Prace Komisji Geografii Przemysłu Polskiego Towarzystwa Geograficznego
Studies of the Industrial Geography Commission of the Polish Geographical Society

29(1) • 2015

Ivan Pirozhnik
Pomeranian University in Słupsk, Poland

Foreign direct investment in transition economies: the regional structure and peculiarities of development in Belarus

Abstract: The spatial structure of the world economy is divided into countries of economic center, semi-periphery and periphery. Changes of the spatial structure of the world economy and globalization trends are marked. A key element of the growing of globalization process is foreign direct investment (FDI) and activities of transnational corporations. Declining trend in foreign direct investment is marked in conditions of instability of world economic development, shifts in FDI regional structure and their impact on countries with developing market economies. On the basis of the regional monitoring of the foreign direct investment the CIS market is described, in particular of the countries of the Customs Union and Belarus. The volumes of the Belarusian direct investment abroad are outlined, the forms of presence in foreign markets are indicated, the development of the commodity distribution networks, created by Belarusian enterprises and geography of inflow and outflow of FDI, is analyzed. The directions of improving the investment climate in Belarus and improve its position in the world rankings are marked.

Keywords: debt instruments; distribution network; export investment; foreign direct investment; geo-economic structure; index of investment activity; investment expansion; the rating business; the regional structure of foreign investment

Received: 30 December 2014

Suggested citation:
Pirozhnik, I. (2015). Foreign direct investment in transition economies: the regional structure and peculiarities of development in Belarus. *Prace Komisji Geografii Przemysłu Polskiego Towarzystwa Geograficznego*, *29*(1), 113–125.

Geo-economic world structure and regional characteristics of foreign direct investments

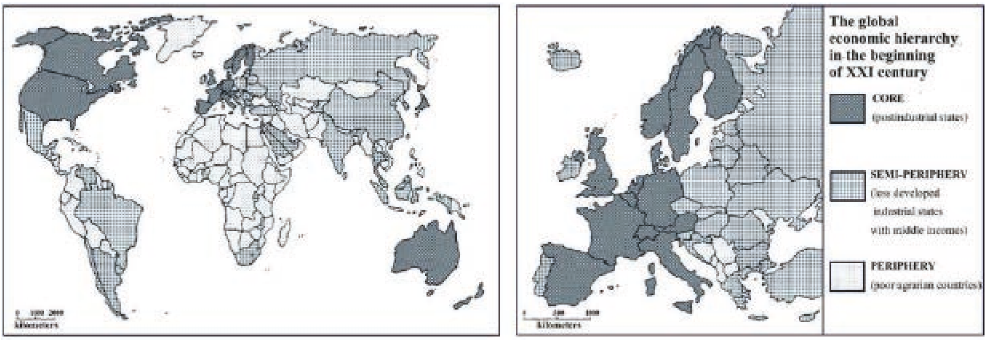
Globalization of world economy, followed by a deepening of international economic interdependence, passes several stages of development and leads to major changes in world politics, economy, science and technology. The struggle for resources, spheres of influence, markets, intellectual resources is exacerbated in the world and affects the interests of almost all countries. Globalization is unfolding spatial integration process of the world economic system on the planetary scale. At the same time, it is expected that the world economic system in the twenty-first century will be decentralized, a lot of poles and economic decision-making centers will appear. Under the new conditions the global economic system will return to a multipolar configuration of the world, which preceded the expansion of the West and the colonial division of the world.

Multipolarity implies not only a more equitable international distribution of biosphere resources and wealth, but also the restructuring of all international relations. However, it should be noted that in the unfolding process of world globalization, two trends appeared. One is related to the formation of integrated structures or regional blocs, as by latitudes between the countries with the same level of development (European Union, ASEAN) and the longitudes (NAFTA), when the rich region combined with the growing region. The second is a tendency to break, regionalize and localize that swept through not only multi-ethnic and multi-national countries (the former Yugoslavia, the USSR, Czechoslovakia), but also more homogeneous by national structure states of Western Europe, where the disappearance of border barriers, reduction of public contracts, the globalization of markets and the presence of multinational forces weakened the position of states in respect of the rich regions.

