SOI: 1.1/TAS DOI: 10.15863/TAS
International Scientific Journal
Theoretical & Applied Science

p-ISSN: 2308-4944 (print) e-ISSN: 2409-0085 (online)

Year: 2018 Issue: 11 Volume: 67

Published: 30.11.2018 http://T-Science.org

QR – Issue QR – Article

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SECTION 31.Economic research, finance, innovation, risk management

FOREIGN EXPERIENCE OF ATTRACTING INVESTMENTS IN THE FOOD INDUSTRY

Abstract: *The article discusses aspects of attracting investment in the food industry in foreign countries. Also, studied foreign methods of assessing the effectiveness of investments. Also, an analysis of attracting direct investment in the food industry of the Asia-Pacific region is given.*

Key words: *investments, analysis, international experience, assessment methodology, investment efficiency.*
Language: *English*
Citation: Tolipova, B. F. (2018). Foreign experience of attracting investments in the food industry. *ISJ Theoretical & Applied Science, 11 (67),* 280-285.
Soi: http://s-o-i.org/1.1/TAS-11-67-46 ***Doi***: crossref https://dx.doi.org/10.15863/TAS.2018.11.67.46

Introduction

It is not a secret that an enterprise engaged in investment activity has various advantages: the possibility of development and expansion, as well as economic effects as a result of investment. However, the main motive for investing is undoubtedly the profitability of investments or the ability of the spent funds to generate income. Each firm that pays special attention to this, draws up and develops its own investment policy, prescribing the expediency of conducting such activities, as well as the sequence of the company's actions regarding the implementation of investments. An integral concept, reflecting the essence of the drafting of this document, is an investment project, and its important part, in turn, is a business plan. Since it is at the business planning stage that the preliminary results of the project implementation are determined, the accuracy and thoroughness of the development of such estimates become matters of paramount importance. Obviously, the order of writing a business plan is diverse and is purely individual in nature: each company has the right to choose the most convenient way for it to analyze, calculate these or other indicators and coefficients. Although at the moment world practice has many methods for the economic evaluation of investment efficiency, not all of them are perfect and do not contain flaws. Often, the recommendations do not sanctify aspects of interest to the investor, or only touch on some points of actual problems.

Literature review

The problems of increasing the efficiency of capital investments and investment activity in the CIS countries were examined in the works of D.S. Lvov, I.V. Lipsits, V.V. Kossova, V.V. Kovalev, V.E., K.I. Voronova, Shakhnazarov A.G., Smolyak S.A., Stepuna A.O., Shamkhalova F.I., Vilensky P.L., Abramova S.I. . and etc.

Studying the problem of evaluating the effectiveness of investments in the works of foreign and domestic authors led us to the unequivocal conclusion that, first, the recommended and widely used methods for evaluating investments in the market economies of many countries at the present stage of development of our country without a significant reconstruction of the systems contained in them estimates of investment are not applicable; secondly, the mentioned systems of estimated indicators are not focused on the post-investment economic activity of an enterprise, Nost which in the end may even decrease.

The latter circumstance necessitated addressing the problem of evaluating production efficiency and considering the problem of investment efficiency (and its evaluation) as subordinate to the problem of production efficiency (and its evaluation). Well-known economists were involved in the measurement of production efficiency: Bunich PG, Lvov DS, Medvedev V.A., Notkin A.I., Plyshevsky B.I., Sorokin G.M., Fedorenko N.P., Khachaturov T.S. and etc.

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Foreign methods for evaluating the effectiveness of investments

The content of a particular technique is determined by the nature of its origin, so it would be advisable to consider the prerequisites for the development of foreign and domestic experience in business planning. The first and most significant difference is the economic situation of countries in the period of investment development. [one]

