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### **Influence of foreign investment on the country economic development**

*Due to the processes of globalization, the rapid development of national economies and their involvement in, a single world economic system is taking place. Foreign investment is one of the processes that significantly influences the level of development of the country, because it stimulates the country's economic activity, increases its technological development, positively affects the GDP and improves the welfare of the country as a whole. Therefore, today the investment state of the country remains one of the priority tasks for each state, because the indicator of attraction of investments into the country determines its potential, competitiveness, place and role on the world stage as a separate player.*

In modern conditions, the close interconnection of all components of the world economy leads to the merger of national economic systems and the creation of a united world. With the deepening of international relations of active development becomes international investment activity, associated with the export of capital.

International investments are financial or material investments that are made by the investor of one country abroad for the purpose of profit or social benefit. International investment forms the basis of the international capital movement and determines the overall growth of the economy [1]. In economic science, there are several classifications of foreign investment. By degree of control, investments are divided into direct and indirect (portfolio). Foreign direct investment and portfolio investments differ in most of the ultimate goal of investment, but there are a number of other differences between these types of investments (Table 1):

**Table 1**

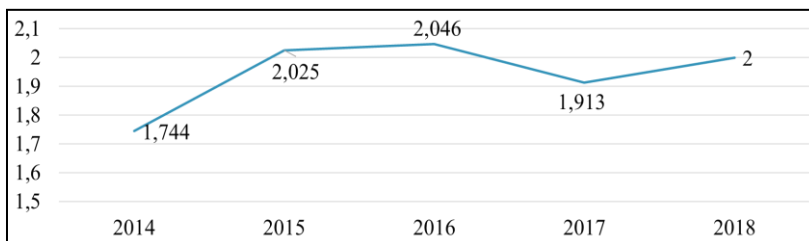
**Comparative analysis of direct and portfolio foreign investments**

Sign	FDI	Portfolio investment
Purpose of the investor	Obtaining business profit (income) and control over the company	Obtaining dividends (their amount exceeds the bank interest)
Investment object	Corporate assets	Securities
Degree of influence on the host economy	Significant influence, since it involves participation in the activities of economic entities, their full or partial acquisition.	Influence is much smaller due to the short-term nature and the lack of influence on the economic object
Profitability	High	Low

In modern conditions, the global economy is characterized by a high level of development of the financial system. That is why the study of financial relations, in particular investment, is one of the priority tasks of economic science. Much attention is paid to the development of the investment market, since its effective functioning that promotes rapid economic development of the economy, the standard of living and the growth of entrepreneurial activity, etc.

However, investment relations in certain countries are characterized by certain peculiarities that distinguish them from others. This is due to the uneven economic, technological and information development of different countries.

According to the World Bank, in 2017, world foreign direct investment declined by about 2% to 1.913 trillion dollars. However, already in 2018 there is an increase of up to 2 trillions dollars (see Fig. 2). Flows to emerging economies have been particularly affected, with a decrease of 14% to 646 billion dollars. Although the World Bank predicts weak FDI growth in 2018-2019, it is expected that they will remain much lower than their peak in 2007.



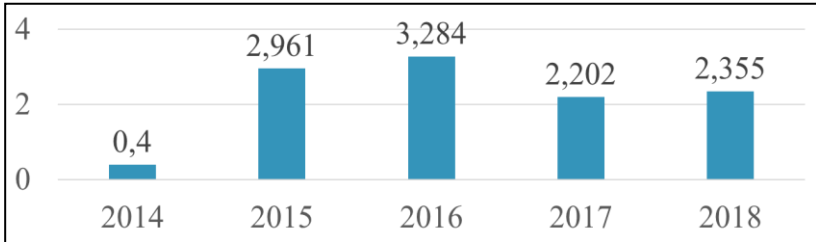
**Fig. 2. Dynamics of foreign direct investments in the world in 2014-2018, trillion dollars .**

Only the North American region and a group of developed countries in which the share of investments increased by 10% and 5% respectively felt the growth of the share of investments. Countries with a transition economy experienced the greatest growth in investment due to large privatization deals and an increase in the share of investment in exploration of their minerals. The leading position among the investor countries is the USA, the second place in 2018 as a result of investment activity was China, the third place is occupied by the Netherlands.

