704	752	646	473	389	383
Africa	71	61	59	28	18	18
Asia	460	524	443	412	339	363
East Asia	257	318	260	289	237	291
South-East Asia	130	127	101	89	56	35
South Asia	41	51	54	12	8	6
West Asia	31	28	28	23	38	31
Latin America and the Caribbean	170	165	142	31	31	1
Oceania	2	2	2	1	1	1
Transition economies	57	38	68	73	32	25
Structurally weak, vulnerable and small economies[a]	**68**	**64**	**58**	**26**	**14**	**10**
LDCs	41	44	38	18	9	12
LLDCs	28	25	24	6	5	-2
SIDS	6	4	4	0.3	0.7	0.2
Memorandum: percentage share in world FDI flows						
Developed economies	42.6	55.5	59.1	56.5	73.6	71.9
Europe	20.6	31.9	30.5	17.7	41.8	35.4
North America	17.4	22.0	24.3	28.1	23.2	25.2
Developing economies	53.2	42.4	37.0	37.7	24.4	26.4
Africa	5.4	3.5	3.4	2.3	1.1	1.3
Asia	34.8	29.5	25.3	32.9	21.2	25.0
East Asia	19.4	17.9	14.9	23.0	14.9	20.1
South-East Asia	9.9	7.1	5.8	7.1	3.5	2.4
South Asia	3.1	2.9	3.1	1.0	0.5	0.4
West Asia	2.3	1.6	1.6	1.8	2.4	2.1
Latin America and the Caribbean	12.8	9.3	8.1	2.5	2.0	0.1
Oceania	0.2	0.1	0.1	0.1	0.1	0.1
Transition economies	4.3	2.1	3.9	5.8	2.0	1.7
Structurally weak, vulnerable and small economies[a]	**5.1**	**3.6**	**3.3**	**2.1**	**0.9**	**0.7**
LDCs	3.1	2.5	2.2	1.5	0.6	0.8
LLDCs	2.1	1.4	1.4	0.5	0.3	-0.1
SIDS	0.4	0.2	0.2	0.03	0.04	0.01

Source: UNCTAD, World Investment Report 2017

Flows to developed economies increased by 5 per cent to $1,032 billion. The decline of FDI flows to Europe (by 6 per cent to $533 billion) was more than offset by a modest growth in flows to North America (+9 per cent to $425 billion) and by investment more than doubling in other developed economies. FDI to developing economies experienced a decline of 14 per cent, to $646 billion. Flows to developing Asia contracted by 15 per cent to $443 billion, and those to Latin America and the Caribbean – excluding Caribbean offshore financial centres – fell further, by 14 per cent to $142 billion. With inflows declining by 3 per cent to $59 billion, Africa's share in global FDI decreased marginally from 3.5 per cent to 3.4 per cent. Flows to transition economies rebounded by 81 per cent to $68 billion.

Outward FDI outflows from developed economies declined by 11 per cent to $1 trillion, while still accounting for more than 70 per cent of global FDI. The decline was sharper in Europe (-23 per cent to $515 billion), after the surge of 2015. Investments by North American multinational enterprises (MNEs) held steady at $365 billion. Overall outflows from developing economies were almost flat at $383 billion. After a lull in 2015, developing Asia saw its outward investments recover by 7 per cent to $363 billion, thanks to record outflows from China. Outward FDI from transition economies, in contrast, declined by 22 per cent to $25 billion – their lowest level since 2005 – as outflows from Kazakhstan turned negative.

FDI flows to structurally weak, vulnerable and small economies declined, but at different speeds: flows to least developed countries (LDCs) retreated strongly (by 13 per cent to $38 billion); flows to landlocked developing countries (LLDCs) fell only marginally (by 2 per cent to $24 billion), while flows to small island developing States (SIDS) shrank by 6 per cent to $3.5 billion [5, p. 42-43].

FDI flows into North Africa rose by 11 per cent, to $14.5 billion, driven by foreign investment reforms and new gas discoveries. As in 2015, much of the growth was due to investments in Egypt, where FDI inflows increased by 17 per cent to $8.1 billion. The discovery by Shell (Netherlands) of gas reserves in Egypt's Western Desert continued to drive investment in the country's hydrocarbons sector. FDI inflows to Morocco, in contrast, were down by 29 per cent to $2.3 billion in 2016, owing to reduced European consumer demand, which negatively affected export-oriented FDI in the country. After registering negative inflows in 2015, Algeria attracted $1.5 billion in FDI in 2016, led partly by improved investment policies and a recent recovery in its oil production. Low oil prices and continued conflicts kept FDI flows to the rest of North Africa subdued.

FDI flows to Central Africa fell by 15 per cent in 2016, to $5.1 billion. The Democratic Republic of the Congo saw FDI decline by 28 per cent to $1.2 billion in 2016, as the country attracted only investment into its mineral sector. Central Africa's major net oil exporters saw mixed performances, highlighting the importance of strong government responses to macroeconomic and financing conditions. Equatorial Guinea saw a substantial decline in FDI inflows (-77 per cent to $54 million), Chad experienced no change, while flows to Gabon increased by 13 per cent to $703 million. FDI in the Congo rose by 8 per cent, to $2 billion, mostly due to continued investments by Chinese companies operating in cobalt and copper extraction.

East Africa received $7.1 billion in FDI in 2016, 13 per cent more than in 2015. However, the aggregate increase masks divergent FDI performance within the subregion. Flows to Ethiopia rose by 46 per cent to $3.2 billion, propelled by investments in infrastructure and manufacturing. FDI was also buoyant in Mauritius, thanks to a variety of services investments and in Madagascar, in the context of a continued recovery since the decline in 2014. FDI into Kenya continued its decline, slumping by 36 per cent to $394 million in 2016 – only slightly more than a quarter of its 2011 level – despite investment reforms and a supportive domestic policy environment. Yet the trading value on Kenya's liquid stock exchange overtook that of Nigeria's exchange for the first time last year. This propped up cross-border M&As, with the private equity fund Helios (United Kingdom) buying 70 per cent of Telkom Kenya from Orange (France). Flows to the United Republic of Tanzania shrank by UNCTAD*,* 15 per cent to $1.4 billion amid concerns about the country's regulatory environment and tax policies towards foreign firms.

FDI flows to West Africa increased by 12 per cent to $11.4 billion in 2016, driven by recovering investment into Nigeria. Although flows to Nigeria rebounded to $4.4 billion in 2016 (up 45 per cent from a 2015 low), they remained well below previous record levels. Nigeria's FDI remained relatively depressed, as its oil output declined to historic lows in 2016, and the country fell into recession for the first time since 1991. FDI inflows to Ghana increased by 9 per cent to $3.5 billion. Vitol Group (Netherlands) and Eni (Italy), in partnership with Ghana's National Petroleum Corporation, continued development on the $7 billion offshore oil and natural gas project in West Ghana. Ghana's and Côte d'Ivoire's industrial policy efforts to combine cocoa processing bode well for future investment regionally, although the latter experienced a minor decline (-3 per cent) in FDI inflows in 2016. FDI flows to Senegal slid by some 4 per cent in 2016, to $393 million, despite policy efforts to attract more investors, such as the revamping of the country's special economic zones, in partnership with Mauritius.

In Southern Africa, FDI inflows contracted by 18 per cent to $21.2 billion. With the exception of Malawi and South Africa, FDI fell in all the economies of the subregion. FDI flows to Angola declined by 11 per cent to $14.4 billion, mainly due to a decline in reinvested earnings, reflecting the impact of low prices on profit margins. Flows to Mozambique declined by 20 per cent, although they remained sizeable at $3 billion. Despite a serious financial crunch, investors remained upbeat about long-term value in Mozambique's commodity sector, with Eni (Italy) approving $8 billion in offshore gas exploration at the end of 2016, and ExxonMobil (United States) buying a multibillion-dollar stake in Eni (Italy). Flows to Zambia fell sharply, dropping 70 per cent to $469 million, amid low commodity prices.

South Africa, the economic powerhouse on the continent, continues to underperform, with FDI at a paltry $2.3 billion in 2016; that was up 31 per cent from a record low in 2015 but still well off its past average. Nonetheless, State-owned Beijing Automotive International Corporation (China) agreed to build a $759 million automotive plant − the biggest investment in a vehicle-production facility in the country in four decades.

In 2015, developed economies, led by the United States, the United Kingdom and France, remained the largest investors in Africa. Yet half of the top 10 investors in Africa were from developing economies, reflecting recent global trends of rising FDI flows from the South. China's FDI stock in the region increased almost threefold between 2010 and 2015, while Malaysia and Singapore reduced their investment presence.

