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Modernization of the investment sector under the conditions of globalization and uneven development in the world

INTRODUCTION

Globalization is a fairly new phenomenon in human development, and its economic, civil and political structures studied by scientists and specialists around the world. Globalization is a complex multifaceted process that applies to all the phenomena of social development and is associated with the deepening of the internationalization of the world economy, increasing interdependence of national states, due to the accelerated motion of the international flows of goods, services, capital and high technology.

Today, globalization has become a powerful force that stimulates the world economy, world order, the distribution of resources, and competition. As a result, the political and the economic priorities move from the local and national levels on the regional and international levels. The increasing role of globalization touches the development of the international community. The dramatic changes in the field of international relations are characterized by the transformation and modernization changes, and carry out the direct influence on the development of countries.

In such circumstances, unevenness in the development of the world is even greater. Therefore, the modernization of the economy is necessary, including to Ukraine. Hence in this article we pay attention to modernization of the investment sector as a major component of economic modernization.

THE IMPACT OF GLOBALIZATION ON THE ECONOMIC DEVELOPMENT OF THE WORLD

Globalization as a process in itself is not bad, and it is not good. In a “new economy” it is made one or other by the mechanisms of introduction it in life. For most world countries it has not brought the expected benefits, and moreover turned out into a disaster: destroyed the environment of existence, increased

corruption, led to an increase in unemployment, the disintegration of social structures and ethnic conflicts. According to Joseph Stiglitz (Nobel laureate in economics in 2001) it all happened because globalization was carried forward by interested in own benefit financial structures and transnational companies with tight and close commercial interests [Stiglitz, 2003, p. 28].

Globalization has changed the geopolitical orientation of the modern civilization process, which opens to the public enormous possibilities in the expansion of exchange of goods, services, information, technology and capital. Note that globalization divides as much as unites, it separates, combining – splits occur to those very reasons as the growth of the world monotony. The localization process moves parallel to this process of planetary scale. Taken together, these two closely interrelated processes cause a sharp differentiation of the conditions of existence of entire countries, regions and different segments of the population. Globalization for one turns into localization for others; for one it is the forecaster of new freedom, for others it is a sudden and hard blow [Bauman, 1998, p. 6]. The result of such motion is an unevenness of the development of countries. Thus, globalization develops not evenly, leading to uneven development of the world economy, carries out various impact on different countries around the world and develops their instability that results in the unsafe development.

Unevenness of economic development are estimated by the comparisons of countries on the following basic directions: the main macroeconomic indicators of the national economy, the productivity of labor, the development of industries, the role in the world trade, the investment situation, the level of the development of the Scientific and the technical progress, standard of living of population, competitiveness of the national economy. The comparison of these indicators in countries and regions shows that a world economy develops dynamically enough.

In the context of globalization and uneven development of the world, above all, let us note: the increase of the gap between rich and poor countries; change of the positions of players on the international arena; the emergence of new civilization centers of the economic; and as a result of this increased competition and the complication of the problems in the world. Such problems may be solved only together and leveraging relationships, especially in the economic sector.

In the conditions of globalization and unevenness of the world development, will mark: an increase of the break between rich and poor countries; the change of positions of players in the international arena; the appearance of new civilization centers of the economy growing; and hereupon intensifying of the competition and the complication of problems at world level. Such problems can be decided only together and modernizing relations, foremost, in an economic sector.

Globalization strengthened disproportions in the socio-economic development of countries. Well-known American researcher Immanuel Wallerstein marks that “socium of the first half of the XXI century on the complication, instability and simultaneously openness far exceeds what we have see in a XX century. Modern

world system as a historical system entered into the stage of finishing crisis and is unlikely to exist in fifty years” [Wallerstein, 2001, p. 5]. An international sphere is the arena of relations of external forces and it is considered to be “various and anarchic space” [Martin, 2003, p. 82].

Such unevenness and contradiction of the economic development of separate countries and regions grew with such speed, that over was brought to the cardinal changes in the global community. The contours of the new world appeared as a result, that not laid in the usual theoretical postulates of law of uneven the economic and political development of countries. Imbalances, distortions and the disproportions, have reached threatening scales, and problems which they caused have the complex and global character.

THE ECONOMIC MODERNIZATION OF THE STATE

Most researchers see in the concept of modernization the process of transformation of the traditional society in the society which is characterized by the application of machine technology; the process of transformation in the society with front-rank technologies, innovations on the basis of knowledge's. Specialists are forced to acknowledge that a concept of modernization is not clear enough, assumes certain ambiguities in the interpretation, but nevertheless it is more comfortable in the use as compared to other terms.