Along with the growing popularity of Western literature, highlighting the experience of foreign investors in the field of project analysis, Russian practice used more and more new criteria for evaluating the effectiveness of investments. The marketing component of the project evaluation in the new version of the document is still not consecrated. As mentioned above, these guidelines are based on a thorough rethinking of foreign publications, so it is worth considering them. The approach to evaluating the effectiveness of UNIDO investment projects, created within the framework of the international organization of the United Nations in 1978, became one of the most widespread in the world, which explains its importance in the preparation of domestic documents of a similar nature. In 1991, the publication of this methodology was prepared in Russian, which sounded like the “Guide for the preparation of industrial technical and economic research”. This approach to writing a business plan allowed the specialist developing this document not to miss important points in describing the current and planned activities of the organization and to present the results in the most convenient for perception and understandable to a foreign investor. The United Nations Industrial Development Organization today itself resolves issues not only regarding the improvement and global use of its methodology, but also pays attention to its implementation in the form of computer programs. The methods differ by conducting a financial assessment, where various factors and indicators appear, as well as by the fact that the importance of writing a particular section of a business plan is different in each approach. In addition to UNIDO, the methods of such foreign organizations as the European Bank for Reconstruction and Development (EBRD), the World Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC) have become widespread. The last two of them belong to the World Bank Group, whose goal is to promote long-term economic development through the provision of loans and loans for investment. In this regard, these approaches are based on a deep analysis using a variety of flexible tools, as well as on a clear identification of the advantages and disadvantages of the project. If we compare these techniques with respect to the priority directions in the preparation of a business plan, the approaches of UNIDO, EBRD and IFC put the financial component of the project at the forefront, attach importance to justifying its economic efficiency, while the IBRD focuses on market analysis and economic conditions, which operates the company. Since the main part of these recommendations for developing a business plan is of the same nature, it is worthwhile to dwell on the main aspects of financial analysis. The internal rate of return, which shows the profitability of the project, is an important indicator in its development, but is not taken into account by all of the presented methods. Thus, the IBRD in its approach does not refer to this ratio, but requires a full presentation of the balance sheet and calculation of cash flows, which are not considered by the EBRD and which are not given sufficient attention from the IFC. As for the UNIDO methodology, all of the above elements of the analysis, including the sensitivity analysis of the project, are spelled out in it.

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- using the principle of alternativeness;
- taking into account the uncertainties and risks associated with the project;
- the use of global performance indicators; - presentation of the flow of products and resources in cash;
- project evaluation by commercial, institutional, financial, macroeconomic and technical criteria and parameters.

The organic food market has grown nearly 14% (for 2013 ear) per year since 2000, significantly faster than the total food market which grew approximately 3% per year over the same period.