In 2016, cross-border M&A sales in the continent fell by 54 per cent to $9.7 billion. Developed-country MNEs divested over $2 billion worth of assets to MNEs from developing economies, mainly China. For example, China Molybdenum (China) acquired the entire share capital of Freeport-McMoRan DRC Holdings (United States) for $2.8 billion to secure a supply of cobalt, which is vital for the production of Tesla batteries. African MNEs were also prominent in buying assets located in Africa. Barclay's (United Kingdom), for example, sold its 150-year-old affiliate in Egypt to Morocco's Attijariwafa Bank for $500 million. Liquid Telecom, owned by telecommunication company Econet Wireless (Zimbabwe), bought the South African fixed-line operator Neotel (majority owned by India's Tata Communications) for $430 million, in a deal that will create the continent's biggest broadband network [5, p. 46-74].

The decline in FDI flows to developing Asia affected three of the four subregions (Figure 2) and most major economies. In absolute terms, the bulk of the decline in flows to developing Asia was registered in Hong Kong (China), but inflows to Indonesia, Mongolia, Singapore, Thailand and Turkey also fell sharply. In contrast, foreign investment in China and India remained more or less unchanged, experiencing a 1 per cent decline and 1 per cent increase, respectively.

FDI flows to East Asia registered a decline of 18 per cent to $260 billion. This was mainly the result of diminishing flows to Hong Kong (China) – from $174 billion in 2015 to $108 billion in 2016. Following a major corporate restructuring in 2015 that had made the economy the largest FDI recipient in developing Asia and the second largest in the world (WIR15), inflows normalized in 2016. FDI to Hong Kong (China) nonetheless remained well above the average of about $80 billion registered over 2010-2013.

Inflows to China saw a slight decrease, by 1 per cent to $134 billion, owing to a decline in FDI in finance. In non-financial sectors, the country recorded 27,900 new foreign-invested enterprises (FIEs) in 2016, including 840 with investments above $100 million. In addition, 450 existing FIEs significantly expanded their businesses, undertaking additional investment above $100 million. Non-financial services continued to underpin new FDI, with inflows in the sector growing by 8 per cent while foreign investment into manufacturing continued to shift to higher value added production. In March 2017, for example, Boeing started to build an assembly facility in China, the first such project outside the United States. Further openness and reforms at both the national and local levels have contributed to the growth in FDI inflows. The four pilot free trade zones – the first established in Shanghai in 2013 and the other three set up later in Fujian, Guangdong and Zhejiang – received inflows of $13 billion in 2016, a surge of 80 per cent.

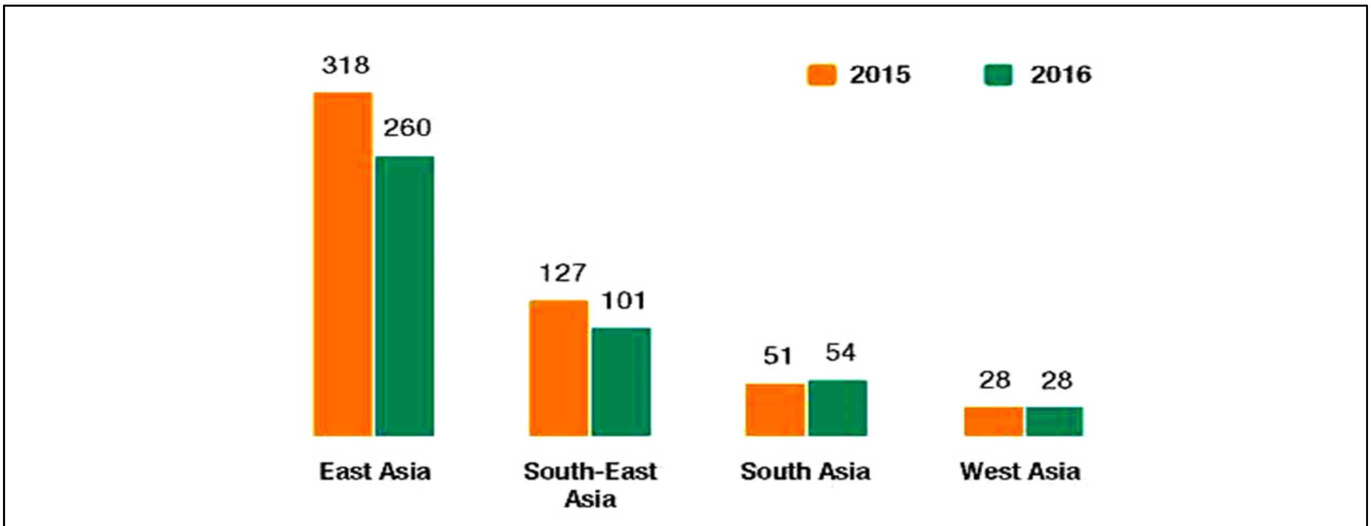

Figure 2. Developing Asia: FDI inflows by subregion, 2015 and 2016 (Billions of dollars) [5]

After holding the number two spot since 2013, China falls one spot to 3rd-maintaining its streak among the top three for the history of the FDI Confidence Index. The IMF forecasts Chinese economic growth of 6.5 percent in 2017 and 6.0 percent in 2018. This improved outlook is partly because of expectations that China will continue to enact policies from its 2014 stimulus plan, which includes lowering lending rates and relaxing property purchase regulations for foreigners. Beijing also plans to pursue structural reforms to make the economy more driven by domestic consumption and the services sector, which would support long-term economic growth and create new opportunities for foreign investors.

China's FDI inflows grew 2.3 percent in 2016 to an estimated record $139 billion, making it the third-largest recipient of FDI in the world, according to UNCTAD. Greenfield investments continue to represent a significant portion of FDI in China-roughly $20 billion per year-although in 2015, the country lost its place to India as the top greenfield destination in terms of capex. Manufacturing remains the top sector for greenfield investment in China but investments are shifting away from heavy industry to services and technology. The shift is reflective of the changes under way in the country at large. For instance, average hourly manufacturing wages have tripled to $3.60 between 2005 and 2016, decreasing the country's cost competitiveness as a manufacturing base. Other sectors that receive significant FDI include infrastructure and real estate.

Beijing appears keen to continue to improve China's attractiveness to foreign investors. At a meeting of China's State Council in October 2016, the government announced its plans to cut substantial red tape surrounding foreign investment registration procedures based on pilot reforms tested in free-trade zones in Shanghai, Guangdong, Tianjin, and Fujian. Beijing also announced a goal of increasing foreign investment in healthcare, education, sports, and culture. If implementation of these reforms is successful and the new rules are transparently applied, then China's FDI inflows may grow even more in the coming years [6].

Flows to the Republic of Korea more than doubled in 2016 to $11 billion, from the unusually low $4 billion recorded in 2015, due to a large divestment by a foreign retailer that year. Cross-border M&A sales in the country were robust, as finance and technology industries continued to be attractive targets. More M&As could be facilitated by the One-Shot Act passed in March 2016, which aimed at helping businesses affected by unfavourable developments on global markets through corporate restructuring. Mongolia registered a negative $4 billion in FDI inflows in 2016, due to negative intracompany loans by foreign MNEs. The country has experienced a continued decline in FDI inflows since 2011, related to changes in commodity prices and concerns about the regulatory and legal environment for FDI projects.

FDI flows to the 11 economies in South-East Asia dropped by 20 per cent, to $101 billion. Singapore, one of the economies most dependent on developments in the global economy, as a hub for foreign MNEs' regional headquarters, recorded a 13 per cent decline in FDI inflows, to $62 billion. Flows to Malaysia – the second largest recipient in ASEAN in 2016 – declined by 11 per cent to $10 billion in the face of economic uncertainties, despite an increase in cross-border M&A sales. Thailand and Indonesia also saw their FDI inflows plunge, due to sluggish cross-border M&A sales and significant divestments by foreign MNEs. In Indonesia, large negative equity inflows in the fourth quarter dragged total FDI inflows to $3 billion. In contrast, flows to the Philippines – the third largest recipient in the subregion – increased by more than 60 per cent to a new high of $8 billion in 2016.

