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FOREIGN DIRECT INVESTMENT TRANSFORMATION DURING THE PANDEMIC PERIOD

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Introduction. From the beginning of 2020, the COVID-19 pandemic has become a challenge for Ukraine and the world. In all spheres of life, there are difficulties that humanity has not even guessed – from global quarantine to real economic collapse. The wave of changes has not escaped the investment sphere since now it depends on the quantity and quality of global investment flows how quickly humanity will be able to solve a number of economic and social problems, caused by the pandemic.

In this regard, many countries around the world are making great efforts in order to stimulate the investments inflow into their enterprises. Therefore, governments of developed countries encourage companies to reconsider their strategy and concept, to adapt the structure of enterprises to the use of technology media information literacy, transform their business processes, develop a mechanism for selecting and implementing new technologies in production. Thus, the tasks related to the research of transformation processes in international investment activities are relevant.

Review of recent sources of research and publications. Problems in the international investment activity development were considered in the works of C. Bellak [14], E. Borenstein [15], M. Byrka [3], L. Hitman [4], R. Mann [16], Michael E. Porter [1], L. Ptashchenko [17] and others. The monographs and articles of the scientists enlighten general trends in investment, the impact of investment development processes for the economic and social well-being of a state. Without reducing scientific contribution of the scientists mentioned above, it should be noted the inadequacy research aimed at determining the impact of quarantine restrictions on development of the investment sphere in the world, which led to the choice of topic, logical structural construction, purpose and objectives of the study.

Setting objectives. The objective of the study is to identify transformational processes in international investment activities under the influence of the COVID-19 pandemic and to find areas for minimizing negative impacts of quarantine restrictions on the investment sphere development.

Theoretical aspects of the research are based on a comprehensive use of fundamental statements of modern economic theory, scientific concepts, theoretical developments of domestic and foreign scientists about transformation processes in international investment activities.

The information base of the research consists of official materials of Annual Report on the OECD Guidelines for Multinational Enterprises 2020 [18], Climate Bond Initiative [13], COVID-19 Data Repository by the Center for Systems Science and Engineering (CSSE) at Johns Hopkins University [7].

Main material and results. Based on the existing foreign and domestic approaches to the interpretation of the investment concept, we take the position that investment in terms of international economic relations should be considered as a component of the world economy, which involves investing in the company to further increase its income and, consequently, get profit. In turn, the concept of investment process should be considered as the financing of certain projects, which creates links with its participants and the investment environment in which the investment activity takes place. Transformation of the investment process is a change in the participants' quantitative and qualitative composition in the global investment process, which occurs under the influence of quarantine restrictions.

In the context of globalization processes' intensifying, there is a need to create free economic zones to ensure competition in foreign markets, namely: ensuring labor movement, use of effective and innovative foreign market analysis methods, availability of production means and more. Today, the governments of the world's leading countries are creating tax breaks for other countries in order to ensure an active international investment movement. In today's world, a country's economic stability depends not only on how much and what it produces, but also on how much and in what it invests.

In the context of foreign investment, it is impossible not to mention such key concepts as "capital flight" and "net capital inflow". The first definition is characterized by a large amount of investment in more favorable countries, and the second – the difference between capital received from abroad and exported capital.

Competitiveness is one of the most powerful world economy engines. Any enterprise is in constant competition with other enterprises in their common industry. Including competition is conducted for investment, as investment helps businesses achieve their main goal – profit. One of the first to consider competition at the international level was M. Porter [1]. In his theory of international competitiveness, he highlighted the direct link between firm and country competitiveness.

The concept of investment competitiveness is identified with investment attractiveness quite often. However, in our opinion, these definitions are too different to be considered synonymous. Investment competitiveness is the degree of productivity of capital invested in a particular enterprise or industry. Investment attractiveness, in turn, is a set of financial and economic indicators that determine the interest of potential investors in a firm or industry. We can say that investment competitiveness is a component of investment attractiveness.

