

# ANALYSIS OF APPROACHES OF FOREIGN RESEARCHERS TO ASSESSMENT OF THE IMPACT OF FOREIGN DIRECT INVESTMENT TO THE RECEIVING ECONOMY

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**Abstract.** During several last decades such issues as the research of the influence of direct foreign investment (DFI) and related effects on the receiving economics is widely debated in numerous works of foreign and Russian economists. This circumstance witnesses the high topicality of this work. Nowadays there are many enough multifaceted approaches and developed mathematic models, used for the evaluation of the DFI influence on the receiving economics. Each such approach has got its advantages and shortages, which are necessary to be taken into account while selecting such or such approach in order to assess the DFI influence in each certain case. It is obvious, that such a choice should be made basing on a certain totality of factors, which have been included by different authors in models they are being developed. The main purpose of such a research is to systematize approaches, offered by foreign economists in order to evaluate the DFI influence on the economics of the receiving country. Provided the adaptation of obtained results to realities of the Russian economics it will allow to obtain more substantiated evaluations of the potential DFI influence on the receiving economics.

**Keywords:** direct foreign investments, approaches of foreign economists, evaluation of the influence, receiving economics.

**Introduction.** In modern conditions of the high degree of the wear of fixed assets of national enterprises the involvement of DFI can be named as pivotal factor of the Russian economics. DFI contributes to the creation of new manufacturing capacities or increases the demand for already existing ones. Besides that the involvement of the foreign capital is one of main sources of the innovative development of economics, as it does not only contribute to the implementation of technologic innovations and to the provision of the stable economic growth for the receiving economics, but also brings the new knowledge and innovative technologies of production manufacturing. Researchers consider, that the exchange of technologies causes the increase of the technologic level and of the personnel qualification in the invested branch. This is the most obvious positive effect of DFI [1]. The upgrading of the staff qualification becomes a real incentive for the growth of experts' wages, as well as for the development of the scientific & technical progress in the receiving country [2, 3].

Anyway, the involvement of DFI can also cause negative consequences, for example, to the status of the payment balance, replacing the profit by DFI or due to the application of the profit non-disclosure schedules. It is not uncommon, than local manufacturers have been suffocated or bought in order to eliminate competitors. Such risks as the transfer of "brownfields" to the country, transfer of redundant productions, low-paid works and the reduction of the obsolete equipment for the manufacturing of production, coming already to the last stage of its life cycle [4]. Unhealthy institutional and economic environments also are an obstacle for the involvement of DFI. This is one of reasons of the absence of the expected positive effect from the DFI involvement [5].

Along with direct effects DFI also have the indirect influence on the receiving economics through the economic environment, institutes, third parties. For example, the presence of foreign companies in the branch influences the productive efficiency of national companies. The character of this influence, as well

as of direct effects can be both positive and negative.

### **Literature review.**

The first scientific work, considering the influence of DFI on the receiving economics, was the research of the American economist R. Vernon, published in 1966 [6]. This research laid the ground for theoretic & methodological principles of the organization, as well as for the optimization of the process of the involvement of the foreign capital and of the efficiency of its application.

During the time passed since then many foreign economists have studied different aspects of the DFI, as well as its influence on the economics of receiving countries. Was created the whole range of significant theories, many of which have been developed in future. To basic ones are referred such as the capital market imperfection view (S. Hymer, Ch. Kindleberger) and the internationalism theory (P.J. Buckley, M. Casson), the flying geese paradygm (K. Akamatsu, K. Kojima, T. Ozawa), oligopolistic defense theories (F. Nickerbocker, E. Graham) and competitive advantages (M. Porter), theories of OLI-preferences and of IDP-trajectories of the investment development [7].

The research was performed in order to evaluate external effects of the DFI inflow to developed countries (R. Caves, S. Globerman, B. Aitken, S. Girma, R. Griffith), to developing countries (M. Blömsroem, A. Kokko, B. Altken), to transitory economics (S.M. Kadochnikov, S. Djankov, Y. Kinoshita). Were revealed dependences of such effects from the capability of enterprises of receiving economics to master such investments, provided the technological gap level (A. Kokko, R. Fmdlay). The research performed has revealed negative (R. Caves, S. Globerman, H. Hien) and positive sides of both direct and indirect effects, provided by DFI on the receiving economics (A. Kokko, P. Egger, S. Djankov, P.J. Buckley).