Inflows to Myanmar, a major LDC in the region, decreased to $2.2 billion in 2016. Telecommunication became the largest industry absorbing FDI, accounting for 47 per cent of inflows in the fiscal year 2016/2017, followed by manufacturing, hotel and construction. Recent foreign investment projects in the manufacturing sector targeted labour-intensive industries such as garments, footwear and electronic assembly. Inflows to Viet Nam rose by 7 per cent to a new record of $13 billion. That country is becoming a major electronics manufacturing centre in the region, attracting projects from other developing economies, including the Republic of Korea and ASEAN members such as Singapore and Malaysia. MNEs from these countries are benefiting from trade liberalization, low production costs, a relatively stable regulatory environment and tax incentives.

FDI flows to South Asia rose by 6 per cent, to $54 billion. Despite a historically high number of announced greenfield projects in 2015, FDI flows to India were largely flat at about $44 billion in 2016, up only 1 per cent from 2015. Foreign MNEs are increasingly relying on cross-border M&As to penetrate the rapidly growing Indian market. Several significant deals were announced in 2016, including the $13 billion acquisition of Essar Oil by Rosneft (Russian Federation) and a consortium led by Trafigura (Singapore) – the largest deal ever in the country. Although new liberalization efforts continue to improve the investment climate in India, tax-related concerns remain a deterrent for some foreign investors.

FDI to Pakistan rose by 56 per cent, pulled by China's rising investment in infrastructure related to the One Belt One Road Initiative. Some projects currently under construction under the overall framework of the China-Pakistan Economic Corridor have also attracted a large amount of foreign investment in infrastructure, especially electricity generation and transport. Inflows to Bangladesh increased slightly, to $2.3 billion, as the country benefited from the announcement of new, large-scale electricity projects.

In 2016, FDI flows to the subregion registered another decline but appeared to stabilize after eight consecutive years of decreases. Inflows dropped by 2 per cent to $28 billion, as persistent low oil prices, political and geopolitical uncertainties, and regional conflicts continued to affect FDI and other forms of MNE activities. These factors have long been critical determinants of FDI inflows in West Asia. FDI figures for oil and gas do not give an accurate picture of the scale of MNEs' involvement in this industry, however, as foreign entry in oil and gas production often involves non-equity modes such as management contracts and production-sharing arrangements.

FDI flows to Turkey fell by 31 per cent to $12 billion in 2016. Unlike most countries in the subregion, which rely heavily on oil, manufacturing accounted for about half of the total FDI inflows into Turkey in recent years, reflecting the country's diversified industrial structure. Although Turkey's FDI performance is therefore relatively insulated from fluctuations in oil prices, the failed coup attempt in 2016 cast doubt on the country's political stability and disrupted economic growth, which in turn affected FDI inflows.

The impact of low oil prices on FDI and other forms of MNE activities in the subregion continued to be apparent in key economies such as Saudi Arabia, where FDI flows declined by 8 per cent. Country- and industry-level evidence confirms that, in the energy sector, MNEs' production-sharing and management contracts in oil and gas, as well as public-private partnerships in renewable energies, have declined considerably. In contrast, the presence of foreign contractors in the construction industry of some West Asian countries is rising, although they remain less important than local firms as contractors and project executioners. This is true not only for oil and gas, but also for health care and social services.

Across the Americas, political and economic dynamics have greatly influenced recent FDI flows and the rankings on this year's FDI Confidence Index. There was modest growth of 6 percent in FDI flows to North America, which reached an estimated $414 billion in 2016. It is thus no surprise that the United States remains in the top spot on this year's Index while Canada claims 5th place. However, FDI flows to Latin America decreased significantly, falling 19 percent to $135 billion in 2016. This was likely in part because of weak global commodity prices. Brazil and Mexico represent Latin America on the Index. Although they appear next to each other in the rankings (at 16th and 17th respectively), their fortunes have diverged somewhat, with Brazil falling four spots and Mexico gaining one spot [6].

The United States tops the FDI Confidence Index for the fifth year in a row. This is likely because of the sheer size of the US market and the overwhelmingly positive investor outlook for the American economy this year, with 45 percent of investors more optimistic than they were last year. The country's GDP growth is estimated to have been a relatively low 1.6 percent in 2016 but is expected to strengthen to 2.3 and 2.5 percent in 2017 and 2018 respectively.

Investors will watch closely as the Trump administration follows through on promises to renegotiate NAFTA and forge new bilateral free trade agreements. UNCTAD warns that such policies may threaten to stem investment in the near term. But it is possible that President Trump's «buy American» and «make American» rhetoric is motivating investors to gain a toehold in the US market as foreign companies may see FDI into the United States as the best way to ensure access to the large and growing US market. President Trump may even seek to boost FDI to reach his explicit goals to promote domestic production and jobs. In addition, President Trump's stated plans to increase infrastructure spending and lower corporate tax rates would likely keep FDI inflows strong in the coming years.

With FDI inflows increasing 11 percent year on year to an estimated $385 billion in 2016, the United States remains by far the largest recipient of FDI in the world. It is worth noting that the United States is also by far the largest source of FDI worldwide, with more than $300 billion in outflows in 2015. The rise in FDI to the United States last year was largely supported by several megadeal cross-border M&As. Among the noteworthy cross-border deals are the $38 billion acquisition by Israel's Teva Pharmaceutical Industries of the generic drugs unit of Allergan and Ireland-based Shire's $34.7 billion purchase of Baxalta, a biopharmaceutical company [6].

The greatest sources of cumulative FDI stock into the United States through 2015 were large advanced economies, principally the United Kingdom ($569 billion), Japan ($414 billion), Canada ($342 billion), and Germany ($319 billion). Although China had only $21 billion in cumulative FDI stock in the United States as of 2015, it is rapidly increasing its investments in the United States. In the first half of 2016, Chinese firms reportedly invested $16 billion in the US economy driven by strong M&A activity in technology, consumer goods, and services and capital-intensive greenfield projects in manufacturing and real estate. More broadly, manufacturing continues to be the primary sector recipient of FDI in the United States, accounting for roughly a third of the inflow.

Canada remains in the top five but drops two spots this year to 5th after being surpassed by European heavyweights Germany and the United Kingdom. The country ranks highest among respondents from the Americas (2nd) and scores well among investors in both the industry and services sectors (4th). FDI inflows to Canada fell from $43 billion in 2015 to an estimated $29 billion in 2016, largely because of declines in M&A deals and greenfield projects and lower reinvested earnings. About a quarter of Canadian FDI inflows are from equity investors that hold significant enough stakes in Canadian companies to influence management decisions. The trade and transportation, manufacturing, mining, and oil and gas sectors also attract robust FDI.

Following relatively weak growth of 1.2 percent in 2016, the forecast for Canadian economic growth in 2017 is more positive at 1.9 percent. Indicators of a strengthening economy include a recovering job market, the increasing price of oil, and historic highs for the Toronto Stock Exchange. Investors also told us they are much more optimistic about Canada's economic outlook this year than they were last year-the second-highest level of optimism on a domestic economy after the United States. And the Canadian government is doing its part to maintain investor optimism. Canada's Finance Minister unveiled a $45 billion (C$60 billion) infrastructure stimulus plan in November 2016, and Prime Minister Justin Trudeau recently announced he plans to increase the threshold for government review of foreign takeovers to $766 million (C$1 billion) in 2017, two years earlier than anticipated.

The United States continues to be Canada's greatest source of FDI stock, increasing its investment position in Canada by 10.5 percent to $291 billion in 2015. Other countries that held significant FDI stock in Canada in 2015 include the Netherlands ($66.9 billion), Luxembourg ($45.6 billion), the United Kingdom ($25.7 billion), and Japan ($16.5 billion). The strong relationship with the United States is expected to continue for years to come, although there is some uncertainty surrounding the long-term implications of plans to pursue a renegotiation of NAFTA. Recent notable deals from US acquirers include Lowe's purchase of RONA, a construction and building retailer, for $2.2 billion, and McKesson's acquisition of Rexall Pharma Plus, also for $2.2 billion. In the tourism industry, Vail Resorts bought Whistler Blackcomb Holdings for $1.2 billion [6].

The downward trend in FDI flows to Latin America and the Caribbean accelerated in 2016, with inflows falling 14 per cent to $142 billion, with all subregions registering declines. Economic recession, coupled with weak commodity prices and higher currency volatility, weighed heavily on flows to South America, which declined 14 per cent to $101 billion. In Central America, inflows also contracted (-14 per cent to $38 billion) as gross fixed capital formation and export trade volumes decelerated during the year. FDI flows to the Caribbean, excluding financial centres, likewise dipped (-9 per cent to $3 billion), though with significant variation at the country level. FDI prospects for the region in 2017 remain muted, despite a return to economic growth after two consecutive years of recession, as capital expenditures in South America's key extractive sector are likely to be modest, and policy uncertainty related to proposed measures in the United States could hamper investment in Central America.