Of particular note for this study is the work of John Dunning and Raines Narul. In their work, they have shown the links between the export of direct investment and the international production of transnational companies (TNCs). Their theory is called "the concept of investment development", or "evolutionary direct investment model". According to this concept, some countries have a tendency to be an importer and some – to be an exporter. According to this ability, scientists have identified five main stages that the state goes through during its investment development [2]:

1) the location of a country does not give it the benefits necessary to have investment attractiveness;
2) the investors' number is increasing, while the amount of capital exported is relatively small;
3) foreign investment reduction together with further capital exports growth;
4) the investment inflow into the country is equal (or even less) in relation to the amount of capital exported from the country;
5) long-term equalization of the size of foreign investments invested in the country and exported capital. This stage is typical for developed countries.

There has been the global investment movement intensification recently, as the number of countries that have increased financial resources and, as a result, have a surplus, is increasing every year. While previously developed countries were an investment object themselves, it is more profitable for them to invest in the production of poorer countries now. This is due to the fact that resources are cheaper there, and governments are more willing to accept foreign capital.

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

The main investment sources can be divided into the following four types [3]:

- own – basic income, profit from sale and/or assets liquidation, received insurance payments, individuals' investment resources;
- involved – finances received as a result of the securities issue, interested individuals or legal entities contributions;
- budget – partial or full state funding of promising projects;
- loans and borrowings.

International organizations are extremely important players in the investment field. This is due to the fact that they regulate relations between member countries, establish certain economic development rules for individual states or even regions, impose restrictions or, conversely, promote the activities intensification in certain areas to certain countries (enterprises representing them). That is why it is extremely important for an enterprise engaged in foreign economic activity (especially sales) to be interesting for such organizations.

Economic ties that arise between recipients and donors over investment objects are characterized by the concept of the investment market. There are two types of demand – potential and specific. The first type concerns profits for which there are no investment plans, but it can become a source of investment in the future of an enterprise. Specific demand arises when the owner of the profit carries out investment activities in practice.

In the context of globalization, foreign investment is playing an increasingly important role in international economic relations, as it is effective in entering the world market. The reason for this was multinational corporations' spread around the world. Their work is directly related to the investment of capital abroad and its inflow from other countries. But recently, the practice is spreading, when international investment activities are conducted not only by large companies, but also by relatively small enterprises. Depending on its purpose, the investor selects the recipient by calculating key indicators of its investment attractiveness. This scheme works not only for companies but also for states.

Structural economic transformation is one of the key aspects of economic growth process, which is the redistribution of resources (especially labor) from less productive to more productive activities, as well as changes in production and average productivity in the economy as a whole. Transformations caused by the transition of resources to the secondary sector of the economy have long been seen as a guarantee of economic development in low-income countries, as the sector offers more opportunities than agriculture or most services.

Foreign investments aimed at meeting its needs in products and/or raw materials and supporting promising export-oriented industries will have a positive effect on a country's economy. Under these conditions, foreign direct investment acts as a springboard on the country's path to international labor division and international capital distribution.

The world experience of recent years clearly shows that it is impossible to achieve stable and lasting economic growth without a complex set of measures aimed at increasing the investment attractiveness of a country and improving the domestic investment climate. It is domestic and foreign investments attraction in the economies of countries undergoing transformation that allows to modernize and develop a country's enterprises, creating a basis for the whole complex of further reforms.

In addition to the fact that the actual investment stimulates macroeconomic development, foreign direct investment (FDI) has a positive impact on economic growth, increasing the overall productivity of production factors, and more generally, the efficiency of resource use in the economy of the recipient country. This carries out through three channels: close link between FDI and foreign trade flows, the flow from one sector of the economy to another, and other types of external influences on the business sector of the recipient country, as well as their direct impact on structural factors specific to the recipient country.

In the theoretical literature, the following channels are identified through which FDI can contribute to growth during economic transformation [1]:

- FDI contributes to national capital and increases employment. FDI contributes both to human and physical capital stocks increase, and to physical capital modernization and creation of new jobs with the production growth. Investments in physical capital and increased employment, in turn, create a positive effect on real income, which increases the demand for domestic firms' products.