Every progressive pole tends to expand, absorbing the "reserve" of cheap labor force, where it suffers the most labor-intensive production and increases competitiveness, and gradually expanding their markets. Economic interest in this case is combined with political and strategic interests.

It is noted that the tripartite geo-economic world structure (Fig. 1) transforms the spatial structure of the world economy and forms its enclave character under the influence of transnationalization. The world economy at the same time develops in the form of advanced «archipelagoes» (global cities, offshore and free trade zones) and centers of their control (Mironenko, 2012, p. 35).

Fig. 1. Geo-economic structure of the world economic hierarchy in the beginning of the 21st century



Source: own elaboration based on https://ru.wikipedia.org/wiki/

Globalization is caused by the transition to a new technological structure of the world economic system, the dynamics of which are determined by high-tech industrial corporations and – above all –corporations of the IT sector. With that, the largest TNCs in an effort to optimize their business through outsourcing mechanism, due to the cheapness of skilled workers as well as access to a vast market for their products, develop their business in the newly industrialized countries and countries with forming market economy.

Globalization has changed the territorial proportions of different groups of countries in the world economy. Thus, the share of developed countries in world GDP has declined from 60.2% in 1990 to 51.1% in 2010, and the share of export – respectively – from 72.6% to 63.6%. At the same time, the share of developing countries in the production of the world's GDP (due to the dynamic development of China, India, Brazil and other countries) increased 1.5 times (from 26.0% to 40.1%) and the share of countries with forming market economy declined from 13.8% to 7.8% over the 20-year period of post-socialist transformation. In the contradictory conditions of the current stage of globalization process China takes the economic leadership, as a country with rapidly increasing GDP and the second place in the world by this figure.

The reflection of the globalization processes in the world economy can be seen in the flows of foreign direct investment (FDI). However, according to the "World Investment Report, 2013" by the United Nations Conference on Trade and Development (UNCTAD), the global FDI inflow in 2007 was USD 1.975 billion, and declined due to the crisis to USD 1.198 billion in 2009 and due to a series of measures increased slightly by 2012 (Tab. 1). At the end of 2010 decline in FDI inflows has slowed worldwide, and in 2012, a slight increase to the level of 2010, was registered in Asia only. This was the basis for UNCTAD experts to look into the near future "with cautious optimism."

Tab.1. Regional structure of global foreign direct investment in the period of 2008–2012, bln. USD

Regions	Import/Inflow			Export/Outflow		
	2008	2010	2012	2008	2010	2012
World	1816	1408	1351	2005	1505	1391
Developed Countries	1027	696	561	1601	1030	909
Developing Countries	668	637	703	344	413	426
Africa	59	44	50	10	9	14
Asia	396	401	407	235	284	308
Latin America and the Caribbean	211	190	244	98	119	103
Oceania	3	2	2	2	1	1
Countries with economies in transition (South-East Europe and CIS)	121	75	87	61	62	55

Source: own elaboration based on *World Investment Report*…, 2013, pp. 213–216

In 2012, there was a reduction of the global FDI inflow to USD 1.39 billion, which is 26% less than in 2008. Reduction in FDI was observed in all three major groups of countries. In particular, the group of developed countries fell by 45% – to USD 561 billion, including the European Union which fell by 53% –to USD 259 billion. The main reason for the decline in FDI was the uncertainty caused by the ongoing crisis in the Eurozone and political instability in some countries. Under these conditions, many transnational corporations (TNCs) prefer the foreign investment timing strategy of accumulation and consolidation of its holdings. In developing countries, FDI inflows declined in 2012 by only 4% – to USD 703 billion. Notably, this group of countries has become a leader in attracting FDI and for the first time became ahead of developed countries in aggregating FDI.