The fairly large number of publications offered different approaches to the evaluation of the DFI effect in different countries. These works mainly evaluated the DFI influence on both the work performance and the economic growth in the recipient country [8]. The most part of such kinds of research is dedicated to

the evaluation of the DFI influence on the production capacity of enterprises of receiving economics. Were developed different models for the studies of the development of the production capacity of receiving economics, was performed the large number of tests in order to analyze the "cross flow" of technologies, as well as the involvement or crowding-out of receiving branch enterprises, as well as of enterprises in related industries (B. Aitken, A. Harrison, J. Buckley, S. Dimelis, H. Louri, N. Ponomaryova, N.Y. Melentjeva [9]). Besides above mentioned ones were developed models for the evaluation of the technological exchange (K. Ramanathan, G. Blalock, P.J. Gertler) and of spillover effects (H. Görg, E. Strobl, E.A. Fyodorova [10]). The DFI influence in such kind of models was evaluated at the branch and company level.

In developed models for the evaluation of DFI on rates of the economic growth was analyzed the influence of the foreign capital on the social & economic development of the receiving country at the macroeconomic level.

### **Methods and materials.**

As methodological basis for the research were used methods of the comparative, logic, multivariate analysis, generalization and synthesis. As basic materials for the research were used numerous works of foreign scientists-economists, where they were substantiating approaches and developing models for the evaluation of the DFI influence on the economics of the receiving country.

### **Results.**

Notwithstanding the considerable time period and rather large number of studies foreign economists were not able to determine unambiguously the character of the DFI influence on the receiving economics in developing countries. The summary table, given below, consolidates the huge range of studies in this area. According to the table data the opinion can be made that in different countries in different time periods DFI was influencing the receiving economics both positively and negatively. With that in some countries there was no effect from the DFI inflow (see table).

Table. Studies of evaluations of the DFI influence, on the production capacity of enterprises (branches) of the receiving economics, carried out by foreign economists

Character of influence	Authors	Year	Country	Period
Positive	Kokko et al.	1996	Mexico, Uruguay	1970-1988
	Egger et al.	2001	Austria	1981-1994
	Djankov, Hoekman	2000	Czechia	1992-1996
	Ghatak, Halicioglu	2006	At the example of 140 countries	1991-2001
	Fu, Balasubramanyam	2005	China	1987-1998
	Hunya, Geishecker	2005	At the example of 27 countries	1993-2007
	Buckley et al.	2007	China	1995-1999
	Akulava, Vakhitova	2010	Ukraine	2001-2007
	Takii	2011	Indonesia	1990-2003
	Xu, Sheng	2012	China	2000-2003
	Dua, Harrison, Jefferson	2012	China	1998-2007
	Farahani, Sadr, Hossein	2013	Middle East countries	1999-2010
Negative	Caves	1974	Canada, Australia	1962-1967
	Globerman	1979	Canada	1972
	Hthin Hien	2019	Vietnam	2011-2015
No influence	Blomstrom, Persson	1983	Mexico	1970
	Haddad, Harrison	1993	Morocco	1985-1989
	Hisarckilar et al.	2006	Algeria, Egypt, Israel, Cyprus, Syria, Turkey, Tunisia, Jordan	1970-2003
	Faras, Ghali	2009	UAE, Saudi Arabia, Oman, Qatar, Kuwait, Bakhrein	1970-2006
	Azman-Saini, Baharumshah, Law	2010	At the example of 85 countries	1976-2004
	Dimelis, Papaioannou	2010	At the example of 42 countries	1993-2001
	Zukowska-Gagelmann	2000	Poland	1993-1997
Ambiguously	Girma et al.	2001	England	1991-1996
	Kholdy	1995	Mexico, Brazil, Chili,	1970-1990
	Aitken, Harrison	1999	Venezuela	1979-1989
	Zhou et al.	2002	China	1992-1995
	Dimelis, Louri	2001	Greece	1993-2000
	Anwar, Nguyen	2011	Vietnam	1990-2007
	Waldkirch, Ofosu	2008	Ghana	1991-1997

Source: drafted by authors on the basis of studies [11, 12, 13, 14]

Positive effects of DFI are expressed not only in the increase of the labor efficiency, but also contribute to the growth of GDP, of production export volumes, of the occupancy, especially among high qualified experts. Most negative effects of DFI are referred to the destructive influence of international corporations on the structure of the national economics, as well as on labor markets [15]. It is shown by the strong growth of the competition, high differentiation of incomes of the employable population, decrease of the production capacity of enterprises, which are not

receiving DFI. These effects can be especially clearly seen within the short term period.

