СВІТОВЕ ГОСПОДАРСТВО І МІЖНАРОДНІ ЕКОНОМІЧНІ ВІДНОСИНИ

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FOREIGN INVESTMENT – A WAY OF ECONOMIC RECOVERY OF THE REPUBLIC OF MOLDOVA

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Annotation. ***The purpose*** *in this article we aim to conduct an analysis of the economic recovery of the Republic of Moldova through foreign investment, addressing issues such as the impact of foreign investment on the process of modernization of the economy in transition, and the development of recommendations on improving the investment climate and efficient use of investments to accelerate the pace of modernization of our country's economy, to demonstrate that foreign investment has a decisive influence on the modernization of a transition economy, primarily the economy of the Republic of Moldova.* ***Methodology of research****. involves methods specific to studies and research scientific both theoretically and practically specific to the field. As methods of research were used: the method of theoretical analysis and generalization, quantitative, qualitative analysis and synthesis.* ***Findings.*** *It is important that the results that take the form of real investments in the Republic of Moldova be sustainable, and that the investment flows in the country increase. Markets that require investment are constantly changing due to changes in the political and economic structure of the world, affecting international capital flows. But it is vital that the international flow of capital in the Republic of Moldova continues and accelerates.* ***Practical value.*** *In any economic, socio-cultural field, investments are associated with the idea of development. Thus, investments represent the material support of the economic and social development of the country. But economic growth does not depend only on the volume of investment. It is also the result of the way in which the available funds are distributed on concrete objects, of the way in which these funds are staggered in time, of the way in which they are managed. In this context, investment is the decisive element of economic growth, the promotion of intensive, qualitative and efficient factors.*

Keywords: *foreign investment, economic growth, foreign direct investment, investments and economic growth, national economy.*

Problem statement. The transition to the market economy of the Republic of Moldova has revealed a number of problems, the complexity of which has generated more and more intense economic degradation, high inflation, budget deficit, bankruptcy of enterprises, rising unemployment that ultimately led to economic crisis. As the experience of economically developed countries shows us, one of the possibilities to solve the problems is to attract as much investment as possible and the wide development of investment activity, which is currently considered a key factor in the development of our republic's economy.

Analysis of recent research and publications. Scientists such as Carstensen, K, Toubal, F. Vintilă, D. Weitzel, U., Kling, G., Gerritsen, D. have made a significant contribution to the study of investments related to their attraction.

Research aim formation. The purpose of the article is to highlight the features of the ,,investment,, to identify the benefits and risks of new trends to determine the main directions for investment development for developing countries.

Presentation of the research main material. After 1990, Moldova entered a strong economic decline, from which it did not recover until the 2000s. Due to the low and unpromising economy, a large part of the population was forced to go abroad in search of new financial sources. Currently more than half a million of the working population work abroad. The money transferred to the country by this part of the population is the most important source of GDP (about 1 billion7 dollars7 legal). In 2009, World Bank data showed that a third of the country's GDP is provided by Moldovans working abroad. After 2000 the Republic of Moldova had a major economic growth of more than 6%, except in 2006 and 2009 when the Republic of Moldova had modest successes due to the crisis of relations with Russia which caused the ban on wine exports to the Russian market and also the economic crisis and our country. Although many attempts are currently being made to stimulate investment and develop the economy, the major role in economic growth lies with the population abroad. In the conditions of globalization, the problem of foreign investments, their influence on the modernization of economies in transition continues to fall into the category of key issues of economic theory. the social, political and economic prosperity of each country. World experience shows that in many developing countries, the investment leap in the economy began with the advent of foreign capital. Research on investment issues is also conditioned by the fact that foreign investment is one of the basic ways of integrating national economies into the world economy. In the Republic of Moldova, attracting foreign investment is a key element in the country's economic development. Taking into account the limited potential of other resources, attracting investment must become a priority direction for the Government. The Government's strategic priority is to ensure sustainable economic growth and reduce poverty. Effective policies to attract investment and promote exports serve as basic tools for implementing these priorities [1]. The topicality of the foreign investment problem is accentuated by the will of our country to integrate in the