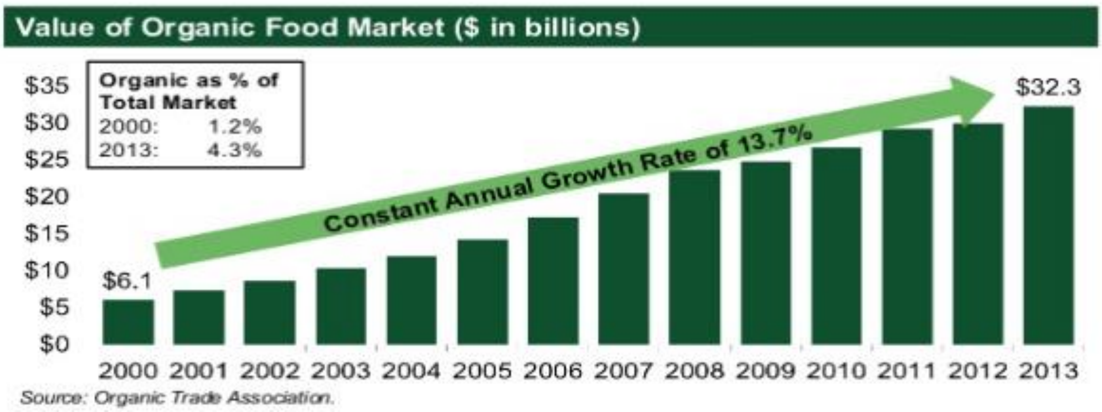


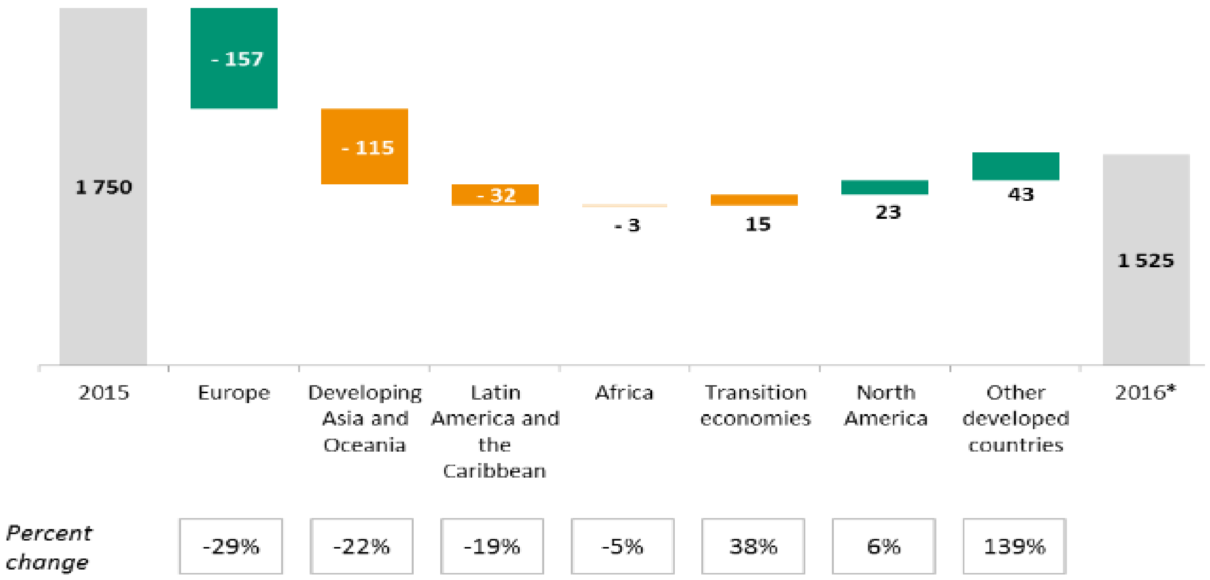
Fig.1. High organic market's dynamic. (www.iroquisvalleyfarms.com)

Analysis of attracting direct investment in the food industry in the Asia-Pacific region

The total global volume of foreign direct investment in 2016 was $ 1.75 trillion, which is 2% lower than the same indicator in 2015, 1 mainly due to weak growth in the global economy and increased geopolitical and economic risks. More than half of all FDI falls on industrialized countries ($ 962 billion, or 55% of world total in 2015, and over $ 1 trillion, or 59% of world total in 2016). The volume of FDI attracted by developing countries in 2016 amounted to $ 646 billion and decreased over the year by 14% 2; at the same time, FDI remains the main external source of financing for the economies of developing countries in comparison with portfolio investments, transfers of individuals from third countries and interstate assistance.

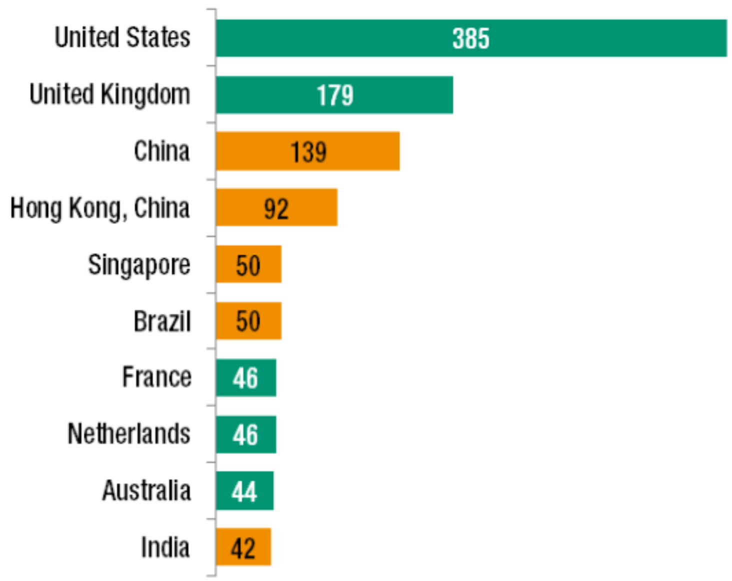
In 2015, the volume of foreign direct investment in the mining industry increased, while in the manufacturing sector, on the contrary, it declined, which was influenced by the decrease in capital investments due to a fall in market prices.