Meanwhile in Africa there was a slight increase in FDI inflow (14% compared to 2010), and in developing countries in Asia there was a slight increase of only 1.5%, including China – 5% – up to USD 121 billion. In the group of countries with economies in transition (in accordance with UN statistics this group includes Russia and other CIS countries, as well as Georgia and South-Eastern Europe) FDI inflows declined by 28% overall – up to USD 87 billion. In Russia, according to UNCTAD, FDI inflow in 2012 amounted to USD 51.4 billion, which exceeds the level of 2010 by 18%. It should be noted that FDI outflow from Russia in 2012 amounted to USD 51.1 billion, which is almost equal to their inflow, whereas in 2009–2011 FDI outflow from the country significantly exceeded the inflow. In general, the situation of FDI in Russia in 2012 was more favorable than in most developed countries. It is clear that the recent accession of Russia to the WTO has already begun to create a specific stimulating effect on the inflow of foreign investment. Dynamics of FDI in Russia has largely determined trends in the CIS as a whole. Significant reduction of FDI in Uzbekistan, Belarus, Moldova, Kyrgyzstan and Armenia was not compensated by some growth in Azerbaijan, Ukraine and Tajikistan. However, the least favorable situation was observed in the countries of South-Eastern Europe, where FDI inflows in 2008–2012 as a whole decreased 3.2 times – from USD 13.2 billion to USD 4.2 billion, including Serbia – more than 8 times.

Considering the short-term and medium-term prospects for FDI, the authors of the report highlight that the persistence of structural weaknesses in the global financial system and political uncertainty in some countries will have a deterrent effect on the export of capital in the form of direct investment. In the case of world macroeconomic situation improvement and restoring investor confidence it can be expected that TNCs will use their record high holdings for a new foreign investment. At the same time FDI inflows may raise to USD 1.6 trillion in 2014 and to USD 1.8 trillion in 2015.

FDI growth is noticeable in the leading regions with forming market economy (East and South-East Asia, Latin America), and the reduction – in the poorest regions (Africa, the least developed countries, small island states, West and South Asia). The largest recipient of FDI in the developing world is China (9% of the world FDI), where the transfer of labor-intensive industries has slowed under the conditions of rising costs. Some ASEAN countries (Vietnam, Indonesia) strengthened their position through the development of low-cost production in the lower levels of the manufacturing industry. Decline of FDI in South Asia is a result of the inflow reduction into India and Pakistan. West Asian countries are conducting a policy of diversification and in conditions of reducing FDI inflow part of their super-profits from oil are directed to other Arab countries, as well as invested in developed countries in order to create strategic assets (automotive, electronics, aerospace, alternative energy). Global crisis continued to have a negative impact on FDI inflow to Africa, which are dominated by investments in the primary sector, especially in the oil industry (Nigeria, Angola, Ghana). In Latin

America and the Caribbean region the growth of FDI inflow was provided by TNCs from developing countries, which made investments in resource industries.

FDI inflow in countries with economies in transition decreased in 2012 by 28% compared to 2008 due to low activity of the EU countries. Upon that, an increase in outflow of FDI from developing countries to Russia and Kazakhstan (Fuel & Energy Complex, mining and extraction of natural resources) has been noticed, as well as from countries with economies in transition – to China and Turkey. The Republic of Belarus has the least amount of attracted FDI per capita among the countries of Common Economic Space, which amount to about USD 1.5 thousand/pers. in 2012 (Russia – USD 3.6 thousand, Kazakhstan – USD 6.6 thousand/pers.), which is far less than in neighboring countries, the new EU members (Poland – about USD 6.0 thousand, Czech Republic – over USD 12.8 thousand/pers. – World Investment Report…, 2013, p. 217, 220).

In general, the deepening of the integration of developing countries into global production-supply chains through the system not related to the participation of TNCs in the capital (NEM) is noticeable in the modern world. These processes have been developed in areas such as contract manufacturing and agriculture, service outsourcing, franchising, licensing, management contracts, under which TNCs coordinate the activities of the companies of the host countries but not participating in their capital.

Impact of foreign direct investment on the economic development of countries with economy in transition

Cost-effectiveness of foreign direct investment (FDI) is manifested primarily in the development of export capacity through the growth of volumes, geographical structure expansion of exports by entering new markets and improving commodity structure through the goods and services produced using new technologies. Foreign investments contribute to the emergence of the multiplier effect in the economy of the host country through the development of related national industries, as well as cooperative ties with local businesses, ensuring the functioning of direct investment enterprises (Jasiniak, 2014, p. 793–795).