European Union. The issue of identifying the main directions for attracting foreign direct investment and studying the experience of other countries is becoming particularly relevant. In any economic, socio-cultural field, investments are associated with the idea of development. Thus, investments represent the material support of the economic and social development of the country. But economic growth does not depend solely on the volume of investment. It is also the result of the way in which the available funds are distributed on concrete objects, of the way in which these funds are staggered in time, of the way in which they are managed. In this context, investments represent the decisive element of economic growth, of promoting intensive, qualitative and efficiency factors. Foreign investment in a global industry is the key factor without the participation of which the process of international production would have been impossible. In an appropriate volume and structure, investments ensure the replacement and modernization of technology and technologies, increase production and supply of goods, improve their quality and competitiveness, the creation of new jobs and last but not least, the increase of the quality of life. Starting from these considerations, each economic agent and each national economy constructs in an explicit and implicit way an economic development strategy within to which investments have an essential role. In theory, the investment is a long-term investment that summarizes favorable effects, an allocation of resources, capital saved, in profitable activities, hoping to recover them at the expense of future, higher income; a change in the patrimony generated by the realization of tangible, intangible and even financial fixed assets; a complex economic process, generator of other processes (exploitation, production, services, etc.). In practical terms, everything that man, entity or community undertakes, to overcome its static "condition", so in a temporal context dynamic means, in fact, investment, being about any effort to raise and train the young generation, training of the workforce is a continuous investment. long-term use, acquisitions of securities and financial assets, are concrete, real and diversified forms of investment [2]. In the literature dedicated to the financial aspects of the functioning of the economy, the notion of investments or investment expenditures has been and is interpreted differently and used in several ways. This concept is treated either quite narrowly and contradictorily, or given quite broad and expansive meanings. Thus, in a narrow sense, investments can be defined as "the totality of expenditures made for the purpose of creating, acquiring new fixed funds, improving or the reconstruction of existing fixed assets, for a long period of time "it" represents an addition to the existing capital or personal assets, resulting from the use of part of the savings obtained from the activity of that period, regardless of whether refers to fixed or working capital items, liquid capital or household property" [4]. The increasing internationalization of economic life has meant that, in the fields of economic research, the field of international investments has an ever-increasing share. This sedates the fact that investments are an important means, a priority in the growth and improvement of fixed capital which, ultimately, together with other natural resources, outlines, prefigures the structural specificity of an economy. On this basis, the operation of the economic structure and a continuous improvement of the proportions between the traditional branches and those with an important role in promoting technical progress, a closer correlation between the modernization of fixed funds and the expansion of existing ones can be ensured. financial and resource resources, which cross the legal and economic borders of states. Foreign direct investment flows are financial resources directed to a certain international investment location, which allow the issuing company to develop operations over which it has the power of decision and control. The respective financial flows, regardless of whether they take the form of capital, reinvested profits or loans granted by the parent company are accompanied by the transfer of a package of technological, managerial, informational, etc. resources. Analysts tend to consider that these qualitative inputs are, in relative terms, much more important than the financial influx itself. The main forms of movement and placement of capital on the international market are: a) foreign direct capital investments; b) loans, which are loans granted by the public or private sector to economic agents from other countries; c) foreign portfolio investments, which are made in the form of purchase of shares and bonds abroad (Most of the investments of the European Union countries in the United States of America were made in the form of portfolio investments, which allow participation in decision-making to control the undertaking concerned). Of the three forms of movement and placement of international capital (FDI, loans and portfolio investment), the stock of FDI has grown at the highest rates. This is due to the fact that the abuse of loans can create great economic difficulties for the country that receives them. The external debt service becomes over time not only a burden for the recipient countries, but they are able to hinder even their development. Unlike external loans, FDI does not generate debt, while ensuring the modernization of the economies that receive these investments. What are the differences between international portfolio investment and foreign direct investment? "International portfolio investment means the acquisition of foreign real estate (shares, bonds) on a financial market. They allow participation in decision-making, but not the right to control. External direct investments consist in the acquisition of the package of control actions, the purchase of some enterprises or in their construction on an empty site, abroad. An increase in the capital of an external subsidiary or a loan granted to it by the parent company are also forms of foreign direct investment. Ultimately, the exercise of control is that which distinguishes the two categories of foreign investment. A portfolio investment can be transformed into a direct investment, provided that a minority shareholding is transformed into a majority one" [3]. At present, largely due to the fact that the investor has the opportunity to exercise full control over the activity of capital invested abroad, foreign direct investment exceeds, in terms of volume and importance, international portfolio investments. a long-term relationship and the long-term desire of the investor to carry out a productive activity in the territory of another country, to control the enterprise in which those investments are made. Therefore, FDI is owned by some companies over the capital invested in other countries. In the case of foreign direct investment, once the capital is transferred to another country, there is a transfer of new technologies, advanced managerial skills, new models of goods. The main factor that causes companies to invest in other countries is profit maximization.

But not only. The desire of large companies to diversify risks is becoming stronger. What is the content of FDI? Currently, most specialists consider that foreign direct investments, in addition to the amounts initially invested, by creating new capital abroad, include reinvested profits and trade credits. Foreign direct investments can be made in various forms, namely:

1) creation of new enterprises abroad;

2) the acquisition of an existing company, a form widely used in the privatization process in transition countries;

3) the creation of joint ventures, with the participation of domestic capital. Initially, direct investments and loans had a well-defined direction, but in the period after the Second World War there is a radical change in the direction of capital flows.

