

Факторы, влияющие на прямые иностранные инвестиции в Россию

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Аннотация

В этой статье описаны основные факторы, влияющие на приток иностранных инвестиций и их классификации. На примере Российской Федерации проанализирована динамика прямых иностранных инвестиций и факторы, повлиявшие на инвестиционный климат. На основе полученных результатов исследования, были выявлены меры, повышающие инвестиционную привлекательность страны.

Ключевые слова: прямые иностранные инвестиции, инвестиционный климат, факторы, влияющие на прямые иностранные инвестиции, инвестиционная привлекательность.

Factors affecting foreign direct investment into Russia

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Annotation

This article describes the main factors affecting inflow of foreign investment and their classifications. On the example of Russian Federation the dynamics of foreign direct investment and the factors that have influenced the investment climate are analyzed. Based on the results of the study, measures to increase the country's investment attractiveness were identified.

Keywords: foreign direct investment, investment climate, factors affecting foreign direct investing, investment attractiveness.

The attraction of foreign direct investment (FDI) is becoming one of the most important factors determining economic growth and rise of the competitiveness of the national economy, as well as facilitating its integration into world production processes. The inflow of foreign investment into the economy of the host country has various positive affects, for example, accelerating the development of enterprises, improving the quality of human capital, creating new jobs, attracting

advanced technologies and stimulating their spread to related industries, etc.

In the Russian Federation, the main law regulating foreign investment is the Federal Law No. 160-FZ 'On Foreign Investments in the Russian Federation' [7]. It defines the basic rights and guarantees of foreign investors, the receipt of profits and income from investments, as well as determination of the business environment for foreign investors in the territory of the Russian Federation. According to the law, direct foreign investment means the acquisition by a foreign investor of at least 10 per cent stake, contribution in the authorized (aggregate) capital of a commercial organization set up or being set up on the territory of the Russian Federation in the form of an economic partnership or company under the civil legislation of the Russian Federation; the investment of capital in the fixed assets of a branch of a foreign legal entity being set up on the territory of the Russian Federation; the pursuance of financial leasing of the equipment by a foreign investor as lessor.

The process of stimulating FDI inflows can be studied on three levels: national, regional, as well as at the level of a single firm, or an investment project.

The stimulation of FDI inflows at the national level is due to the several macro- and microeconomic factors. Ensuring the inflow of FDI at the firm level involves the consideration of a variety of subjective factors, namely, the quality of investment projects, the transparency of the company, and the protection of the interests of owners from the opportunistic behavior of managers.

The regional level of stimulating FDI inflows presupposes activities in a wide range of directions: from the development of production to the formation of transport and business infrastructure and the development of the socio-cultural environment, combining micro- and macroeconomic factors of decision-making by foreign investors with respect to direct investments.

Basically, factors determining the dynamics of investment can be classified into macroeconomic and microeconomic. Macroeconomic factors include [8]:

- Investment risks, where the presence of a high level of risk discourages the majority of potential investors, which negatively affects the dynamics of investments, but this is often offset by potentially high levels of profitability;
- Investment climate (the more favorable this indicator is, the more willingly and the more the volumes of the investments are made to the market);
- Investment policy (which sometimes includes preferences for private investors in certain sectors of the economy or spheres of activity, namely, tax incentives, high dividends, which, as a result, have a positive effect on the total volume of inflow of investment capital);
- Speed and ease of access to credit and other types of loan instruments;
- Level of development of industries suitable and attractive for investment;

- Degree of development of monetary circulation in the country;
- Overall level and structure of aggregate demand;
- Availability of favorable conditions for the transfer of funds from the amount of

savings to investment.

All of the above factors affect the dynamics of investment directly in the context of individual countries or industries. Microeconomic factors include:

- Stage of the investment project, namely, growth, stagnation or decline, as, for example, at the stage of creation or even expansion of the project, the growth in the inflow of investment volumes is economically justified, as well as at the stage of recession and stagnation, where the investment dynamics tends to zero;

- Demand and competitiveness of products produced by an economic;
- Development of the market for supply and demand for the product;
- Availability and degree of development of innovative technologies in the economic entity
- Economic policy of the state in which the activity is conducted.