- FDI is a technology transfer channel. The most important contribution of FDI to economic growth is to characterize FDI as an important mechanism for knowledge and technology transfer.
- FDI increases foreign investment enterprises' productivity. The combination of advanced management skills and technologies with domestic labor and labor costs leads to higher productivity of such enterprises and allows them to obtain products at lower costs than domestic firms. Thus, foreign investment firms are more productive than domestic firms and therefore contribute more to growth than domestic investments. But this situation can only occur when countries have a minimum human capital supply.

The degree of openness of states' economies contributes to capital mobilization from one country to another, thereby positively affecting economic growth. The more open a country is, the more likely it is to attract FDI to finance profitable projects, leading to increased economic growth.

Although some authors argue that FDI has a positive effect on the overall enterprises' productivity, others believe that this effect is insignificant, especially in the manufacturing sector [4]. Some scholars argue that multinational corporations can help increase local firms' efficiency by training workers who will work for a local firm in the future, but other studies do not support this view, arguing that FDI effects are ambiguous and depend on whether the country's economy is short-term or long-term.

Thus, FDI is important in the structural transformation of economies and facilitates technology transfer between developed and developing countries. In the same vein, the importance of FDI in developing countries remains undeniable. As the world's economy becomes increasingly interconnected, the role of FDI in today's economy has reached a qualitatively new level.

While the authors of empirical studies conclude that the impact of FDI on recipient countries' foreign trade varies from country to country and sector of economy, there is a gradual consensus that the close link between FDI and trade should be seen in a broader context than the direct impact of investment on imports and exports.

One of the key factors in reviving investment in the world is the large number of mergers and acquisitions among companies in different countries.

The investment market, especially in the context of investment in industrial capacity, is becoming increasingly complex and competitive. Demand for investment remains higher than ever, supply is declining, and market conditions have become much more tense than before.

New measures to regulate countries' national investment policy suggest a more critical attitude to foreign investment. In 2018, about 55 countries took at least 112 measures directly related to foreign investment. More than a third of them were related to new restrictions or rules introduction, which is the highest figure in the last two decades [5].

In 2019, the situation on the global investment market improved – in almost all regions of the world, investment began to grow. The only exceptions were Africa and Asia, where FDI decreased by $6 billion and $25 billion, respectively. It can be stated that in 2019 FDI flows began to return to 2017 rate, and UNCTAD forecasts that the number of investments would continue to grow, but the COVID-19 pandemic has made adjustments. Economic integration in the field of investment and trade easily spread the economic crisis in some countries to all regions of the world [6].

In 2019, the FDI flow in developed economies increased by 5% to $800 billion compared to $761 billion in the previous year. Growth has taken place despite relatively weak macroeconomic indicators and policy uncertainty for investors, including trade tensions and brexit. In developing countries, this figure decreased slightly (by 2%) to $685 billion [6].

The role of environmental, social and managerial factors in investment decision-making has increased in the global investment arena. This can be explained by global movement towards sustainable development.

Quarantine has hit almost every area of the world economy – from trade to tourism. In turn, this slowed down world production and, as a result, halted the investment flow to a number of enterprises.

In 2020, global FDI flows decreased by at least 30% compared to 2019. Possible scenarios for further development of FDI flows will depend on the health care success and stabilization measures economic policies pursued by governments. Under the pessimistic scenario, the decline in FDI will last even longer [7].

Statistics show the growth of world gross domestic product (GDP) for the period from 2009 to 2019, with a sharp decline in 2020. Deteriorating economic situation in all world markets, including the investment market, caused a change in the world GDP dynamics from growth of almost 3% in the previous year to a fall of twice as much – in 2020 the level of this indicator was -3% [8].

The World Bank noted that world GDP in 2020 fell by 5.2%. The last time a similar situation was observed during the Second World War [9].