For example, FDI in developing countries of Asia (except for countries in the South Asian subregion) declined by 15% to $ 443 billion in 2016, which happened for the first time in five years. prices for commodity resources, as well as a decrease in the amount of retained earnings due to the narrowing of the positive margin between the revenues and expenditures of companies. World dynamics of FDI is shown in Table. 1, the structure of foreign direct investment in the context of a number of economic associations - in Fig. 2



Source: UNCTAD.

Fig.2. Regional contribution to global FDI flows, 2015-2015 (billion of US dollars)



Source: UNCTAD.

Fig.3. Estimated FDI inflows: top 10 host economies, 2016. (billion of US dollars)

As expected, the dynamics of foreign direct investment will continue to be under pressure from the uncertainty of the key indicators of the macroenvironment, weak demand, sluggish economic growth in countries that are large exporters, policies aimed at limiting tax optimization and a sharp decline in the profitability of transnational corporations (TNCs). It is assumed that the main factor for the revitalization of global foreign direct investment will be the steady growth of the global economy.

A distinctive feature of the modern international investment process is the liberalization of foreign direct investment, the reversal of their regulation towards investors and the creation of favorable conditions for attracting investment. The most active participants in the process of investment liberalization were countries in the Asia-Pacific region (APR), which in 2015 affected a number of sectors of national economies. Thus, China allowed foreign companies to create credit card processing units, lifted restrictions on foreign ownership of e-commerce companies, and also lifted a number of restrictions on foreign investment in real estate. Liberalization in the field of foreign investment in India affected the scope of insurance and pension funds (increased the upper limit of foreign investment from 26 to 49%), antitrust laws, and 15 sectors of the economy (agriculture, civil aviation, construction, defense, a number of sectors of the extractive and manufacturing industry), in which restrictions on attracting investment from abroad were substantially lifted. [3]

Source: IBEF.

Fig.2. Major destination of processes food and agricultural related product exports in FY 2016-2017 (billion of US dollars)

Modern foreign direct investment policies are shaped against the backdrop of challenges of economic uncertainty and instability. The paradigm of sustainable economic development introduces elements of multifactorism and additional challenges to the investment policy, which, taking into account the influence of economic globalization processes, forces governments in the field of investment to resort to multidirectional actions. This circumstance, along with the growth of state intervention in international investment processes, reduces the predictability.

Conclusion

Special attention is paid to the systemic risks of international investment processes, as well as the elimination of the shortcomings of pre-reform agreements. At the same time, the agenda of global investment development after 2015 implies activating new investment “thinking” at the national level: the priorities of investment processes should be shifted from merely promoting investments (identifying investment objects and providing investment incentives) to promoting investments, including facilitating investment conditions. [3]

Other measures developed by UNCTAD are aimed at increasing the transparency of investment activities of economic agents, ensuring the availability and timely receipt of information for investors, the formation and implementation of effective administrative procedures within the framework of investment liberalization policies, as well as increasing the predictability of investment policies pursued by national macroeconomic management bodies. In the framework of the reform, it is assumed that, in addition to the modernization of the infrastructure of investments at the national levels, states should stimulate international cooperation in the field of investment, including by changing the conditions of international investment agreements.

The first intermediate results of the movement and the dynamics of foreign direct investment in 2017 show that the priorities of modern investment policy are gradually shifting towards investments related to the development of the digital economy, which is becoming a noticeable factor in economic development and growth. The main advantages of the digital economy are increased competitiveness in almost all sectors of the economy, new opportunities for business development and private entrepreneurship, as well as additional opportunities for access to new markets and participation in global virtual value chains.

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