It is also important to mention, that if there is a noticeable and sustained economic growth in the event of a single country, it will positively affect the overall dynamics of investment in the economy of this country. In other words, the economic upturn entails an increase in the volume of investments. In the case of a steadily growing economy without sudden fluctuations, the dynamics of investment behaves predictably and directly in proportion to the overall economic situation and, therefore, grows gradually. Finally, the amount of money invested and its dynamics inevitable fall as a result of an economic crisis.

With regard to the Russian economy, which is characterized by a deformed sectoral and spatial structure of FDI distribution, special attention should be paid to the importance of local advantages as factors determining investors' decisions regarding directions and scale of investment. Given the size of the territory of Russia, it is advisable to allocate zones that are more or less attractive (and risky) for foreign investors, which results in the different intensity of the FDI flow by regions and subjects of Russia. Therefore, it is worthwhile to highlight the following classification, where 6 groups of factors of attracting FDI on the regional level are presented [1].

The first group consists of economic factors, which include three characteristics of the economic conjuncture of the region: the size of the market, prices of factors of production and the quality of factors of production. Foreign investors, who aim to sell and also to produce on the target market, are interested in the economic potential of this region. The level of the gross regional product (GRP) of this region accurately reflects this potential. In particular, the higher the GRP

level, the greater the potential of domestic demand and the more attractive the region for potential investors is.

As it was mentioned, the potential size of the market is only one aspect of the economic conjuncture, as both the value and quality of production factors in the region affect the decision of foreign investors. Indicators of labor costs and interest rates (in a country or region) are included in mostly all empirical models that describe the determinants of FDI in different countries and regions of the world. However, labor is the most important factors of production which are specific to the region. The quality, as well as, the cost of labor can play a key role in investment decision. It should be noted that a relatively high level of average wages can also be a positive factor, since potential foreign investor considers the region not only as the position of production location, but also as an additional market for its products. Due to this, the standard of living of the population in the region reflects not only the potential of the market, but also its social stability.

The second group consists of indicators that characterize the development of the infrastructure of the region, which level shows how difficult and costly it is to find suppliers and distribute goods between different markets. The development of the transport network (the density of roads and railways, the prevalence of airports and transport hubs, for example) facilitates the process of delivering necessary resources, and also provides faster and more efficient distribution of products between consumers. The availability of modern means of communication, the level of development of the credit and financial infrastructure are also essential factors contributing to the inflow of FDI into the region.

Another factor is the level of institutional development of the region. The state of institutions influences the decision-making by foreign investors especially in developing countries and countries with economies in transition. For example, a region with well-developed institutions, characterized by decision-making based on clear rules and regulations, good tax collection, a high level of public participation in the performance of civil duties indicates a favorable economic situation.

Regional economic policy, which is the fourth factor, clarifies the difference in regional FDI flows. Basically, it is about the political situation in the region relative to economic activity, primarily foreign economic agents. It can be measured by two variables. The first is an investment rating, which is an index calculated on the basis of information of a local nature. The second variable that relates to the regional political environment, determines foreign economic activity, namely, domestic private investment. The volume of investment in fixed assets reflects the overall investment climate in the region. In addition, the activity of domestic investors is a positive signal for foreign investors.

What is more, the degree of openness of the region to foreign economic relations is also important to the investor. To illustrate this factor, it is suggested to take either the indicator of net exports or the indicator of the importance of trade in the region's economy.

Geographical features of the region form the sixth group of factors, which are potentially significant for explanation of structure of FDI inflows within the country.

All of the above groups of factors form a comparative advantage of the region in the process of attracting foreign direct investment.

Also, there is a condition of investment depression when the volume of investments neither increases nor falls. As a rule, new investments in the modernization and improvement of existing production facilities or creation of new innovative productions can serve as a way out.

Talking about foreign direct investment dynamic in Russia, it's worth to mention that there were both ups and downs. These fluctuations can be explained by several factors and circumstances, reflected not only in local situation, but also world economy.

The dynamics of foreign direct investment in Russia over the past 10 years is ambiguous. Analysing the volume of FDI in the Russian Federation from 2007 to 2016 it can be noted that the greatest volume of FDI was observed in 2008 in the amount of 74782,6 million dollars. In 2009, the situation radically changed, and a sharp decline followed, the volume of FDI amounted to 36583,1 million dollars. However, in 2010 the volume increased by 18% and by 27,6% in 2011. In 2013 FDI inflow grew by 36.8% compared to the previous year and amounted to 69219,2 million dollars. In 2014, a sharp decline in FDI followed, the volume of direct investment amounted to 22031,4 million dollars. It is also seen in the table below that the inflow drastically decreased in 2015 due to several political and economical instability. Nevertheless, FDI inflow returned to more or less normal amount in 2016 [4].