FDI in the region fell 14 per cent to $142 billion, the fifth straight year of decline. The divergence in FDI trends between the north and the south of the region observed in 2015 disappeared in 2016, with inflows falling across subregions. This coincided with a significant slump in economic activity in the region, with real GDP contracting 1.1 per cent, and a slump in gross fixed capital formation.

The composition of the region's FDI inflows underwent a significant shift during the year (Figure 3). Net intracompany lending fell sharply (-36 per cent), especially in South America. This reduction reflects efforts by foreign affiliates to strengthen their balance sheets in a context of economic contraction and weakening national currencies, as well as the impact of recently enacted policy measures (especially tightened anti-tax avoidance measures). Equity flows, the largest component of FDI in the region, fell 11 per cent despite a resurgence in cross-border M&A sales (up 62 per cent to $18 billion). Reinvested earnings, in turn, registered a modest decrease (-6 per cent) as their slide in South America appeared to be bottoming out (with a 3 per cent increase, compared with a 23 per cent reduction in 2015).

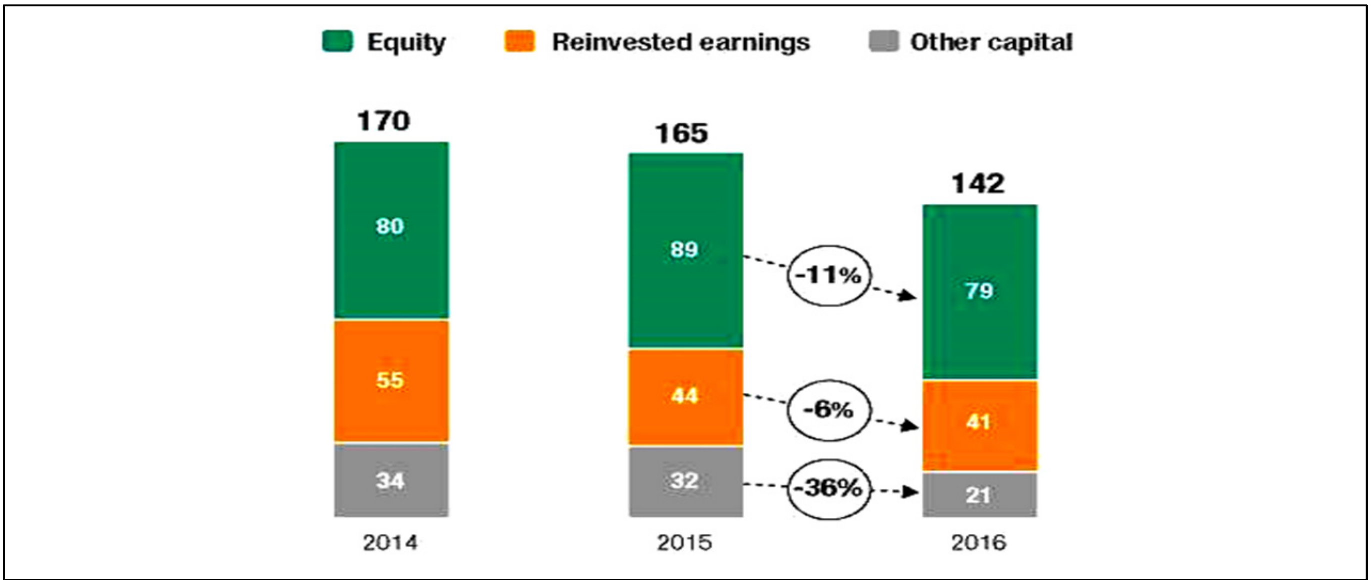

Figure 3. Latin America and the Caribbean: FDI inflows by component, 2014-2016 (Billions of dollars) [5]

FDI flows to South America registered a significant decline in 2016, falling 14 per cent to $101 billion. Economic output in the subregion contracted 3.6 per cent in 2016, compared with a 1.7 per cent decline in 2015. Plunging gross fixed capital formation – which had fallen for nine straight quarters by mid-2016 – and a sharp decline in private consumption battered aggregate demand in the subregion, especially in the largest economies. The continued decline in commodity prices, with the average annual price of crude oil falling 16 per cent and that of the IMF's basket of minerals and metals down 5 per cent, resulted in a significant terms-of-trade shock that undercut gross national income and, in turn, consumption and investment prospects [5, p. 59].

Investment activity in Brazil, the subregion's largest economy and the region's principal FDI destination, continued to contract in 2016 as the country's economy remained in recession for the second consecutive year. Gross fixed capital formation fell sharply (-10 per cent), although data suggest that the decline eased during the year, with the year-on-year variation shifting from -17 per cent in the first quarter to -5 per cent by the fourth quarter (the 11th straight quarter of contraction). FDI inflows also retreated, falling 9 per cent to $59 billion.

FDI equity flows to Brazil slid 9 per cent to $45 billion, reflecting a sharp decline of investment in the services sector (-21 per cent to $18 billion). FDI in financial services slipped into net divestment, due largely to the $4.6 billion acquisition by Banco Bradesco SA (Brazil) of a number of the Brazilian assets of HSBC (United Kingdom). Likewise, inflows in electricity and gas services trended downwards, reflecting the $0.8 billion divestment by AES Corp (United States) of some of its Brazilian assets to CPFL Energia SA (Brazil). A sharp decline in intracompany lending to foreign affiliates in Brazil (-39 per cent to $5 billion) also weighed on overall flows.

However, despite the dire economic situation, FDI inflows in some sectors registered significant increases. Equity investment in metallic mineral extraction rose markedly (from $571 million in 2015 to $2 billion in 2016) as the prospects for iron ore prices improved in the second half of the year. Likewise, equity inflows targeting motor vehicle manufacturing rose sharply (by 50 per cent to $6.6 billion), reflecting the sector's improved competitiveness and the continued strength in vehicle exports (24.6 per cent in unit terms, over and above the 24.9 per cent increase of 2015). Finally, equity inflows were also bolstered by the rising value of cross-border M&A sales, which jumped from $2 billion in 2015 to $9 billion, boosted by megadeals involving China Three Gorges Corporation (China) and Statoil ASA (Norway).

FDI flows to Chile and to Peru declined as weak minerals and metals prices crimped investment activity in the mining sector. In Chile, inflows were dragged lower (-29 per cent to $11 billion), largely by slumping mining investment as low copper prices resulted in a number of foreign affiliates recording financial losses during the year, which in turn delayed progress on previously announced projects. In Peru, inflows declined (-17 per cent to $7 billion) as M&A activity in the country cooled (-77 per cent) after booming the previous year. As in Chile, investment in the mining sector in Peru − both domestic and foreign − fell sharply during the year (-44 per cent).

Among South America's principal hydrocarbons exporters – the Plurinational State of Bolivia, Colombia, Ecuador and the Bolivarian Republic of Venezuela – FDI inflows continued to be heavily affected by the fall in spot prices for crude oil in international markets (with the annual average price down 16 per cent on the exceptionally low 2015 average). Flows to the Plurinational State of Bolivia edged lower (-26 per cent to $0.4 billion), in line with a significant contraction in investment in the country's hydrocarbons and mining industries. In neighboring Ecuador, inflows fell sharply (-44 per cent to $0.7 billion), weighed down by economic recession and falling flows to the extractive sector.

In contrast to other oil exporters, Colombia saw FDI flows register a strong increase (16 per cent to $14 billion), boosted by the purchase of a majority stake in Isagen SA – a domestic electricity utility – by Brookfield Asset Management Corp (Canada) in two deals totaling $3 billion. One of these deals involved the sale of the Government's 57.6 per cent stake in Isagen, the proceeds of which will finance public infrastructure investment projects. This offset a further decline in FDI in the oil sector (-14 per cent) and a swing to net divestment in the mining sector. Flows to the Bolivarian Republic of Venezuela also increased (by 11 per cent to $2 billion), though this reflects an uptick in reinvested earnings: foreign affiliates faced increasing difficulties in paying dividends to their parents as the government sought to manage its dwindling international reserves.