Initially, direct investment and lending had a well-defined direction, but in the post-World War II period there was a radical change in the direction of capital flows. Now most of the capital goes from one developed country to another developed country. During this period, most of the FDI is already targeted at developed countries. In the mid-1970s, developed countries accounted for 98% of FDI, receiving over 70% of their total volume. At the beginning of the 21st century, the geographical distribution of the inflows of annual FDI flows was as follows: 70% – developed countries; 25% – developing countries; 5% – Central and Eastern European countries. A somewhat unusual situation has arisen in the sense that the United States and the United Kingdom, which were traditionally the largest exporters of capital, have now become the countries that imported the largest stocks of foreign capital. Today, half of foreign investment inflows go to developing and transition economies and it is the first time in history that developing and transition economies absorb such a large share of global foreign investment imports. Any analysis, regardless of its character and depth, aimed at the economic development of the Republic of Moldova must specify from the beginning that this state has not registered a spectacular evolution, but some progress has been obtained, which has been absorbed to a greater extent. or small, of the problems specific to a transition economy, which has not yet fully finalized its place in the world economy. Referring to the evolution of economic development of the Republic of Moldova, we can mention that it is specific to a young state, in which reforms were slow and often not very good, and the economic climate in the country did not favor private initiative., regardless of the origin of the invested capital. However, despite these difficult circumstances, since 2000, there has been a slight revival of the economic situation. Economic growth, assessed in terms of the main macroeconomic indicators of results or other relevant indicators were initially minor, and later somewhat more important. Foreign direct investment can have various influences on domestic producers. For example, horizontally, foreign or joint ventures can have both positive and negative effects. The positive effects materialize if the know-how of foreign companies eventually ends up being learned and mastered by the local ones as well (including through the circulation of the labor force and the management staff from the foreign companies to the local ones). But the effects can also be negative if foreign companies enter the country, focus mainly on the domestic market and engage in strategic competition with the locals, the latter having all the chances not to withstand competition. Vertically, FDI can have positive effects if These lead to the emergence of new technological chains in which local suppliers and customers benefit from the increased efficiency of companies with foreign capital. But FDI can also have negative vertical effects, if these companies prefer to work with external suppliers and customers, being attracted especially by the lower cost of some local factors of production (especially labor). Increasing global investment flows is an advantage, but also a challenge for many countries. Globalization, integration, information development affect not only the financial market, macroeconomic indices, wages, but also the quality of life, the environment. Foreign trade is extremely important for the Republic of Moldova, given that the local market is relatively limited and the base of raw materials and of internal energy resources are not sufficient to meet the needs of the country. In the field of foreign trade, the Republic of Moldova has promoted a consistent policy, aimed at diversifying sales markets, facilitating the access of Moldovan goods and services to foreign markets. This has been achieved mainly by signing agreements to stimulate foreign trade. The foreign trade of the Republic of Moldova is constantly growing and is characterized by the continuous diversification of markets. The country's exports are gradually reoriented towards the markets of the European Union and Central and Eastern Europe. In order to promote and expand exports, the Republic of Moldova must increase the quality of investments, because exports and investments are interdependent factors. Thus, for a significant economic growth it is necessary to develop first of all the industrial sectors of the economy, including: metal processing, construction of machinery and equipment, light industry, pharmaceutical industry, agri-food industry, etc., as well as innovative sectors such as telecommunications, software etc. These sectors are characterized by the fact that they generate a relatively high added value, which could result in increased foreign trade in volume and horsepower, and, consequently, could contribute to reducing the trade deficit. The Government of the Republic of Moldova is making special efforts to attract foreign investment in these sectors in order to ensure sustainable economic growth, facilitate the implementation of new technologies and modern management methods, as well as to ensure access to foreign markets. Due to the increase in the flow of foreign investments in the Republic of Moldova recently, we can also observe a considerable increase in exports, which has a beneficial influence on the economic development of our country.

Conclusions. Based on investigations into foreign direct investment, their role in modernizing the transition economy, ensuring economic growth and moving to a higher level of international specialization, we can formulate the following conclusions: FDI is an important element of any country's economy development and functioning. its principles on the market economy. They are of great importance for consolidating the economies in transition and integrating this category of countries into the world economy. With the help of FDI, the process of modernization of national economies, especially those in transition, such as the Republic of Moldova for a long time, by implementing advanced technologies, know-how, the best equipment, new quality standards, the transition to a superior type of international growth and international specialization.

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