Analyzing investment flows by sectors of their investment, two-thirds of global FDI are industries such as the financial industry; trade in goods and services, and telecommunications. In 2018, more than half of investments were concentrated on the services sector, the share of investment in productive activities was 26% and in the primary sector 6%.

Among the branches of industry, the largest recipients of domestic stocks of foreign direct investment were finance, business activities, trade and telecommunications. In the manufacturing sector, investment comes in five main sectors, namely, chemical products, food and beverages, electronics, automobiles and petroleum products.

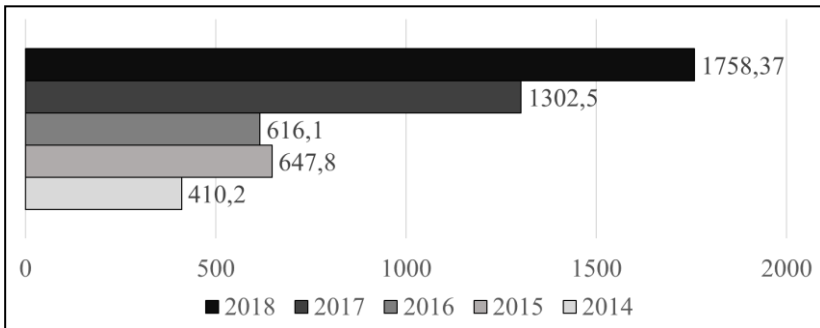
Today the problem of investing is extremely relevant for Ukraine. Ensuring investment attractiveness is a strategic task of the state, on which depends economic development, the efficiency of involvement in the world division of labor and international trade, the level of modernization and implementation of technologies, etc (Fig. 3):



**Fig. 3. Dynamics of FDI in Ukraine from 2014 to 2018, billions dollars.**

The dynamics of foreign direct investment in Ukraine shows a sharp decline in 2013-2014, the main reason is a sharp fall due to the military conflict between Ukraine and Russia, which was accompanied by a political and economic crisis in the country. In particular, the huge decline in investment was characterized by 2014. In 2017, there is a slight decrease, which is explained by a decrease in investment flows from Russia and Cyprus

According to the volumes of foreign investment attraction in the leading spheres of economic activity in 2018 there were industry - 33.8%, agriculture - 14.2%, construction - 13.5%, repair of vehicles - 10.1%, and others. On aviation transport is an increase in incomes by 35 percent in 2018 (Fig. 4):



**Fig. 4. Dynamics of FDI in Ukraine in aviation transport from 2014 to 2018, millions UAH.**

Based on the analysis of current trends in FDI, one can conclude that Ukraine is improving its investment attractiveness. This result is achieved through effective investment policy instruments such as streamlining business registration procedures,

improving tax policy, protecting investor rights, etc. However, Ukraine is far behind the indicators of developed countries, and although the investment potential of Ukraine can be considered powerful, however, it is not sufficiently implemented, because there are significant problems, both internal and external, that need to be addressed effectively.

Consequently, the importance of attracting investment to the economies of the world is obvious, and this leads to the search for effective ways of promoting and attracting foreign capital. Today, the development of the economy of any country depends on the intensity and volume of investments in its economy, which remain the largest source of financing.

To sum up, the Ukrainian economy is quite attractive for foreign investment, because it has significant advantages and benefits for investors: the high resource potential, high level of scientific and research development, highly skilled and at the same time relatively cheap labor, favorable location of the country, besides the country has a fertile soil and a favorable climate. However, these benefits do not provide stable investment flows in large volumes, as there are important reasons that restrain investors and thus reduce investment volumes.

### **References**

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