FDI flows to Argentina halved to $6 billion in 2016, largely because of recently adopted policy measures. The lifting of currency controls in December 2015 normalized the payment of dividends by foreign affiliates to their parents abroad, leading to a sharp reduction in reinvested earnings, which fell from $8 billion to $4 billion. Likewise, intracompany lending swung to a position of net repayment (from $2 billion to -$2 billion) as the Government eased controls on the repayment of outstanding debts in foreign currencies for the import of goods and for services rendered by nonresidents. Equity inflows, however, were up sharply (from $1 billion to $4 billion), in line with the surge of announced greenfield projects in the country as a result of the Government's effort to boost investment.

Investment activity cooled substantially during the year as gross fixed capital formation decelerated across the subregion. While economic growth remained relatively robust, bolstered by strong private consumption, export volumes – which are strongly correlated with investment activity – slowed rapidly during the year (Figure 4). Slower trade was largely due to economic conditions in the United States, Central America's largest market. Exports of automobiles from Mexico to the United States fell by 0.8 per cent in value terms in 2016, compared with a rise of 6.3 per cent in the previous year; unsurprisingly, total vehicle sales in the United States registered an anaemic 0.1 per cent increase in unit terms, compared with a 5.8 per cent increase in the previous year.

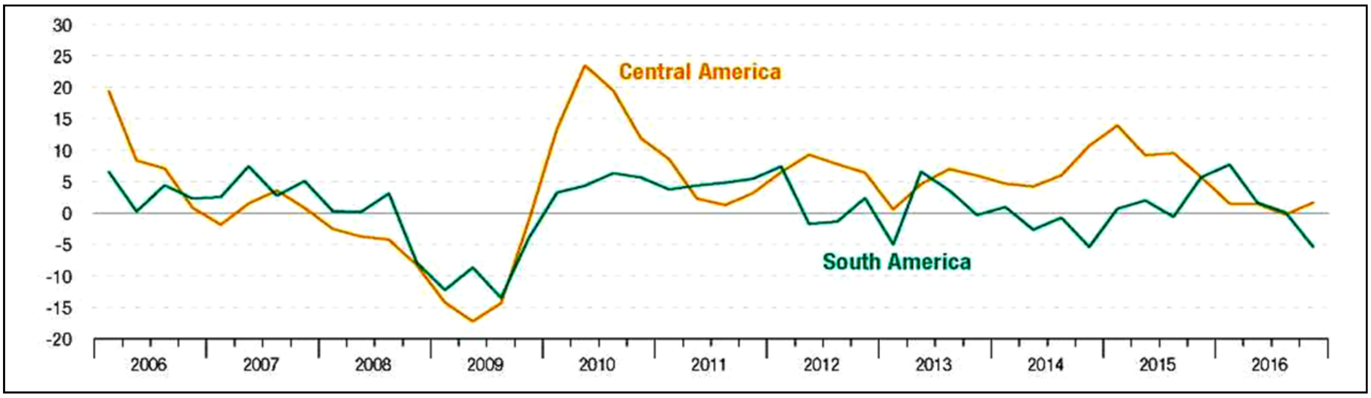

Figure 4. Central and South America: Growth of merchandise export volumes, 2006 Q1-2016 Q4 (Per cent) [5]

These macroeconomic trends coincided with a significant decline in FDI flows to Central America (-14 per cent to $38 billion). This was especially apparent in Mexico, where gross fixed capital formation rose just 0.4 per cent (compared with a robust 4.3 per cent in 2015) and FDI inflows retreated 19 per cent to $27 billion. Flows to the services sector contracted sharply, reflecting the impact of the weakening Mexican peso (-17 per cent relative to the dollar) on the value of local earnings when expressed in dollars, as well as a number of major divestments. For example, Wal-Mart (United States) announced that it would sell its Suburbia chain of department stores to El Puerto de Liverpool SAB (Mexico) for $852 million.

Despite the downturn in export volumes, FDI in Mexico's manufacturing sector was remarkably stable, registering little change from the previous year's level of $16 billion, or 61 per cent of total inflows. This was largely due to the $2 billion acquisition of Representaciones e Investigaciones Médicas SA de CV, a pharmaceutical manufacturer, by Teva Pharmaceutical Industries (Israel). Investment in most other manufacturing industries retreated, however.

FDI in the country's key automotive sector slumped, with inflows in transport equipment manufacturing falling 21.5 per cent, from $6.4 billion in 2015 to $5.1 billion.

Inflows in Costa Rica fell (-6 per cent to $3 billion) in line with the contraction in gross fixed capital formation that began in the second quarter of the year. FDI in the primary sector and in services slowed sharply, reflecting in part a return to the status quo following sizeable one-off investments in 2015. In El Salvador weak investment in the services sector also weighed on overall FDI inflows, which fell 6 per cent to $0.4 billion. FDI flows to Guatemala declined as well (-3 per cent to $1 billion), as a significant reduction in investment in the primary sector (-69 per cent) was not fully offset by higher investment in retail and wholesale trade. In Honduras, a sharp contraction of investment in the country's maquila manufacturing sector weighed on overall flows (-17 per cent to $1 billion). FDI flows to Nicaragua likewise trended lower, falling 7 per cent to $0.9 billion.

In contrast to other Central American countries, Panama registered a strong increase in inflows (16 per cent to $5 billion). In particular, equity investment inflows rebounded sharply after having dipped in 2015, rising from just $77 million to $781 million in 2016.

Inflows in the Caribbean, excluding financial centres, dipped 9 per cent in 2016, to $3 billion. This was largely the result of a swing to net divestment in Trinidad and Tobago, reflecting the closure of the Point Lisas facility of ArcelorMittal (Luxembourg) and lower reinvestment of earnings in the energy sector. Inflows in Jamaica also fell by 7 per cent to $0.9 billion, as the value of greenfield investments declined. In contrast, investment in the Dominican Republic – the Caribbean's principal recipient of FDI – was up strongly (by 9 per cent to $2 billion), boosted by a rebound in the country's mining sector and by robust tourism and real estate inflows.

In 2016, FDI flows to transition economies bounced back to $68 billion, after a steep decline in the previous two years. The two main subregions experienced divergent trends. On the one hand, in the Commonwealth of Independent States (CIS) and Georgia, FDI inflows almost doubled, owing to an exceptional rise in flows to Kazakhstan, as well as a strong increase in flows to the Russian Federation. In South-East Europe, on the other hand, FDI recorded a decrease of 5 per cent, due to fewer investments in the manufacturing sector. Geographical sources of FDI for transition economies have been in part shifting towards developing economies, especially China. Outward FDI from transition economies declined by 22 per cent to $25 billion in 2016. Outflows from the Russian Federation, accounting for the bulk of the region's total, increased marginally to $27.3 billion, despite reduced access to international capital markets, while outflows from Kazakhstan turned negative. FDI flows to transition economies are expected to rise moderately in 2017, underpinned by privatizations and measures seeking to improve the business environment in various countries; geopolitical challenges, however, might continue to weigh on the region's prospects [5, p. 65].

Inflows surged by 81 per cent to $68 billion – the region's third largest volume in the 2010s, although still below the record level of $118 billion in 2008. The FDI performance of transition subgroups diverged again, however: flows to the CIS and Georgia almost doubled to $63 billion, while in South-East Europe, inflows retreated slightly to $4.6 billion.

The Russian Federation saw its FDI inflows more than triple from the previous year, to $38 billion, as the economy started to recover after the contraction in GDP in 2015 and as export performance improved in both oil and non-oil products, in part reflecting some stabilization in oil prices. Nevertheless, FDI flows were still only half of their 2008 record of $76 billion and 29 per cent below the $53 billion recorded in 2013, hampered by trade restrictions that partner countries and Russian authorities have been enacting against each other since 2014. Equity flows rebounded from a negative $400 million in 2015 to a positive $19 billion, mainly related to privatization of State-owned assets. A surge of reinvested earnings by established investors – rising from $11 billion to $18 billion in 2016 – also supported FDI inflows in 2016. Intracompany loans remained small – $1 billion – and declined slightly from the previous year (-9 per cent).

Investments in the Russian Federation by MNEs from developing economies increased in 2016. The Government sold a 19.5 per cent stake in the State-owned oil company Rosneft for $11 billion to a consortium led by Glencore (Switzerland) and the Qatari sovereign wealth fund. Indian companies also acquired assets being privatized in the oil and gas sector: Vankor India – a joint venture of Oil India Ltd, Bharat Petroleum Corp and Indian Oil Corp Ltd, headquartered in Singapore – acquired 24 per cent, and ONGC Videsh Ltd (India) an additional 15 per cent, of Vankorneft, ultimately owned by the Russian State-owned Rosneftegaz, for $2 billion and $1.3 billion, respectively. At the same time, the Russian Federation attracted greenfield projects from new sources, such as the Charoen Pokphand Group (Thailand) and the TH Group (Viet Nam) in dairy production.

