Necessary conditions for improving the efficiency of innovation are the focus of production on consumers and competitors and flexible adaptation to market conditions. To be successful, companies need to pay attention to the phases of the main life cycles of development. It should also be borne in mind that each phase is characterized by its own, unique set of areas of innovation. This requires a corresponding change in the strategy of innovative development of the enterprise. The main aspirations of managers should be aimed at maximum adaptation to changes in the market situation at each stage of the development life cycle. The ability to modify, move to higher stages of development or, conversely, to get into crisis, requires the company to change goals, strategies and ways to implement them. The study and consideration of theoretical, practical processes of cyclical development of enterprises will allow stakeholders to predict their condition in the future, managers to make informed management decisions. The task of developing systems for evaluating and managing the life cycle of enterprise development is important and relevant.

REFERENCES:

1. Чепеленко, А. М. Інноваційний розвиток як чинник конкурентоспроможності економіки України / А. М. Чепеленко // Теоретичні і практичні аспекти економіки та інтелектуальної власності: Збірник наукових праць. – Маріуполь: Аванті, 2011. – Т. 1. – С. 288–293.

2. Chepelenko, A. Economic and military security in the conditions of economic instability // Black Sea Scientific Journal of Academic Research. – 2014. – Т. 11. – № 4. – С. 14–14.

Elizaveta Yakubova
Science tutor *L. Bedritskaya*
BSEU (Minsk)

CAN FDI BECOME A DESTROYER OF AN ECONOMY?

The purpose of this paper is to analyse the effects of FDI, define its role in world economic relationships and find out whether it can destroy economies.

Foreign direct investment is an investment in long-term economic interest. Usually, FDI is talked about in a positive way. In fact, FDI seems to be a useful tool to help middle income countries sustain and support growth. The contribution of FDI on growth seems to be paramount after the 2009 crisis whereby average growth is lower.

But as statistic shows, 45% of FDI-effects are negative. Among the cons of FDI-export in donor country are capital outflows (balance-of-payments imbalance); the loss of job creation potential; substitution of export goods; deindustrialization. As for the effects in recipient countries, according to the Marcusen-Horstmann-Venables model, with a decrease in the welfare of national companies and their subsequent ousting from the market, national enterprises cannot provide lower average costs due to economies of scale compared to multinational corporations. Besides, other negative effects can be seen: promoting goods into the market of the recipient country that have already passed their life cycle, as well as those discontinued as a result of identifying substandard properties; environmental pollution; some economic and political dependence on the exporting country; increase in external debt due to imports of loan capital; possible violation of the stability of the national currency and the general financial economic situation in the country; potential loss by the recipient country of tax revenues, customs duties due to the use of transfer prices by international corporations.

As an example of the destroying power of FDI the situation in Czech Republic during 1998-2002 will be explored. The inflow of FDI increased and foreign investors began to acquire important industrial enterprises. Since the enterprises were bought in the national currency - Czech koruna, their value in foreign currency turned out to be significantly underestimated. The increase in investment was followed by an increase in exports of products and the koruna's exchange rate fell in comparison with the world. Revenue in local currency fell, which negatively affected domestic producers and, conversely, positively affected foreign investors. As a result, the Czech economy missed about $ 45 billion from its export revenues.

Another case of negative impact is devoted to Argentine great depression. Special conditions were created for foreign investors there – they were completely exempted from taxes for 5-25 years. As a result, according to some estimates, multibillion-dollar foreign investment was accompanied by the loss of at least $ 280 billion in profits per decade. And this fact together with the influence of Domingo Cavallo's reforms resulted in crisis and led to depression in the country.

But it was found out, that FDI – irrespectively of their level – do not impact positively growth only for the bottom 20% (in institutional quality terms) of countries. This suggests that even small but significant improvements shifting the country outside of the bottom 20% – within its own income group - should in principle be conducive to positive spillovers of FDI on growth outcomes. Ultimately, a commitment to a genuine reform agenda is not only conducive to a more sustained growth performance in the medium term, but it also enhances the abortion capacity of FDI, thus reaping the benefits of financial and trade liberalization. Moreover, it was detected a statistically significant inverted U-shaped relationship between countries' income levels and the size of FDI impact on growth. Moving from low- to middle-income countries the effect gets larger. On the other hand, it diminishes again transitioning to high-income countries. We can see the correlation between the volume of FDI and economic growth.

Especially, the importance of FDI has increased after the crisis – i.e. the share of its contribution to average GDP growth was higher after the crisis. The overall impact of FDI on GDP growth (in terms of percentage contributions) as well as its share in average GDP growth per capita are significantly higher in middle-income countries. Finally, the percentage point contributions as a share of GDP per capita growth has increased significantly post-crisis in high-income countries, thus making FDI an even more relevant driver of growth in the current decade. This is even more relevant in the current low growth environment, whereby market based engines of growth are very much needed.

So, it comes as no surprise that dilemma of controversial economic impact of FDI exists. And there the role of competent governmental policy is of special importance. Most of countries bear in mind the policies of attracting FDI to boost the economy, but the negative effects should not be given a miss. As an example, to support national businesses and prevent unwanted impact, China restricts and prohibit FDI in some spheres. In particular it includes fishing, producing weapons, post, consulting services in Chinese law, stem cell research, media, production of traditional Chinese medicines, etc.

The bottom line is that FDI can be either a destroyer or a benefiter of the economy. Being correctly used it can become a crucial engine for the world economy, but some mistakes can ruin everything. The well-balances state policy can help FDI to become an ally on the global stage.

REFERENCES:

1. Петрушкевич, Е. Н. Международная инвестиционная деятельность / Е. Н. Петрушкевич. – Минск: БГЭУ, 2020.
2. European Investment Bank [Electronic resource]: Impact of FDI on economic growth: The role of country income levels and institutional strength. – Mode of access: https://www.eib.org/en/publications/economics-working-paper-2020-02. – Date of access: 01.03.2021.
3. Yandex Zen Re-Journal [Electronic resource]: Как прямые иностранные инвестиции разрушают экономику. – Mode of access: https://zen.yandex.ru/media/fx_recharge/kak-priamye-inostrannye-investicii-razrushaiut-ekonomiku-5cb7654f89287900b301535e. – Date of access: 03.03.2021.
4. Sayed, A., Рассоха, Е. В. Theoretical aspects of influence of direct foreign investments on economy // Труды БГТУ. Серия 5: Экономика и управление, 2017.
5. Wikipedia [Electronic resource]: 1998–2002 Argentine great depression. – Mode of access: https://en.m.wikipedia.org/wiki/1998%E2%80%932002_Argentine_great_depression. – Date of access: 10.03.2021.