Output of foreign firms on the national market may lead to the replacement or displacement of less efficient domestic companies, which leads to a redistribution of internal resources and capital between the more and less profitable companies and promotes the growth of average labor productivity. It also encourages the use of local resources, which would have not been applied by local firms otherwise (Domański, 2001).. Application of FDI mechanisms synchronizes the economic development of the country with the global world economic development. FDI can contribute to the economic growth of the host country through an increase of demand in other states where TNC's units are located, leading to the involvement of the host country in world trade (Dadalko, Kozlovskaya, Dadalko, 2013, p. 35–36).

It has to be taken into account that FDI can also cause negative technological and social effects on the economy of the host country. Technological influence is often manifested through the import of old-fashioned technologies. Usually TNCs seek to avoid the transfer of new technologies, as the possession of technology is a major factor in their competitiveness. Imported technologies can be previously not used in another state, but in relation to the global level of scientific and technological progress, they may be a reflection of "yesterday." As a result, the technology gap, which the host country aims to overcome, is not closing, but, on the contrary, preserved or even increasing. Large TNCs use developing countries to integrate companies-licensees in its distribution network to link them to specific sources of supply and to the state, which imports FDI.

A distinctive feature of TNCs is that they disperse their enterprises into smaller units worldwide (and achieve cost savings), in fact, they are creating separate units of "assembly lines" in different countries. The parent company, usually, keeps the role of innovation center, and branches - the role of the peripheral assembly datum axis. Such a system of international division of labor between individual enterprises leads to the fact that in practice there is no country with a fully completed production cycle. Therefore, the reproductive complex of host state is quite firmly tied to the global industrial centers.

Carrying out foreign direct investment, TNCs exert a very uneven impact on the labor market and employment. The nature of the activities of TNCs is fundamentally different in scope and markets, quality of production and technologies. Foreign companies, taking into account the level of state regulation, buy existing businesses, make reorganization, which often resulted in a large number of workers demission. Creation of new enterprises may entail also the collapse and closing of previously existing domestic companies that create a threat of rising unemployment. These corporations act in the interests of a small group of highly paid employees of the modern sector of the economy, not taking into account the interests of the majority of population, increasing the wage gap and deepening inequality in incomes. The historical experience of the massive penetration of foreign capital suggests that foreign investment and foreign debt may in certain situations be a serious threat to economic independence and territorial integrity of the country.

Under these circumstances, the growth of the role of national TNC is noticeable in the world (653 worldwide, including in the EU – 223 [34%], East, South and South-East Asia – 165 [25%], Russia – 14 [2%]), which have more than 8.5 thousand foreign affiliates around the world and provide links to a large number of host countries concentrating about 11% (2010) of global FDI.

Reduction outflow of FDI from developed countries in some years was stopped by strengthening the balance of TNCs and the high level of profits reinvestment to build up foreign cash. According to UNCTAD, the volume of cash reserves of TNCs is USD 4–5 trillion, which are not yet included in the growth of investments in the conditions of financial crisis, that has the potential to add the dynamics to the world economic system.

The experience of recent decades has shown that transnational corporations engaged in foreign direct investment in developing markets and countries with transition economies are able to concentrate capital "in their hands", which leads to a deterioration of the competitive environment. As a rule, local firms are unable to compete with more technologically powerful TNCs, offering the best organizational structure with modern methods of management, access to huge financial resources, high level of knowledge, advertising experience, a network of international contacts and a number of other competitive advantages. Such firms, due to mass production and product differentiation, displace national enterprises, occupy a monopoly position, create barriers for new firms, put out competitors among local companies.

Structural features of foreign investment in the CIS and the republic of Belarus

The opposition to globalization processes in the Republic of Belarus is manifested in incoherent policy of leading financial institutions and TNCs to invest in the country's economy. State authorities are allotting a task to participate actively in globalization processes with respect to national economic interests by joining the multinational corporations from the top–2000 most successful global companies. In Belarus in 2011 there were around 30 branches and representative offices of the largest TNCs included to the top–2000, 55% of which were from EU countries (banking, insurance, tobacco industry, telecommunications, pharmaceuticals), 31% - Russian companies (gas, oil industry, telecommunications, banking). For Belarus, the trend of dominance of FDI from countries of the Customs Union and the CIS remains.