FDI inflows to Kazakhstan – the largest of the nine landlocked CIS countries and the most attractive to investors – more than doubled, to $9 billion, due mostly to an increase in mining exploration activities and interest from new investors. In a new megaproject, an international consortium started investing in the extension of the life of the giant Tengiz oil field. The project, which could span a decade of work, is expected to cost up to $36.8 billion and to produce new oil by 2022. This project underscores that foreign investors continue to favour the country's hydrocarbon and mineral reserves when it comes to FDI, although recent interest from Chinese, Indian and Iranian investors has focused on downstream manufacturing, too. In addition to established investors' expansion of existing activities, interest from these new investors drove equity investments upwards. In addition, reinvested earnings amounted to almost $5 billion – the second largest volume recorded so far.

FDI inflows also increased in Ukraine – by 9 per cent to $3.3 billion – largely due to the recapitalization of foreign-owned banks. Greenfield investment, in contrast, has been limited in a business environment characterized by slow reforms as well as regulatory and tax problems. In addition to traditional investors, the country is also attracting FDI from China: for instance, China Western Power Industrial announced a $189 million project in renewable energy production. Inflows also rose moderately in landlocked Turkmenistan, by 3 per cent to $4.5 billion, as Daewoo International (Republic of Korea) began the construction of an iron manufacturing plant, dealing with such key aspects as engineering, procurement, construction, operation and management, and work started on the expansion of the Galkynysh gas field, attracting various investors, including CNPC from China. In Azerbaijan, inflows – mostly concentrated in oil and gas – rose by 11 per cent to $4.5 billion. In Georgia, a country relying on various types of FDI (e.g. transportation infrastructure, tourism, finances), inflows rose by 5 per cent to $1.7 billion, recovering from the drop of 2015. In contrast, FDI flows to Belarus, Kyrgyzstan, the Republic of Moldova and Tajikistan all fell in 2016.

FDI increased substantially in the former Yugoslav Republic of Macedonia and Albania but decreased in Montenegro and Serbia. Flows to the former Yugoslav Republic of Macedonia grew by 65 per cent as Hystead Ltd (United Kingdom) bought Skopje City Mall, a shopping centre operator, for $100 million. Albania, another growing recipient of FDI, is attracting both traditional and new investors. Interest from Chinese investors is mounting, through both FDI and other forms of involvement.12 Chinese firms have shown interest in road construction projects, acquiring access to natural resources (Geo-Jade Petroleum bought controlling rights in two Albanian oil fields for $442 million), and obtaining the concession for Tirana International Airport. In Serbia, even though overall FDI inflows fell in 2016, the interest of Chinese investors is also on the rise: for example, State-owned Hebei Iron & Steel Group Co Ltd acquired Serbian State-owned Zelezara Smederovo for $52 million [5, p. 65-66].

Between 2010 and 2015, the FDI stock held by Chinese MNEs in the region increased by almost four times, from $6 billion to $23 billion, making China the third largest investor. By contrast, FDI stock held by other major source countries – except the United Kingdom and Italy – declined, owing to falling exchange rates and political challenges in the Russian Federation, the region's largest host country. Russian MNEs' outward FDI stock in the region fell from $18 billion to $13 billion, and investments held by MNEs from the United States halved, from $20 billion to $10 billion. FDI stock held by Cyprus – a traditional centre for transhipped and round-tripping FDI, and the largest investor in the region – also contracted, by 58 per cent, in the face of its economic difficulties (especially the 2012–2013 financial crisis), combined with the possible impact of a Russian anti-offshoring law adopted at the end of 2014.

In South-East Europe, the rise of FDI flows was mainly driven by European investors, although the presence of investors from the South is growing. FDI flows in the subregion were largely directed towards manufacturing industries, such as food and tobacco, chemicals, textiles and garments, automobiles and pharmaceutical industries. FDI flows rose in Serbia and Montenegro, while those to Albania remained above $1 billion. In the former Yugoslav Republic of Macedonia, FDI flows declined. While eurozone countries (Austria, the Netherlands, Greece and Italy) remained the major investors in the subgroup, investors from developing countries such as the United Arab Emirates and China are increasingly active.

As demonstrated in Figure 5, corporate and financial restructuring played a large role in the 2015 rebound in global FDI. More specifically, the share of merger and acquisition deals (M&As) in global inward FDI increased from 21 % in 2012 to more than 36 % in 2015. For the EU this share was even higher. Corporate restructuring deals can have positive growth impact indirectly through knowledge and productivity spill-over. However, they do not have such direct impact in increasing the stock of international production as greenfield investment and do not always involve flows of new financial resources for the domestic economies [7, p. 12].

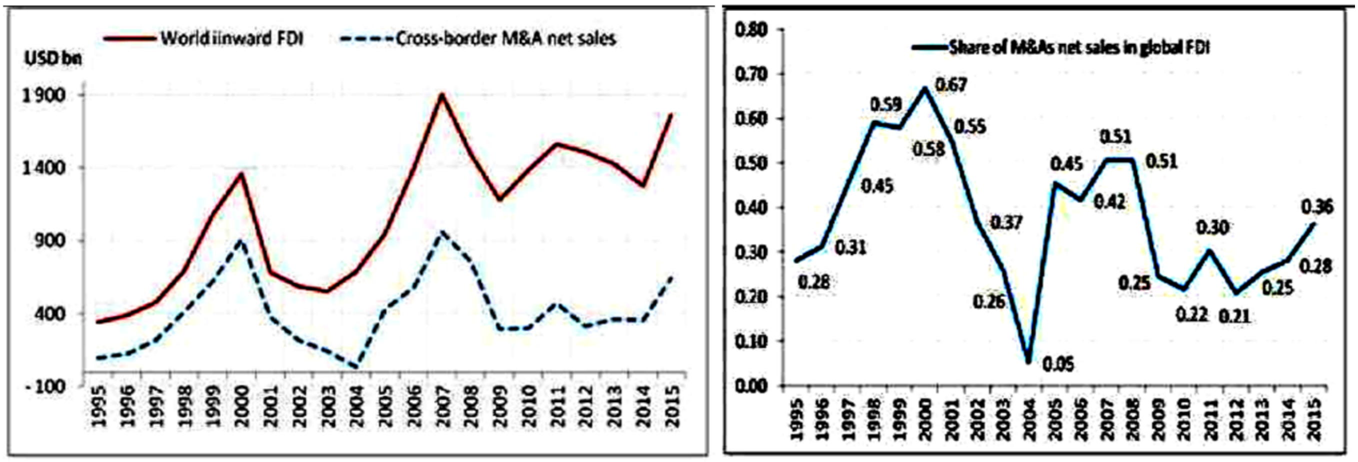

Figure 5. Global cross-border FDI versus mergers and acquisitions [7, P. 12]

EU-28 FDI inflows were higher in 2015 and their share in global FDI inflows increased to 25 % compared to 23 % in 2014. However, the share of EU-28 FDI abroad increased even more from 25 %o in 2014 to 33 %o in 2015, and the EU as a bloc has become the largest investor in the world.

After three consecutive years of positive net FDI liabilities, in 2015 net cross-border investment into the EU turned negative as outward FDI exceeded inward investment. European inward FDI rebounded in 2015 from an exceptionally low level in 2014, and FDI inflows into the EU more than doubled reaching EUR 870 billion. However, FDI investment abroad increased even more, and for the first time since 2008 it surpassed EUR 1 trillion in 2015. Behind the surge of corporate investment abroad was a strong increase in cross-border M&As.

In the first two quarters of 2016, however, FDI inflows dwindled and were almost 20 % lower compared to the same period in 2015. FDI investments abroad declined even more and were almost 60 % lower in the first half of 2016 compared to 2015.

Since 2012 intra-EU FDI inflows had been on a downward path and for the first time in 2013 they fell below extra-EU FDI inflows. In 2015 intra-EU FDI inflows increased by 40% and reached EUR 365 billion. However, extra-EU FDI inflows increased even more (almost tripling, although from a lower level in 2014) and surpassed again intra-EU FDI inflows [7, p. 14].

In the pre-crisis period and until 2011 intra-EU FDI inflows have been consistently exceeding extra-EU FDI inflows. However, the ongoing post-crisis unwinding of intra-EU FDI and the macroeconomic adjustment seem to be happening mostly through a curtailment of intra-EU cross-border investment. In some years between 2013 and 2015, it even fell below extra-EU FDI inflows.