Thus, in this article, the term modernization is regarded as a set of elements of the system at any level on the basis of innovations that affect the basic areas of human activity (economic, technological, social, and so on).

At the turn of the twentieth century industrial society, which is based on an innovative modernization of industrial production, seamlessly transforms into a postindustrial society type. At the core of this modernization are innovations in the field of science and education, a high degree of creativity of the subject of activity, which uses a variety of global flows of information. In parallel, there is a decline of the role of the state, facilitated by such factors as [Ясин, 2007]:

- 1) increased competition between multinational corporations and small businesses,
- 2) completion of urbanization, aging of the stationary population,
- 3) dignities of the American model, dignities of the European model (dignities of the American model above European),
- 4) competition of countries of going after development with the low nominal stake of the government spending,
- 5) globalization and increase of the role of international and regional institutions in the delegation to them of the powers of national states.

The today modernized society can be examined as separate processes of economic, political, social and cultural modernization. Modernization of the

economy, especially Ukrainian, is unopposed for the country, the main source of economic development is gradually becoming knowledge as an inexhaustible resource that can ensure the stability of the national economy in relation to the external environment (for example, fluctuations in world markets). Different institutional projects which are directed on the modernization of the economy will be realized for this purpose, including its investment sector.

With few points of view the today institutional reforms in Ukraine only begin to be inculcated in the practice; but in most these reforms touch a political sector, their orientation talks that it rather is support of the project of the modernization “from above”. The project of the modernization “from above” is based on government control for an assistance development of economy. Indeed, on the stage of the modernization the function of the assistance to the development of economy must increase exactly. The project of the modernization «from» below supposes an accent on legality of the law and order, on providing of supremacy of the law, on providing of independence of the court and creation of mechanisms of democratic public inspection above all of imperious institutes.

The international experience shows that by the central subject of modernization, “from below” or “from above”, there is the self state. On this basis, the state is examined as the developmental state (a nearby value term “helping-hand state” exists in a new institutional economic theory) [Frye, 1997, p. 354–359]. It is the state which moves forward and supports economic development. Such state this combination is stable high rates of the economy growing, structural changes in a national economy and improvement of quality of life of all of population of country [Саблин, 2010]. Economic development takes a form modernization then, when “introduction” of new mechanisms is carried out, and which stimulate the development and realization of long-term strategy of the development of economy of one or another country that is based on the wide use of technological, organizational and institutional innovations.

The state is stimulated by the economy growing and provides steady economic development by means of production of blessings, and also actively participates in the process of forming of institutional environment of innovative development. To do this, the state ensures the implementation of the modernization project, which is defined as a set of measures to accelerate economic development through the implementation of fundamental changes in the institutional environment, attracting investment and developing new technologies, as well as to improve the quality of human capital and the creation of innovation infrastructure [Саблин, 2010].

In such context a modernization process is the dynamism of global processes. Then it is possible to select such “circles of modernization” [Лось, 2011, p. 58]:

- the first circle of modernization is a transition from the medieval model of development to the dynamics of the New time,

- the second round is modernization of the western type, technological basis of which is the process of automation of spheres of activity and existence of sodium comes forward,
- the third circle is modernization of the western type, which is formed At the turn of the twentieth century, which is based on innovations.

Economic modernization in basis has an intensification of the process of economic reproduction; lately by a basic constituent this is the growing industrialization. The first stage of economic modernization showed up through reforms, this was the liberalization of economy, financial stabilizing. Today is a next level of economic modernization, which began in 2000th; for it providing of competitiveness of economy of country is characteristic. It is today possible to consider competitiveness, openness of national economies, flexibility the calls of economic modernization (readiness to the changes).

MODERNIZATION OF THE INVESTMENT SECTOR IN UKRAINE

Modernization of investment sector comes forward component part of economic modernization, which is modernization of organization of long-term investment capital for the extended reproduction of capital assets by the angesetzter subjects of investment activity. In the state with the market economy of investment give the real increase of the national income. Accumulations are the major source of the modernization and extended production. What more GDP goes to the accumulation, the higher rates of update and modernization of capital assets, perfections of technologies, and it positively influences on the increase of production of goods, increase of economic efficiency and economy growing. Entering is increased the state budget, and as a result of it, growth of GDP is increased in a subsequent period.