According to the Monitoring of CIS Mutual Investments, by the end of 2012 the accumulated mutual FDI of CIS and Georgia was almost USD 54 billion and their growth over last three years was 32%. Countries of the Customs Union (Russia, Belarus, Kazakhstan) retain leadership in accumulated mutual investments in the CIS (USD 22.7 billion, or 42% of the total accumulated mutual FDI in the region). The intensity of mutual investment links within the Customs Union can be increased by taking into account the contribution of the three economies in the total GDP of the CIS (87%). This is largely a consequence of the investment activity of Russian TNCs. Since 2010, in most of CIS countries the trend of post-crisis economic recovery has appeared and this trend led to the increase of investor's interest in the resuscitation of old and development of new projects. The creation of the Customs Union in 2011 was an additional incentive for mutual investments (especially in manufacturing). However, in 2012 in the countries of the region a tendency of deterioration of the macroeconomic situation has manifested, and most businesses have become risk-averse in long term projects with considerable investments (Monitoring…, 2013, p. 6).

The total stock of FDI in Belarus is about USD 10 billion. Taking into account the demographic potential of EEA countries, per capita indicators for Belarus are below the level of Russia and Kazakhstan. At the same time, the data from the annual report of the United Nations Conference on Trade and Development (UNCTAD) about World investment indicate a high potential of FDI attracting to the Belarusian economy.

In particular, developing countries and countries with economies in transition are playing a leading role in the revival of FDI inflow and will remain favorable targets for foreign investment in the medium term. At the same time, the volume of direct investment attracted to Belarus in recent years was significantly lower than the potential values. According to UNCTAD, Belarus has one of the lowest rating by the index of efficiency in attracting FDI in the region, which reflects the relation between received FDI and the size of the economy (Muha, 2014).

According to the World Investment Report 2011, Belarus occupies the 44th place in the world by this indicator, due to the presence of a highly skilled workforce, a developed industry and infrastructure, favorable geographical position, etc. But in terms of actual investment, Belarus occupies the 53rd place. It is without doubt that Belarus retains a considerable potential for attracting foreign direct investment at present stage of development.

In order to promote FDI inflow and increase the investment attractiveness of Belarus, a “Strategy of attracting foreign direct investment for the period up to 2015” was developed and adopted. Belarus, in order to attract FDI, creates individual competitive advantages at the present stage compared with the partners in the Common Economic Space (lower labor costs, lower profit tax, exemption from profit tax for innovative products and services, tax loss carried forwards). One of the factors to increase the inflow of FDI to the economy of Belarus is the mechanism of investment attractiveness of free economic zones (FEZs). In Belarus FEZs were created primarily for increasing export and investment potential of the country. In FEZ, the organizations, for the entire period of their existence to 2012, accumulated USD 316.3 million of FDI.