According to the United Nations Development Program (UNDP), the Human Development Index will reach its lowest level for the first time since 1990. This indicator is a combination of global education, health and living standards. According to preliminary estimates, income per capita has fallen by 4%, which could leave about 50 million people below the poverty line [10]. Of course, this situation will have a negative impact on the overall investment climate in most countries of the globe, and paradoxically, the first to be hit will be countries with developed markets, but the emerging markets' losses will be relatively smaller.

But even during the greatest crisis, there are markets that act as security islands for investors. At present, the typical representative of such markets is financial, as the benefits of the concluded agreements are directly proportional to the level of instability in the world. Crises contribute to fluctuations in the value of assets, and thus you can get a profit.

Some countries have stepped up with government bonds issuance, which will also help attract potential investors and get out of the crisis sooner. Oil and gas sector are currently experiencing an investment crisis. Oil prices collapse has led to a sharp drop in demand for relevant companies' shares.

One of the most stable investment objects are companies that have been on the market for a long time – the assets of time-tested companies that have a good reputation and a lot of resources are very unprofitable.

Thus, the negative impact of the pandemic on the world economy, in particular on the investment market, is obvious. General instability, declining global production and unemployment have significantly reduced foreign direct investment in all countries of the globe.

Europe's investment market has become more sensitive to the corona crisis, while the Asian region has suffered the least. But in all countries of the world, in particular in developing countries, foreign investment remains one of the main resources for economic development.

The pandemic led to the world production suspension, and, as a consequence, reduced demand for raw materials. Together with general instability, this has become one of the main factors in investors' reluctance to invest in industrial enterprises. A paradoxical situation has arisen in which countries with developed economies have felt the effects of quarantine restrictions more than developing countries.

Investment policy is an important component of measures to counter the effects of the pandemic. Several multilateral groups, including the G20, have issued statements in support of international investment. More than 70 countries have taken measures to reduce the negative impact on FDI or protect domestic producers from takeovers by foreign companies [11].

The spread of COVID-19 around the world has necessitated a change in investment promotion strategy by increasing attention to infrastructure and services. Investments aimed at using production factors, resources and cheap labor remain important, but the opportunities for attracting such investments are narrowing. This requires a certain rebalancing towards domestic and regional demand for services. Investments in the green (environmental) and blue high-tech economies, as well as in infrastructure and domestic services, have great potential to contribute to the Sustainable Development Goals (SDG).

More than 150 countries have adopted national sustainable development strategies or revised existing plans taking into account the SDG. UNCTAD's analysis suggests that, despite many strategies that determine the need for additional financial resources, very few contain specific roadmaps for promoting investment in SDG.

More systematic approach is needed to reflect SDG in the world investment policy, as well as to include investment promotion in national SDG strategies.

According to the decision of the UN General Assembly, UNCTAD will continue to regularly monitor global trends and policies in investing in SDG through the Global Review of Investment Trends in SDG, the Global Review of Investment Policy in SDG and the World Investment Reports. It will also continue to promote investment in SDG through global platforms, such as the World Investment Forum, in partnership with all major investment and development stakeholders [10].

Other state regulation measures concern investors in the health care field. They include a number of requirements for private firms to move to the production of products needed to respond to the COVID-19 pandemic, and provide the ability to support factories, manufacturing units, private medical facilities or medical devices.

Solving problems and using opportunities requires changes in the very paradigm of investment and development:

1) from the focus on export-oriented investments aimed at improving efficiency in highly specialized segments of global value chains (GVC) to the focus on exports plus investment in production in regional markets and plus investment in a wider production base;

2) from competition for investors in one place to competition for diversified investments based on flexibility and sustainability;

3) from the priority of large industrial investors with "large infrastructure" to the recognition of a certain role of small production facilities and services with "compact infrastructure".

Attracting investment in infrastructure and domestic services, as well as in the green and high-tech economy, involves creating a market for new sectors (for example, renewable energy, water and sanitation, health and other typical SDG-related sectors) and focusing on another type of financing (project financing instead of traditional FDI), and another type of investors (investors in projects with additional returns, institutional investors and social entrepreneurs) operating in another ecosystem (standards and rules of financial market regulation).

