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ASSESSMENT OF THE RELATIONSHIP OF DIRECT FOREIGN INVESTMENTS AND THE TERMS OF ECONOMIC GROWTH OF DEVELOPING ECONOMIES WITH THE ACCOUNT OF BALANCED AND UNBALANCED DEVELOPMENT

ОЦІНЮВАННЯ ВЗАЄМОЗВЯЗКУ МІЖ ПРЯМИМИ ІНОЗЕМНИМИ ІНВЕСТИЦІЯМИ ТА УМОВАМИ ЕКОНОМІЧНОГО ЗРОСТАННЯ КРАЇН, ЩО РОЗВИВАЮТЬСЯ, НА ОСНОВІ ЗБАЛАНСОВАНОГО ТА НЕЗБАЛАНСОВАНОГО РОЗВИТКУ

Among the many problems that are part of the subject of economic science, economic growth has always been one of the most ambiguous and controversial. The importance of this issue in a transformational environment with multiple development vectors applies both to economically developed countries and to developing countries. The article considers the main concepts of the economic growth. It will examine the relationship between direct foreign investment and the pace of economic growth in developing countries in terms of the fundamental components of balanced or unbalanced developmentAn example of macroeconomic indicators is presented in terms of their balance of economic growth. Direct foreign investments are described as the engine of structural changes in the economy. The main result is to demonstrate the connection and interdependence between growth in gross domestic product as the criterion of economic growth of the national economy and the movement of foreign direct investment on the example of developing countries in the global context. It is proved that a steady flow of foreign direct investment ensures equilibrium economic growth due to the growth of new sectors. The dynamics of the movement of foreign direct investment (FDI) in groups of different countries (developed, developing, transition) and future trends in their development. The main tendencies of attraction of foreign investments by the countries belonging to different groups are analyzed. An overview of the reasons for changes in the activity of direct foreign investment flows in different periods of world economic activity was conducted. Scientific novelty is to establish the interconnection of foreign direct investment and the growth rates of developing countries in terms of the fundamental components of balanced or unbalanced development. Further research will focus on factor analysis of FDI flows.

Keywords: developing economies, direct foreign investments, GDP, economic growth.

Серед багатьох проблем, що є частиною вивчення економічної науки, економічне зростання завжди було одним з найбільш неоднозначних і суперечливих. Важливість цього питання в трансформаційному середовищі з множинними векторами розвитку стосується як економічно розвинених країн, так і країн, що розвиваються. У статті розглядаються основні концепції економічного зростання. Визначається взаємозв'язок між прямими *іноземними інвестиціями та темпами економічного зростання в країнах, що розвиваються, з точки зору основних компонентів збалансованого або незбалансованого розвитку. На прикладі макроекономічних показників представлений їх збалансованість економічного зростання. Прямі іноземні інвестиції описуються як двигун структурних змін в економіці. Головний результат полягає в продемонстрації зв'язку та взаємозалежноісті зростання валового внутрішнього продукту як критерію економічного зростання національної економіки та руху прямих іноземних інвестицій на прикладі країн, що розвиваються, у глобальному контексті. Доведено, що сталий потік прямих іноземних інвестицій забезпечує рівновагу економічного зростання внаслідок зростання нових секторів економіки. Динаміка руху прямих іноземних інвестицій (ПІІ) у групах різних країн (розвинутих, країнах, що розвиваються, перехідних) та майбутніх тенденцій їх розвитку. Проаналізовано основні тенденції залучення іноземних інвестицій країнами, що належать до різних класифікаційних груп. Проведено огляд причин змін в обсягах прямих іноземних інвестицій у різні періоди функціонування світової економічної системи. Наукова новизна полягає у встановленні взаємозв'язку між прямими іноземними інвестиціями та темпами зростання країн, що розвиваються, з точки зору фундаментальних компонентів збалансованого або незбалансованого розвитку, що дозволяє здійснювати подальші дослідження, зосереджені на факторному аналізі потоків ПІІ.*

Ключові слова: економіка країн, що розвиваються, прямі іноземні інвестиції, ВВП, економічне зростання.

Introduction. Among the many problems that are part of the subject of economic science, economic growth has always been one of the most ambiguous and controversial. The importance of this issue in a transformational environment with multiple development vectors applies both to economically developed countries and to developing countries. It is economic growth that determines the level of development of countries, living standards and inequalities between countries. In connection with the complex interconnections of the components of the economic system (under which we understand the political situation in the country, the social mood of society, the level of generation, diffusion and perception of innovations, etc.) of the national and, more so, global levels, each separate model of economic growth is significantly limited in its capabilities, so the system can be adequately analyzed and described only with the help of many components. Each combination of components of a separate system describes its state and patterns of growth.