So, scale direct investments entailed two waves of the economy growing in ES:

- 1) in the second half of 80th in connection with realization of project of the Single internal market,
- 2) and in the middle of 90th under influence of new economic stimuli of currency – economic union [Europäische Wirtschaft, 1998]. The first wave was related to the industrial sector, the second – overcame the enterprises of sector the services (jars, insurance, investment companies). Today 2/3 of the world direct investments, on condition of annual growth, are inlaid businessmen in ES; and about 60% direct foreign investments which turn around in ES take a place from Economic territory of ES [UNCTAD, 2011]. The world financial crisis of 2008 resulted in falling of an activity in an investment sector.

Therefore today, not only in Ukraine but also in the most world countries, there is a necessity to modernize an investment sector. An investment sector of end of XX century is character of past epoch already. The modern financial crisis

showed the necessity of modernization of an investment sector. A crisis became the family the “moment of truth” for global neoliberal world order, which resulted in the yet greater unevenness of world development, and transformed “grandiose success” with so “grandiose failure” [Валлерстайн, 2009, р. 20]. It inverted and changed the theoretical models of the so-called “steady development” and set appearance how hardly not on all of times of neoliberal world order [Wallerstain, 2008].

Analyzing an investment sector in the economy of Ukraine, it should be noted that it rendered anymore destabilizing influence on an economy. It has a display in the following:

- maintenance of ineffective, unprofitable enterprises, even industries of an economy,
- the financing deficit compels a government to attract investments at the financial market. It results in the increase of interest rate, to diminishing of demand on money in private investors, and that result in falling of level of investments in the process of production,
- the diminishing of investment possibilities of the state budget, that does not enable to provide state support structural changes in the economy of country,
- the increase of national debt, for 2007–2010 more than in two times [Ministry of finance of Ukraine, 2010] – as results in bringing in of facilities on world markets (but in the future it is necessary to return with percents). It strengthens the investment system of country which gave free facilities temporally, and weakens investment system of country which takes external resources,
- the decline of GDP in the last few years (from 2001 to 2010 an average annual increase diminished on 10%) [State Statistics Service of Ukraine, 2010]. For the last years GDP went down and at world level [IMF, 2010]. Investigation of such decline was become by a slump in an investment sector, and world financial crisis, including crisis in the banking system,
- on the structure of distributing of investments in the fixed assets it is possible to establish growth of investments in a production active (96% for 2010), and decline – in unproductive (about 4% for 2010), that negatively tells on reproduction of unproductive assets [State Statistics Service of Ukraine, 2010],
- the lack of development of domestic fund market and financial instruments (including option certificates, depositary receipts and other derivative),
- the investment funds and companies a capital of which is the additional source of the real investments do not play a noticeable role in the investment process of Ukraine. And a purpose of their activity is an investment of facilities in long-term projects,
- the “black” of the business, also results economic activity in the considerable charges of budgetary facilities, to overstating of unevenness of population on the level of the got profits, and on the whole conduces to the impossibility of the creation of the favorable investment climate.

The substantial role in the modernization of the investment sector and activation of investment activity, for example of Ukraine, in the conditions of a globalization will be and liberalization, able to play direct foreign investments. Bringing in of direct foreign investments is normal world economic practice. The state attracts additional financial resources: at first, on a medium-term and especially on a long-term period for an economy; and secondly, on a short-term period at external economic connections.

Potentially Ukraine is one of attractive countries on the investment of direct investments. And having an attractive investment climate, Ukraine can become by an attractive country for portfolio foreign investments. Its capacious internal market, presence in relation to cheap and skilled labor force, scientific and technical potential, natural resources, is instrumental in it. But, in spite of attractiveness of domestic economy, a foreign capital so far does not play a ponderable role as an additional sourcing for structural modernization economy of Ukraine.

Such situation can be changed, if to modernize an investment sector, namely:

1) the volume of foreign capital receipts in a country must correspond necessary necessities which it is necessary annually to expect. It is necessary to concentrate and direct investment resources (and also budgetary, credit), in development of priority production industries of economy. It is thus necessary to spare basic attention for the mechanism of investing with the specification of state priorities.