Table 1. FDI inflow into Russia

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
55873,9	74782,6	36583,1	43167,8	55083,7	50587,9	69219,2	22031,4	6853,0	32538,9

According to the latest data of the Central Bank [6], the inflow of foreign direct investment into Russia for two quarters amounted to 17,395 billion dollars in 2017. It would seem that the resumption of FDI in the Russian economy after small figure in 2015 should mean that, despite the sanctions sharply restricting investments in companies with state participation, foreign business retains interest in Russia. However, it might be controversially by taking a closer look at the structure of FDI. Analysing the structure of FDI, it is obvious that a significant part of foreign investment does not lead to an increase in fixed assets. In the structure of foreign investment entering Russia in first and second quarters of 2017, there is a significant proportion of debt instruments that do not affect capital gains (24% of total). Mergers and acquisitions which

amounted 19% of total FDI in first and second quarters of 2017, being a purchase of already operating enterprises, reduce its growth. All these facts indicate unwillingness of investors to bear the risks associated with management of business in Russia.

Table 2. FDI inflows into Russia by types of direct investment

	Total (banking and other sectors)						
	Total (2+7)	Total (3+6)	Investments, changing capital			Mergers and acquisitions	Debt instruments
			Total (4+5)	Purchase of new shares	Reinvested earnings		
	1	2	3	4	5	6	7
2017 (Q1, Q2)	17 395	13 208	9 843	3 614	6 229	3 365	4 187
% to total				21%	36%	19%	24%

The rise in the World Bank's "Doing Business" ranking, in which Russia rose to 51st place in 2015, was not noticed by investors in 2015 [2]. However, in 2017 position of Russia increased up to 35th place and relatively it was not ignored by foreign investors leading to the increase of foreign direct investment inflow [3]. It should be noted, that investors consider the main obstacle to modernization and expansion of foreign investment volumes – the inefficiency of the regulatory framework, corruption and bureaucracy [5]. At this stage, economic and political instability has influenced both on Russia and on the world economy as a whole. Current forms of the national regulation of foreign investment and the state of the world economy do not yet allow to overcome the negative factors of the investment attractiveness of the Russian Federation and, therefore, do not contribute to an increase in the inflow of FDI.

Instability in the inflow of funds from foreign investors in the Russian Federation is related to these factors:

- A sharp, and most importantly significant, decline in oil prices
- General weakening of the national currency
- The introduction by Western countries of sanctions against Russia
- Weak investment policy in attracting foreign investment capital
- Unsatisfactory legislative and regulatory framework.

However, there are still several factors leading to the positive dynamics of foreign investment in Russia such as:

- Creation of territories for advanced development and special economic zones
- Development of production sharing agreements
- A large domestic market, as well as the country's rich natural resources
- Availability of labour

- The potential for the development of science-intensive and innovative industries, the availability of highly qualified specialists.

Based on the existing issues, we can identify the following measures, the implementation of which will help attract foreign direct investment. It is necessary to improve the legal framework in the field of foreign investment, focusing on the implementation of measures to stimulate investment. It is also extremely important to create the most favoured nation treatment for investors channelling their investments into medicine, education, science, culture, innovation, etc., encouraging certain activities which are important for the Russian economy. National legislation should adapt to the conditions of international investment and trade organizations and expand the practice of bilateral and multilateral agreements on guarantees and mutual protection of investments. For the growth of investments, normal political, economic and financial conditions should also be created. It is necessary to ensure the availability of financial resources. An exceptionally important task is to counteract corruption and reduce the bureaucratic burden on business. It is also necessary to create conditions for a normal investment climate, to create a favourable investment environment, to develop free economic zones, to improve the infrastructure in the regions of the country: build highways, international airports, seaports, and develop telecommunications. To attract foreign capital, it is required to comply with international legal norms related to the settlement of investment issues. It is necessary to develop special privileges and guarantees for investors in certain economic sectors and regions.

Thus, in order to improve investment climate and decrease the influence of mentioned factors affecting foreign direct investment, it is necessary for Russia to intensify FDI inflow by improving and changing the existing investment policy and measures to stimulate foreign investment. FDI in its turn will lead to increase of country's competitiveness in the world economy.

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