Setting objectives. This article will examine the relationship between direct foreign investment and the pace of economic growth in developing countries in terms of the fundamental components of balanced or unbalanced development.

To achieve this goal, the article will be structured according to the following scheme:

1. Definition of the essence of the concept of "economic growth"

2. Conducting a comparative review of the theories of the concepts of economic development of countries within a single paradigm. Namely, a comparative analysis of the concepts of balanced and unbalanced economic growth of countries. The variant of exogenous growth will be considered (When using the term "paradigm" in the article we use the approach of T. Kuhn, which broadly defines the paradigm as a disciplinary matrix) [1].

3. Analysis of Key Data of GDP, Growth of world output, Contribution to Global Growth, FDI

Methodology. The research was carried out using economic-mathematical, calculation-analytical, visual-graphical methods for analyzing the trends of the global entreprises.

Research results. The desire to achieve the effective development of different countries, all the time pushes researchers to create and improve various concepts of economic development and growth. We believe that the most successful definition for using the term "economic growth" is the statement given by Safronchuk MV, "the increase of real GDP at full employment as a result of the expansion of the country's productive capacity over a certain period of time. The rates of economic growth are calculated in terms of real GDP growth in percentage terms and are usually calculated for the year. However, depending on the nature of the research, this figure can be calculated for a month, a quarter, a decade, that is, after which any reasonable period of time. At the rate of GDP growth refers to the ratio of the difference between real GDP in the considered and in previous periods to real GDP in the previous period. Economic growth is a dynamic aggregate indicator and characterizes the state of the economy as a whole in the temporal aspect "[2].

One of the characteristics of economic development is its balance. Economists in their concepts of economic development and growth see both balanced and unbalanced growth.

In order to achieve a balanced state, all sectors of the economy must develop simultaneously. Quite a large number of economists believe that the achievement of such a state in the economy is impossible or even impractical, and unbalanced development is more acceptable.

For developing countries, Asia, Africa and Latin America in the 50's and 60's of the 20th century. the strategy of balanced economic growth was actively used. Under balanced growth it is common sense to understand such a process of economic development, in the process of which the main macro indicators grow at a constant pace. One of the most well-known is the concept of a "big push" initiated by Rosenstein-Rodan M. In the framework of this concept, it was intended to create several industrial sectors in the country, each of which could cause demand for other products. So growing demand will become an economic justification for the functioning of industries that previously justified it [3]. Thus, with a balanced growth, it is anticipated that such investments will be split into branches in order to balance their development. What is paradoxical is because the industry with a lower level of attractiveness receives a smaller inflow of foreign investment, while for an equilibrium general state, it needs more external financing. Consequently, it should be concluded that FDI itself is not sufficient for a balanced growth of the economy. Important is the economic policy of the country, which helps to properly allocate the flow of FDI to industries within the country.

In 1958, Albert Hirschman formulated one of the first concepts of unbalanced growth, which was included in the experimental field of the theory of "great push". A key hypothesis is that investing in all interconnected sectors of the economy takes place simultaneously (as in the theory of balanced growth), but only in strategically important areas. According to this theory, other non-priority sectors will develop automatically [4]. Creating such imbalances through investing is, in his opinion, the best strategy for growth. In the absence of resources and underdeveloped economies should be guided by their maximum use. Accordingly, a strategically important sector for the economy should be a priority over others. This allows the use of FDI as a factor for the development of unbalanced growth.

The idea of a balanced investment set has been criticized by the West, which argued that the implementation of this plan would lead to the addition of a new economic system over the old one. The absence of a central regulatory authority, can not lead to a coincidence in space and time. And the imbalance in the process of modernization will be a factor in the slowdown.

In order to implement the modernization plan through a balanced set of investments, it is necessary to have huge capital, which is a factor that is absent in third world countries. Therefore, A. Hirschman proposes for them a concept of unbalanced growth. The first investment will lead to a disturbance of balance, but it plays a positive role as an incentive for new investments. New investments, correcting the old imbalance, will lead to imbalances in other sectors and the economy as a whole, which, in turn, will contribute to further growth. Such a concept is perceived as more real than the proposed abstract theories of balanced growth [4].

The engines of structural changes in general over the long run are scientific and technological revolutions and diffusion of innovations in scientific and technological progress. While in developing countries, structural changes due to the lack of necessary funding are mainly not due to innovation, but through imitation, copying, transfer of technologies (new products and methods) developed in industrialized countries. Here, a significant role is played by foreign direct investment, which contributes to the transfer of foreign technology, institution-building, and the growth of human capital. Only few developing countries can afford R & D. On the whole, developing countries are constantly in the role of outsiders that are far from the technological boundary.