The state must also accept an active voice in an investment process, which shows up in the direct financing or participating in the financing of the investment programs. A primary objective must be an investment of investment resources in the most effective and strategic projects, a control above their implementation and functioning;

2) to expose and find potential investors which will be able to invest facilities in state or private projects. The state creates the proper terms for the motivation of potential investors in investing of facilities exactly in those directions, which are most needed and priority for it coming from this economic situation (bringing in of investments in certain industries or directions them in priority territories);

3) to develop the infrastructure of the investment activity, the improvement of activity of investment funds and companies, the orientation of their activity on investing of «export» industries, projects;

4) to create an attractive terms and give guarantees for foreign investors which send foreign investments in a production sector, particular in the industry. For example, for 2010 in Ukraine direct foreign investments were directed on financial activity – 20%, trade – 10%, the operations with the real estate – 10%, the building – 6%, the metallurgy and treatment of metals – 4%, the transport and connection – 4%, and the engineering – 3% [State Statistics Service of Ukraine, 2010].

The world experience shows that bringing of the foreign investments in an economy in a production sector scaled not only and by not so much privileges, given by the foreign depositors of the capital, how many by a degree developed in the countries-recipients of market relations, by the stability of their legislative

base and the socio-political situation and to becoming of the economy growing in these countries;

5) to assist to the minimization of risks and maximization of the positive consequences of activity of private investors, the creation of the maximally favorable environment for the realization of an effective investment activity, made service of informative essentials, support and state guarantees, that will allow to provide the growth of incomes of enterprises with an investment capital, increase of entering budget and to the improvement of the social infrastructure. The realization of these directions will bring to the realization of the state purpose – the economy growing;

6) to form an effective informative system which would allow potential investors exactly to present the sizes of investing, and creations of transparent barriers of the entrance to the investment market;

7) to provide the stability of the legislation in an investment sector. For example, to accept an investment code. Today in Ukraine while unfavorable legislative climate in area of the foreign investing; there is an enormous amount of normatively-legislative acts on adjusting of the foreign investing;

8) except of legal measures it is necessary to accept the row of organizationally-technical. For example, it is necessary to provide in a medium-term and long-term prospect:

- to defense of ownership rights,
- to promote the discipline of implementation of contracts,
- to promote effectiveness of institutes of state power,
- to assist to the small business,
- to develop the banking system and fund market.

Measures must include on a short-term prospect: the political stability in a country; the transparency of actions of power; the stability of taxes; the low level of inflation; the international standards of record-keeping; the warning of bankruptcies of enterprises.

CONCLUSIONS

Finally, in modern conditions of development of the world, with globalization, uneven development of global modernization investment sector will:

- contribute to the improvement of the structure of the economy,
- improve the overall economic situation, which will attract foreign investors,
- improve the investment climate, for example Ukrainian, the level of development of market infrastructure,
- improve the competitiveness of the country at world level; lead to long-term economic growth,

- assist overcoming of the disproportion and the unevenness of economic development of countries and their investment attractiveness, by the direction of investment flows into the desired channel,
- improve the living standards and levels of consumption in the country.

Thus, to summarize, we note that modern civilization progress of economic and political planes of the world economy trends induce the most world countries to form and inculcate the modernized economic model, which would be adequate to the new global calls. It is therefore necessary to analyze the peculiarities of the formation and development of world economy, whether to that other country, all of aspects and consequences that have a substantial theoretical and practical value for the understanding of problems and prospects of development of international community, in the context of socio-economic modernization of the crisis period. Resolution of current and future problems of world society is possible only when approaching, if not consensus, then a constructive compromise. A solution to all problems directly related to the modernization of the investment sector in any country in the world, and especially in Ukraine, is related to the consistent implementation of a system of interrelated economic, legal and organizational and communication activities aimed at creating a favorable investment climate and investment recovery.

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Summary

This article examines the impact of globalization on economic development. It is shown that globalization leads to uneven development of the world. In such circumstances it is necessary to modernize the economy, part of which is to modernize the investment sector. The article describes features of the modernization of the investment sector in Ukraine.

Modernizacja sektora inwestycyjnego w uwarunkowaniach globalizacji i nierówności rozwojowych na świecie

Streszczenie

W artykule przedstawiono wpływ globalizacji na rozwój gospodarczy. Pokazano, że globalizacja prowadzi do nierówności w rozwoju świata. W takich okolicznościach konieczna jest modernizacja gospodarki, której częścią jest modernizacja sektora inwestycyjnego. W artykule opisano cechy modernizacji sektora inwestycyjnego na Ukrainie.