Extra and intra-EU FDI inflows are likely to stabilise at relatively equal levels with shares of around 50 % in total FDI inflows. For the moment it is not clear whether intra-EU FDI would sustain its recent increase and surpass again extra-EU FDI inflows.

After declining abruptly in 2014 and recovering in 2015, FDI liabilities in resident SPEs were again on a downward path in the first two quarters of 2016. For instance FDI inflows in SPEs in four EU countries with traditionally significant shares of FDI flows through SPEs, namely, Austria, Hungary, Luxembourg and the Netherland increased by 22 % year-on-year in 2015. However, in the first quarter 2016 even this indicator turned negative for those four countries.

In 2015 FDI inflows increased in 15 Member States and declined in 13 Member States, while FDI abroad was split equally, increasing in 14 Member States and decreasing in the other 14 Member States. Luxembourg was both the largest EU FDI host country and the biggest EU investor country in 2015. It also had the top ranking in 2014. However, the volume of investment flows increased significantly compared to the exceptionally low levels of cross-border investment in the previous year. Ireland and the Netherlands followed Luxembourg in the rankings for both FDI inflows and outflows. In fact the ranking of the first three countries was exactly the same for both inflows and outflows. This highlighted the importance of round-trip investment. The UK took fourth place in the host countries ranking, while Germany was the fourth biggest investor country in the EU[7, p. 15].

The UK registered significant negative outward FDI (-EUR 57 bn) as a result of divestment. Other countries with negative outflows were Belgium (-EUR 11 bn) and Malta (-EUR 7 bn). Negative inward FDI (net divestment) were recorded in Belgium (-EUR 19 bn), Hungary (- EUR 2 bn) and Estonia (-EUR 1 bn).

Global cross-border merger and acquisitions (M&As) increased by 36 % in 2015 and by further 33% in 2016 reaching EUR 1158 billion and surpassing the pre-crisis 2007 peak of EUR 1132 billion. The share of EU-targeted deals increased in 2016 and reached almost 47%. Domestic deals, however, moderated in 2016 declining by almost 15% and thus contributing to an overall lower value of deals in 2016.

Chinese outbound M&As continued increasing strongly in 2015 and 2016. It resumed its growth in the fourth quarter of 2016, after declining briefly in the third quarter perhaps as a result of the re-introduction of some administrative restrictions for outward FDI adopted by the authorities towards the end of 2016. The sharp increase in outward Chinese FDI has been underpinned by recent efforts in liberalization. In September 2014 China further liberalised outbound acquisitions, meaning domestic companies will no longer be required to obtain approval from China's Ministry of Commerce for their acquisitions abroad except in sensitive countries or for sensitive sectors. Instead, they will just need to register with the Ministry of Commerce. Progress in the liberalisation of inbound foreign investment remained more limited.

The share of acquired European companies surpassed 40 % in the fourth quarter of 2016. The most targeted European countries in 2016 were UK, Germany, Italy and France. The most targeted sectors in Europe were financial services, healthcare and pharmaceutical. Almost all of the deals in Europe were strategic with only few leveraged buyouts.

Corporate restructuring activity is on the rise in the EU since 2012 although it is still far from the pre-crisis levels. In this period the total volume of deals (domestic plus cross-border) almost doubled from EUR 350 billion in 2012 to more than EUR 770 billion in 2016. While all types of deals increased, the rise of extra-EU inward M&As was especially strong, while domestic deals were almost stagnating. In 2016 intra-EU deals increased sharply, reaching almost 50% of all cross-border deals. In the previous years in 2012-15 their value was lower than that of extra-EU deals.

After declining by 10 % in 2015, intra-EU inward M&As were sharply higher in 2016 as a result of some very large deals (i.e. the acquisition of UK’s SABMiller by a Belgian company, the world’s largest brewer Anheuser-Busch InBev, in the third quarter of). The volume of cross-border deals (including both extra and intra-EU) has increased in the post-crisis period. Their share in the volume of all inward EU M&As increased from 33 % in 2009 to more than 70 % in 2016 year-to-date.

In 2015 gross portfolio investment flows into the EU remained almost unchanged, while gross portfolio investment abroad declined by more than 22 %. This left net portfolio investment inflows in positive territory. The EU traditionally has had a positive balance for portfolio investment inflows; outflows exceeded inflows on an annual basis only in 2012. However, from the second quarter of 2015 both gross portfolio investment assets and liabilities compressed and net portfolio investment into the EU turned negative from the third quarter of 2015.

This shift in sign was primarily attributable to a decline in portfolio investment inflows and to developments in the euro area. Non-residents had been reducing their holdings of euro area long-term debts securities since June 2014. And the process had accelerated after the start of the extended ECB bond buying programme in the second quarter of 2015. In this context, increases of central banks holdings of sovereign debt had been offset by disposals of debt securities by other institutional sectors or by non-residents. Thus, the decline in non-residents holdings of debt securities may have translated into lower gross portfolio investment inflows.

Gross portfolio investment inflows increased in Denmark, Sweden and the UK, while the sharpest upturn was recorded in CEE 6, albeit from a very low level in 2014 (see Figure 6). Gross portfolio investments abroad were lower in the euro area (-12 %), while residents of the United Kingdom, Denmark and Sweden disinvested their holdings of foreign securities in 2015. In contrast to their traditional pattern of being recipients of portfolio investment inflows, CEE 6 also recorded an increase in portfolio investment outflows in 2015 (+38 %).

FDI flows to developed countries are expected to hold steady, at about $1 trillion. Flows to Europe are projected to recover as the large volume of negative intracompany loans in 2016 is unlikely to be sustained. In contrast, FDI flows to North America, which reached an all-time high in 2016, appear to be running out of steam and MNE executives are likely to take a wait-and-see approach in the face of policy uncertainty

As in 2016, M&A megadeals are likely to heavily influence FDI flows to developed countries in 2017. Cross-border M&A deals announced in 2016 were worth $1.1 trillion, substantially down from $1.4 trillion in 2015. Both the number and the value of cross-border M&A deals in developed countries were significantly down in the first quarter of 2017. Likewise, the value of greenfield projects in developed countries announced in 2016 was down 9 per cent compared with 2015. Although the general economic outlook is positive, as economic growth in most developed economies is expected to accelerate gradually over the period 2017-2018, rising interest rates, political uncertainty and regulatory hurdles in major developed countries could dampen M&As in 2017.

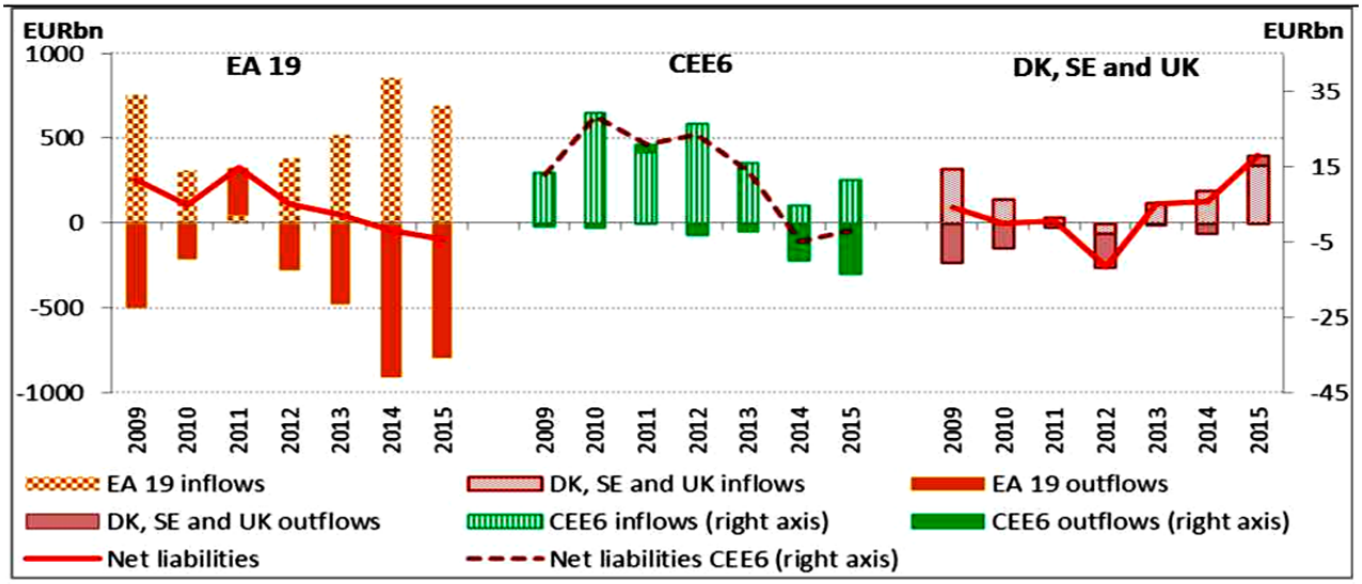

Figure 6. Net portfolio investment inflows by groups of Member States, 2009-2015 [7, p.21]

Even if deal-making does recover, megadeals tend to take time to complete and may not add to FDI flows in 2017. As of March 2017, about a quarter of deals announced in 2016 – half of the total value – were pending approval, including the five largest deals, which were worth a combined $217 billion (Table 3). Without the completion of those deals, FDI flows would struggle to recover [5, p. 77].