FDI in developing countries is a factor stimulating the development of a new industrial sector, where the labor force from the traditional (agrarian) sector is gradually shifting. During this transitional period there is a dual economy in the country. Today it shifts across sectors. And the dual economy is already manifested in the transition of human capital to the tertiary sector due to the dictation processes that are rapidly spreading through globalization.

Endogenous development models show that the country's capital itself is usually not enough to maintain the pace of economic growth in developing countries. Even when innovation is seen as a source of growth in developing countries, they are FDI, which ensures their inflow to the country.

Consider the real GDP growth rates by country group for the period 2011-2017 (forecast) (Figure 1).

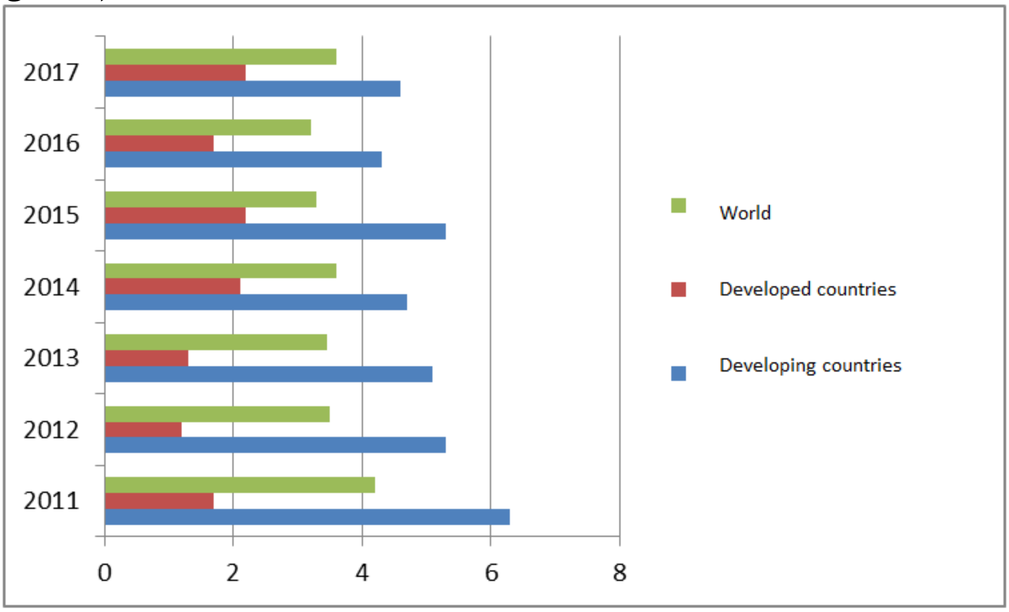

Figure 1 - Real GDP growth by country group in 2011-2017 (forecast),%.
Source: compiled by author on the basis of [5]

As can be seen from the figure, GDP growth in developing countries declined from 6.4% to 4.3% during 2011-2015. In 2016, the value of this indicator amounted to 4.3%, and from 2015, a gradual increase in growth to 4.6% in 2017 was projected. At that time, the situation in developed markets was more volatile and growth in the years 2013-2015 from 1.3% to 2.2% changed with a drop in growth to 1.7% in 2016. And a slight alignment in 2017 is projected to 2 , 2%, 2015 level

The decline in world GDP in the period 2011-2013 from 4.2% to 3.5% is due to the contraction of GDP formed from 6.2% to 5%, and the developed 1.8% and 1.6%, respectively. Therefore, we can conclude that the pace of GDP reduction in emerging and developing markets has a more significant impact on GDP. Growth of GDP in 2016-2017 from 3.2% to 3.8% was ensured by a significant increase in GDP by 0.4% of developed economies. While emerging markets have shown growth of 0.2%.