Although countries and international organizations have taken a number of measures to mitigate the socio-economic consequences of COVID-19 and restore tourism, the scale of the crisis requires additional efforts and continued support.

In general, governments are rapidly developing mitigation measures for the sector, and there are already effective examples of support packages. For example, Seychelles and Ecuador have postponed the payment of special taxes in the tourism sector, and Kenya, South Africa, China, Lithuania, Portugal, Poland and Spain have provided funds to companies affected by the pandemic in the form of special funds, a guarantee fund model to pay for travel costs, subsidies or co-financing of deferred or canceled measures [12]

It is crucial that governments, responding quickly to the crisis, with the support of development partners, consider focusing on livelihoods and employment opportunities for millions of people around the world. Workers' rights must be protected and every effort must be made to keep their jobs.

Short-term and medium-term direct financial assistance is especially needed by vulnerable groups. It can be provided through micro-grants, nature care programs, additional benefits, or through targeted financial support measures in the interests of business development. Some funding sources are already involved: for example, funds allocated by the Lion's Share Fund to subsidize wildlife-dependent communities in order to increase their investment attractiveness [12].

Also, after the pandemic, there may be a tendency to invest not only in improving the skills of workers, but also in their psychological support – drastic changes in social life have served as a reminder of mental health's importance.

Thus, the main key to a successful way out of the global crisis is to act for the future – each country needs to develop a medium-term strategy to stabilize its economy, based on their own needs and characteristics.

After analyzing the above, we can identify the following main measures in the investment sphere, aimed at reducing the negative impact of quarantine restrictions:

1. Economic: green economy and low-carbon energy development, IT-sphere activation.

2. Regulatory and legal: the government's determination of priority investment areas, regulation of investment flows at the legislative level.

3. Informational: establishing communications, educational work on employees' psychological health.

The UN analyzed six megatrends of post-coronavirus development: data volumes and hyper communications; well-being, health and life of a population; low-carbon economy and green energy; waste-free production; biological growth and psychological comfort economics.

The popularity of so-called green bonds, financial obligations that involve investing in environmental projects, is growing rapidly. Thus, the total number of green, sustainable and social bonds approached $425 billion in 2020. US, and for the entire period of existence of the green bond market, their total value is estimated at $1 trillion [13].

According to a PwC study, production automation will be one of the main tools to increase developed countries' GDP in 2030. But quarantine has shown how robotics can simplify life in all areas, and thus artificial intelligence can become an important part of the world economy much earlier. In the winter of 2020, at the beginning of the pandemic, stock prices of companies such as IBM and Salesforce increased by 0.24% [5]. We do not rule out that these figures will only increase in the future, as any company aims to reduce its own costs, and automation is a perfect solution to do so.

However, not everything in the global investment movement will change dramatically, for example, investments in infrastructure and companies engaged in manufacture and parts supply for equipment will remain relevant.

In the future, investors will be more active in investing in companies that actively communicate with their customers, know their tastes and constantly update information about the values and ideals of their audience. Companies that, in addition to their core business, perform some socially significant work will also be more likely to receive funding, which will help them earn a good reputation.

According to economists, 2021 will be a year of stabilization and resumption of production. This means that the demand for raw materials will increase, and this may help countries that specialize in the extraction and export of raw materials to get out of the crisis sooner. As Ukraine's economy is more of a raw material, our country can also benefit from restoring FDI flows to the extractive and processing industries.

As already mentioned, more developed countries have been hit harder by the pandemic, so developing countries are recovering from the economic turmoil somewhat faster, which could equalize or bring closer the economies of countries that previously differed significantly.

According to experts, the global economic activity collapse in 2020 was slightly less serious than previously predicted. Immediate prospects remain highly uncertain, and different economic growth scenarios are still possible. A negative scenario in which the number of coronavirus infections continues to rise and the spread of the vaccine is delayed may limit global economic growth to 1.6% in 2021. Meanwhile, if a scenario with successful pandemic control and faster vaccination develops, global economic growth may accelerate to almost 5% [9].