#### Discussion.

As DFI provides variable effects on the receiving economics, it is difficult enough to give it a unique estimate. Accordingly, the decision to involve DFI in such or such branch should be weighed and should be made on the basis of the evaluation of both positive effects and negative consequences. Thereby issues, referred to the obtaining of quantitative evaluations of such an influence and the consideration of the whole totality of factors and consequences are still topical.

The analysis of theoretic approaches and of model calculations of foreign authors, given in the work hereunder, showed that two trends of the obtaining of quantitative evaluations of the DFI influence on receiving economics: evaluation of the DFI influence on economic growth rates; evaluation of the DFI influence on the production capacity of enterprises of receiving economics.

Models, used for the evaluation of the DFI influence on the economic growth are complicated enough and require the presence of certain ranges of the statistic data, as well as have a range of shortages, what explains its rare practical application.

By contrast, models for the evaluation of the DFI influence on the productive capacity of enterprises or of a branch of the receiving economics, are widely spread in the economic practice, as it cover different countries and different time periods. Anyway, results, obtained by researchers, are rather various, what does not allow to give an unambiguous answer about the character of the DFI influence on the receiving economics within the enterprise-branch breakdown.

It should be highlighted that due to different reasons and factors studies of quantitative evaluations of the DFI influence on the production capacity and on the economic growth still do not enjoy enough attention in Russia.

### Conclusion.

The performed analysis of works of foreign economists allow to make an opinion, that DFI has got differently directed effect on the receiving economics. In this juncture in the modern economic literature there is still no generally recognized comprehensive approach to the evaluation of the DFI influence on the receiving economics. This circumstance can be explained by following reasons.

Firstly, by the rather complicated analysis of the totality of costs and profits from the DFI inflow in the receiving economics.

Secondly, the disunity of results can be explained by the lack or protection of the required data. For example, in order to evaluate the production capacity are used such indices as the number of enterprise employees, fixed assets, the share of the foreign property in the enterprise, the DFI volume, the level of wages. Unfortunately, not all enterprises provide such information for the open access.

Thirdly, social & economic conditions are not same in receiving countries. As a rule, it differ considerably by levels of the absorption capacity, development of the human capital, development of the institutional environment and a range of other not less significant factors.

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## **АНАЛИЗ ПОДХОДОВ ЗАРУБЕЖНЫХ ИССЛЕДОВАТЕЛЕЙ К ОЦЕНКЕ ВЛИЯНИЯ ПРЯМЫХ ИНОСТРАННЫХ ИНВЕСТИЦИЙ НА ПРИНИМАЮЩУЮ ЭКОНОМИКУ**

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***Аннотация.** На протяжении ряда последних десятилетий вопросы исследования влияния прямых иностранных инвестиций (ПИИ) и связанных с ними эффектов на принимающую экономику широко обсуждаются в многочисленных трудах зарубежных и российских экономистов. Это обстоятельство свидетельствует о высокой актуальности темы настоящей работы. Сегодня имеется достаточно много разноплановых подходов и разработанных математических моделей, используемых для оценки влияния ПИИ на принимающую экономику. Каждый из этих подходов имеет свои достоинства и недостатки, которые необходимо принимать во внимание при выборе того или иного подхода для оценки влияния ПИИ в каждом конкретном случае. Очевидно, что этот выбор необходимо делать исходя из определенной совокупности факторов, которые заложены разными авторами в разработанные ими модели. Основная цель данного исследования заключается в систематизации предлагаемых зарубежными экономистами подходов для оценки влияния ПИИ на экономику принимающей страны. Результатом проведенных исследований стал сравнительный анализ существующих подходов зарубежных экономистов к оценке влияния ПИИ на принимающую экономику. При условии адаптации полученных результатов к реалиям российской экономики они позволят получать более обоснованные оценки потенциального влияния ПИИ на принимающую экономику.*

***Ключевые слова:** прямые иностранные инвестиции, подходы зарубежных экономистов, оценка влияния, принимающая экономика.*