Then, let's consider the relationship between GDP growth and FDI in groups of countries, analyzing FDI flows (Figure 2)

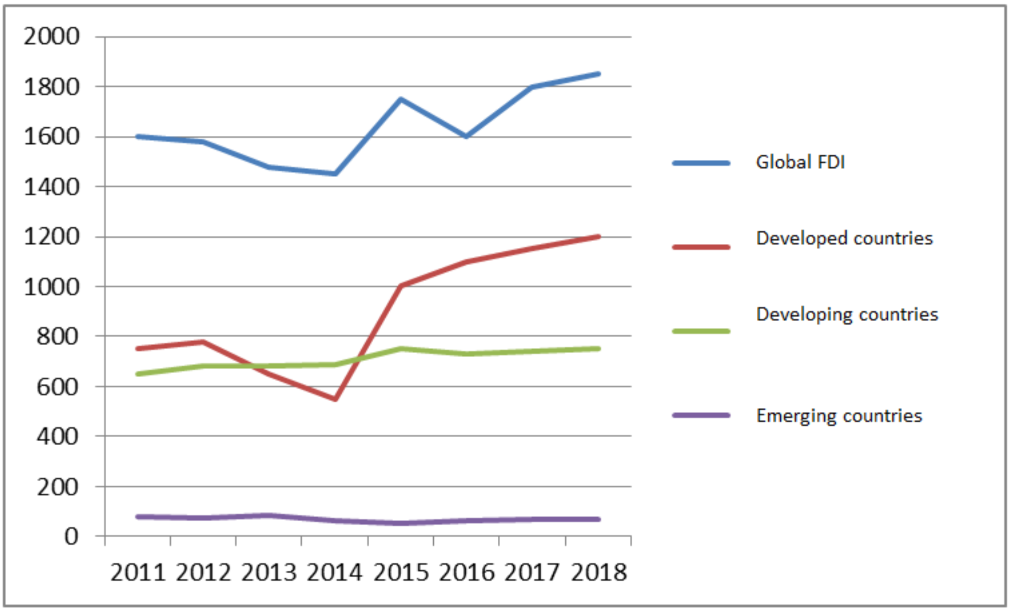

Figure 2 - FDI flows in the world, global and by country groups, 2011-2016, with the forecast for 2017-2018, billion dollars.
Source: [5].

In 2015, foreign direct investment (FDI) jumped 38% to 1.76 trillion. USD, the highest level after the global financial crisis of 2008-2009. The major factor behind such a global recovery was the jump in international mergers and acquisitions (CIP) to 721 billion dollars. against 432 billion dollars in 2014 Investments in new projects remained high - 766 billion dollars.

After a strong rise to more than 100 billion dollars. in the period of 2014-2015, global FDI flows lost their growth rates in 2016, indicating that the path to recovery remains difficult. Nevertheless, the minimum of 2014 was not achieved. The global inflow of FDI in this period decreased by 2% to 1.75 trillion because of unstable economic growth and significant political risks perceived by multinational enterprises (TNCs). The period 2011-2017: the reduction was largely due to the volatility of the world economy, the unpredictability of policies for investors and increased geopolitical risks. In addition, along with new investments, cases of significant amounts of previously invested funds have taken place. FDI flows have shrunk, despite improvements in macroeconomic parameters such as GDP, trade, gross fixed capital formation and employment. In 2015, there was a high dynamics of FDI recovery.

The group of developing economies has suffered particularly, with a decrease of 14% to $ 646 billion.

Direct foreign investment remains the largest and most permanent source of external financing for the development of their economies - in comparison with portfolio investments, money transfers and official development.

FDI inflow has fallen in all developing regions:

- Foreign direct investment in Asia has declined by 15% to $ 443 billion in 2016. This is the first recession for five years.

- The flow of foreign direct investment to Africa continued to decline, reaching $ 59 billion, a decrease of 3% from 2015.
- The decline in the trend of foreign direct investment flows to Latin America and the Caribbean has accelerated and reached 14 percent - $ 142 billion due to the continued economic downturn, weak commodity prices and export pressures.

The increase in FDI inflows to developing countries in 2012 is accompanied by a sharp decline in FDI to developed economies. The inflow of FDI to advanced economies in 2016 has almost doubled (by 84%), compared with 2014. The high inflow was recorded in Europe. In the United States, there has been almost fourfold increase in FDI, albeit with a low level compared to 2014 levels. Therefore, the share of developed countries in the global flood of FDI jumped from 41% in 2014 to 55% in 2015, unfolding the tendency of the last five years, when the regions of developing countries and countries with economies in transition have become the main recipients of global FDI.

After three years of decline, the export of FDI from developed countries increased by 33% to 1.1 trillion. dollars As a result, in 2015, developed countries accounted for 72% of global exports of FDI, which led to an increase of 61% compared with 2014. This increase is 11 pp. marked the end of an almost continuous recession that began in 2007. Despite this increase, the export of FDI from developed countries remains 40% below the maximum achieved in 2007. Europe became the largest investor region in the world in 2015, having withdrawn FDI by 576 billion dollars.