Besides large acquisitions, tax reform in the United States could potentially affect FDI flows significantly. If the United States introduces a change in corporate taxation rules that would reduce tax liabilities on overseas earnings of United States MNEs, it is likely that these MNEs would repatriate accumulated overseas earnings and create negative FDI outflows. In the short run, however, if United States MNEs anticipate such a change in the near future, they may delay such repatriation, which would boost reinvested earnings. The course of interest rates could also affect the decisions of United States MNEs in this regard. To avoid incurring tax liabilities, some United States MNEs have been issuing debt to finance dividend payments and share buybacks, rather than repatriating accumulated foreign earnings. A rise in interest rates in the United States would make the issuance of bonds relatively more expensive and would thus encourage the repatriation of profits.

Table 3. The largest cross-border M&A deals targeting developed countries announced in 2016

Target company	Target country	Acquiring company	Acquiring country	Transaction value (Billions of dollars)	Status
Monsanto	United States	Bayer	Germany	57	Pending
Reynolds American	United States	British American Tobacco	United Kingdom	49	Pending
Syngenta	Switzerland	China National Chemical	China	44	Pending
Linde	Germany	Praxair	United States	35	Pending
Baker Hughes	United States	GE Oil and Gas	United Kingdom	32	Pending
ARM Holdings	United Kingdom	SoftBank Group	Japan	32	Completed
Actelion Pharmaceuticals	Switzerland	Johnson & Johnson	United States	30	Pending
Spectra Energy	United States	Enbridge	Canada	28	Completed
Johnson Controls	United States	Ty International	Ireland	23	Completed
Sky	United Kingdom	21st Century Fox	United States	15	Pending

Source: UNCTAD, World Investment Report 2017

Intracompany loans remain an unpredictable factor in 2017 and beyond. Some intracompany loans are thought to be motivated by corporate strategies to minimize tax liabilities. If regulatory measures to curb tax avoidance are beginning to close various loopholes exploited by MNEs, the use of such intracompany transactions could diminish.

Conclusions. Unlike volatile portfolio investments, FDI projects typically have long antecedents and even longer payout periods. Accordingly, we have seen over the history of the FDI Confidence Index that investors make their FDI decisions based on long-term fundamentals, including the competitiveness and economic prospects of a market, rather than on current events. This pattern is particularly evident in this year's Index, with long-standing FDI heavyweights continuing to attract investors despite short-term political volatility-such as the United States and the five largest EU markets-and short-term economic underperformance-such as Brazil and Mexico.

However, over the years, we have also seen investor sentiment shift rapidly in the wake of dramatic governance and regulatory changes. In our view, the jury may still be out on recent politically driven changes in the operating environment in key markets such as the United Kingdom and the United States. Investors certainly seem to perceive the challenges of what we referred to as «the all-too-visible hand of political risk» in our Global Economic Outlook 2017-2021. While the global economy may finally seem to be back on course, the risk that geopolitical tensions or domestic policy changes such as rising protectionism will disrupt the global business environment is clearly front of mind for investors this year. If such a politically driven shock was to occur, it would likely cause many investors to reconsider their assessments of the attractiveness of affected markets.

We are encouraged by the fact that investors told us they overwhelmingly believe there is a strong and positive role business leaders should play in advocating for government policies that would improve economic and social outcomes and working directly with government leaders to shape these policies. We strongly agree that business leaders have a vital role to play in shaping the environment in which they operate. However, it is incumbent upon business leaders to keep in mind the long-term implications of the policies they advocate and shape. If the investment environment is to remain robust, short-term gains cannot come at the expense of long-term competitiveness and economic prospects [6].

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ДАНІ ПРО АВТОРА
Костик Євгеній Петрович, кандидат історичних наук, доцент кафедри економіки
ДВНЗ «Переяслав-Хмельницький ДПУ імені Григорія Сковороди»
вул. Сухомлинського, 30, м. Переяслав-Хмельницький, 08401, Україна
e-mail: klio79@mail.ru

ДАННЫЕ ОБ АВТОРЕ
Костик Евгений Петрович, кандидат исторических наук, доцент кафедры экономики
ГВУЗ «Переяслав-Хмельницкий ГПУ имени Григория Сковороды»
ул. Сухомлинского, 30, г. Переяслав-Хмельницкий, 08401, Украина
e-mail: klio79@mail.ru

DATA ABOUT THE AUTHOR
Kostyk Yevhenii Petrovych, Ph.D. in Historical Science, Associate Professor of Economics
SHEE «Pereiaslav-Khmelnytskyi Hryhorii Skovoroda State Pedagogical University»
30, Sukhomlynskyi Street, Pereiaslav-Khmelnytskyi, Kyiv region, 08401, Ukraine
e-mail: klio79@mail.ru

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ІНСТИТУТИ СОЦІАЛЬНО-ПОЛІТИЧНОЇ ОРГАНІЗАЦІЇ СУСПІЛЬСТВА В УМОВАХ ФОРМУВАННЯ БЕЗПЕКИ НАЦІОНАЛЬНОЇ ЕКОНОМІКИ

Гріненко А.Ю.

Стаття присвячена одній із актуальних проблем сучасного теоретичного дослідження – національній економічній безпеці. Автор обрав інституційний шлях розвитку проблеми, при цьому сконцентрувавши увагу на інституті амбівалентності та патерналізму.

Амбівалентність визначена автором, як неадекватна, неоднозначна поведінка суб'єктів ринкової економіки: від влади до громадян. До нині амбівалентність досліджувалася в соціології та медицині. Автор викладає власне бачення причин порушення економічної безпеки, акцентуючи увагу не на раніше викладених факторах, а в першу чергу на соціально-психологічних факторах в тому числі і на амбівалентності.

В статті розкрита суть патерналістського потенціалу, під яким варто розуміти забезпечену ресурсами здатність надавати соціальну підтримку і захист певних груп населення для реалізації цілей економічного і соціального розвитку. Проведений аналіз залежності потенціалу патерналізму від взаємодії цілей економічного і соціального розвитку, які ставить перед собою держава а також соціально-економічних інститутів. Введено в науковий обіг поняття потенціалу патерналізму, під яким розуміють відповідність між можливістю надавати допомогу і суспільно обґрунтованою потребою в ній.

Ключові слова: *амбівалентність, патерналізм, лібералізм, безпека, економічна безпека, самостійність, загрози, криза,»кумулятивна причинність», влада.*

ИНСТИТУТЫ СОЦИАЛЬНО-ПОЛИТИЧЕСКОЙ ОРГАНИЗАЦИИ ОБЩЕСТВА В УСЛОВИЯХ ФОРМИРОВАНИЯ БЕЗОПАСНОСТИ НАЦИОНАЛЬНОЙ ЭКОНОМИКИ

Гриненко А.Ю.

Статья посвящена одной из актуальных проблем современного теоретического исследования – национальной экономической безопасности. Автор избрал институциональный путь развития проблемы, при этом сконцентрировав внимание на институте амбивалентности.

Амбивалентность определена автором, как неадекватное, неоднозначное поведение субъектов рыночной экономики: от власти к гражданам. До настоящего времени амбивалентность исследовалась в социологии и медицине. Автор выкладывает собственное виденье причин нарушения экономической безопасности, акцентируя внимание не на ранее изложенных факторах, а в первую очередь на социально психологических факторах в том числе и на амбивалентности.

В статье раскрыта сущность патерналистского потенциала, под которым следует понимать обеспеченную ресурсами способность оказывать социальную поддержку и защиту определенных групп