For developing countries, the outlook for 2021 is a major challenge. Despite the fact that FDI flows in such countries seemed relatively stable in 2020, funding for international projects decreased by 7% [9]. This type of investment is important for production capacity and infrastructure development and, therefore, for sustainable prospects for economic recovery. The report warns that much more limited capacity of developing countries to create economic support packages to stimulate infrastructure investment will lead to an asymmetric recovery in FDI flows.

India and Turkey are attracting a record number of agreements in IT consulting and digital sector, including e-commerce platforms, data processing services and digital payments. About 80% of takeover companies are based in developed economies, primarily in Europe, but several multinationals from developing countries are active buyers. For example, South African investors plan to buy stakes from healthcare providers across Africa and Asia, and Indian IT companies have announced a 30% increase in acquisitions targeting European and other IT markets [11].

No doubt, until full-scale vaccination, the pandemic will remain a problem for world markets, including investment markets. However, 2021 should be easier and less economically harmful than 2020. This situation is due to a deeper knowledge of the virus and the measures needed to combat its spread.

Global investment activity decline may lead to an increase in inflation, but only to a moderate level. Increased consumer demand and certain supply shortage should contribute to rising prices. But general labor market weakness and reduced demand for credit in private sector mean that this process of normalizing pricing is unlikely to hinder central banks from fulfilling their role in stabilizing the economy. Recent changes in their monetary policy, with the adoption of average inflation, will maintain indicators close to zero, even if the unemployment rate continues to decline.

Thus, optimistic and pessimistic approaches to forecasting the economic situation after the COVID-19 outbreak can be outlined. According to the optimistic approach, global pandemic has accelerated the introduction of innovation in all economy sectors. Ukraine also did not stay aside, following the six UN megatrends, which diverted the attention of investors from securities of oil and financial companies to IT and environmental.

Conclusion. To sum up, the rules of the game in the investment field have changed significantly during the crisis caused by the pandemic – there have been other priority areas of investment and the criteria by which investors choose objects for financing. Although COVID-19 has created an economic turbulence zone in all sectors of the economy, those who withstand these shocks will be rewarded with stabilized revenues and future profits.

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пандемією, правила гри на інвестиційному полі значно змінилися – стали іншими пріоритетні напрями капіталовкладень і критерії, за якими інвестори обирають об'єкти для фінансування.

Ключові слова: прямі іноземні інвестиції, інвестиційний ринок, глобалізація, COVID-19, світова економіка.

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Radchenko Lyudmyla, manager of the Reporting and Budgeting Department. LLC Nova Poshta. **Buryak Alyona,** PhD in Economics. **Novytska Iryna**, PhD student. **Ovcharenko Darya.** National University «Yuri Kondratyuk Poltava Polytechnic». **Global investment flows transformation during the COVID-19 pandemic.** The impact of the coronavirus pandemic on investment decisions in international economic activity has been analyzed and the concepts of capital flight and net capital inflows have been considered. Sources of investment have been systematized, from which companies have the opportunity to obtain resources to improve their work. Among the main sources of investment foreign aid in the form of grants, loans, etc. has been considered as a rather controversial category, as there were cases when state foreign aid had a positive impact on the economy of the recipient country and along with them there are many examples of failure to use such aid. Currently, there is an intensification of the global investment movement, as the number of countries that have increased financial resources and, as a result, have a surplus, is increasing every year. A well-established investment movement has significant positive effects not only for an enterprise that receives them, but also for a state as a whole. International organizations regulate relations between member countries, determine certain rules of individual states' or even regions' economic development, impose restrictions or, conversely, promote the intensification of activities in certain areas to certain countries (enterprises that represent them). Coronavirus has negatively affected global investment flows, leading to a decline in key economic indicators in all countries. During the crisis caused by the pandemic, the rules of the game in the investment field have changed significantly – there have been other priority areas of investment and the criteria by which investors choose objects for financing.

Key words: foreign direct investment, investment market, globalization, COVID-19, world economy.