The next step is to identify the relationship between the FDI flows to the group of countries and the growth of global gross domestic product and gross domestic product.

Comparing the data from the two figures, it can be seen that the almost stable FDI flow in the analyzed period provides approximately stable GDP growth in emerging economies. In other words, it supports its equilibrium growth.

The contraction of world GDP growth in 2011-2013 is accompanied by a sharp decline in world investment flows in the period 2011-2014. Reducing global FDI flows has been leapfrogging in 2011-2014, reaching its minimum level of 7 years in 2014 and narrowing to more than by 1500 billion dollars

The gradual growth of GDP from 2014, with a fairly rapid jump in 2017, was able to ensure a significant increase in world FDI in 2015. In 2016, it did not show any difference in the growth of world GDP compared to 2015, and as a result of the rapid decline in global FDI flows in 2016, 2017 and 2018, a marked revival of world FDI is characteristic.

The GDP of developing countries reached its minimum value in 2016 after a significant recovery in 2015 after a three-year period (2011-2014) falling. At that time, FDI flows to developed countries during 2011-2013 grew at a gradual pace. And even in 2014, when FDI in developed countries reached its minimum, FDI in developing countries experienced only a slight reduction. In 2016-2017, stable FDI inflows to developing countries have contributed to the gradual growth of their GDP.

Decrease of GDP growth of developed countries in 2011-2013 is explained by the deceleration of the rate of inflow of FDI to the countries in 2012-2014. The rapid increase of FDI inflows to developed countries after the minimum of 2014 in 2014-2017 ensures a gradual restoration of GDP growth rate in 2014 2017, 2016, when the GDP of developed countries, as well as the world's GDP and GDP of developing countries, has fallen far from indicative against the backdrop of a general economic decline in the world.

According to UNCTAD, the growth of FDI in developed countries is likely to improve due to the expected easing of fiscal policy and the growth of business confidence in the United States, as well as cyclical impetus in Europe and Japan. It is also projected that emerging economies will recover considerably from China's economic growth and the sharp economic expansion of natural resource exporters, as commodity prices are expected to increase, especially for crude oil.

UNCTAD analysts distinguish between two groups the reasons for changing the activity of FDI flows: macroeconomic factors and corporate and external ones.

World trade and investment, which had been restored since the global financial crisis, have substantially slowed down, both in absolute terms and with the growth of world GDP. This slowdown is more pronounced in emerging market countries. Among the important reasons for these trends is the reaction to changes in oil prices, as well as a decrease in the level of investment and imports in some exporters of stock commodities.

In addition to the weakness of investment-related commodities, these changes reflect a significant decline in the exchange rates of many of these countries and the effects of sanctions on Russia, as well as high sensitivity of capital expenditures and imports to aggregate demand during periods of economic upheaval. In other emerging market economies, the declining growth of trade and investment was less significant and in general responded to a slowing down of aggregate economic activity.

UNCTAD predicted a 10-15% reduction in FDI flows in 2016 in the world of vulnerability of the global economy, still lingering aggregate demand, sluggish growth in some countries - exporters of raw materials, effective Western policy of tax inversion operations in 2015 to the lowest point after the global financial and economic crisis of 2008-2009. The growth of geopolitical risks and regional tensions can further exacerbate the expected decline. In the medium term, FDI flows, according to projections, will resume growth in 2017 and surpass the 1.8 trillion boundary. dollars in 2018 From the diagrams it is seen that the expected recovery of FDI due to the development of Asian economies, the US, BRICS, EU, as locomotives, developing world economy. From external factors, technological change and global urbanization prevail, and human capital is of paramount importance.

Conclusions. Throughout the research, there is a correlation between FDI flows and GDP growth. In the example of GDP growth of developed countries in the period 2015-2017, after the lowest value in 2013, we see how a significant influx of FDI into a group of these countries affects GDP. This is a vivid example that proves this dependence. In 2015, global FDI inflows increased by about 40% to 1.8 trillion. dollars - The highest level since the beginning of the global financial and economic crisis in 2008. However, this growth has not led to a proportional expansion of production capacity in all countries. Therefore, we observe that the growth of FDI flows is more rapid than GDP growth in these countries. In developing countries, a new maximum inflow of FDI was reached - USD 765 billion. in 2016, by 9% higher than in 2014. Developing countries in Asia, where FDI exceeded half a trillion dollars, remained the recipient of the world's largest volumes of FDI.

Scientific novelty is to establish the interconnection of foreign direct investment and the growth rates of developing countries in terms of the fundamental components of balanced or unbalanced development. Further research will focus on factor analysis of FDI flows.

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