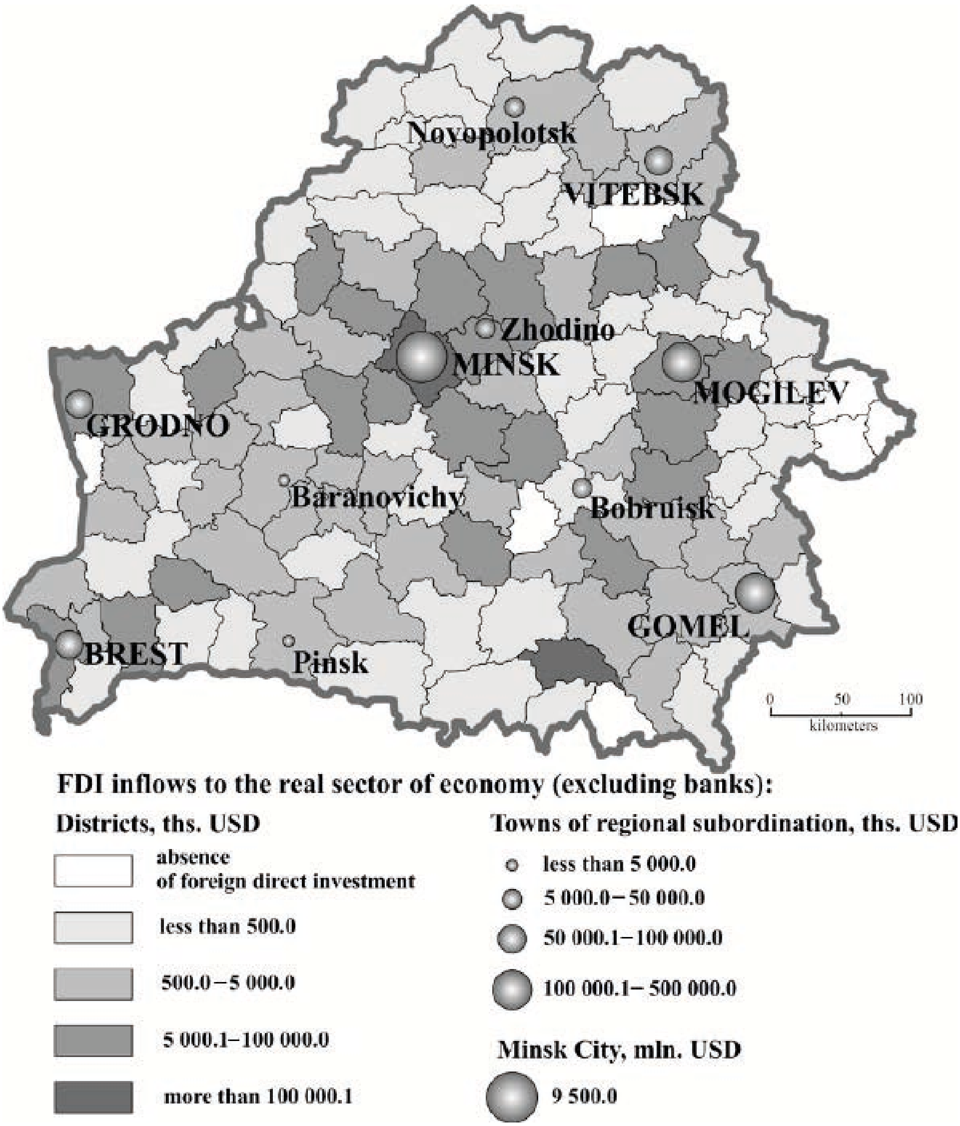
In 2013 the real sector of Belarus economy has received USD 14 974.3 billion of foreign investments and 74 % of them are FDI (Tab. 2). The increase as compared to 2009 was close to the world average annual growth (15.3%). The largest inflow of foreign investments was attracted by the transport sector (32.3% of all investments), industry (23.4%), trade and catering (34.7%), general business operations (3.6%; Regiony…, 2014, p. 656–657). The main investors in Belarus are Russia (48.6%), United Kingdom (32%), Cyprus (4.6%), Austria (1.0%), other countries – (13.8%).

The inflow of all foreign investment in 2013 to the real sector of Belarus economy is about USD 11 billion. The main form of direct investments was debt instruments (80.8% of total direct investment). Accrued expenses for goods, works and services in gross receipts of foreign direct investment in 2013 amounted to USD 8.2 billion. Within 2167 organizations with foreign and mixed with foreign participation forms of ownership registered in 2013, 704 organizations have had foreign direct investment on a net basis (excluding debt to direct investor for goods, works and services).

During 2013, legal entities without departmental affiliation accounted USD 1.8 billion of USD 2.1 billion of total foreign direct investments on a net basis (excluding debt to direct investor for goods, works, services), or 83.3% (in 2012 – USD 1.2 billion or 83.9%). The largest investment projects in recent years were taken by Russia: a stake in gas transportation company “Beltransgaz” (USD 5 billion) and the construction of the Belarusian nuclear power plant with Russian loan (about USD 10 billion).

Regionally, the largest amount of investment focuses in Minsk (the share of FDI is even higher – 85,7%), followed by Minsk and Gomel regions (Tab. 2). It is often noted by specialists that the current practice of attracting foreign investments into the economy of the regions do not allow to solve the issues of investment development. To improve the investment climate it is suggested to create regional agencies and business advisory centers with the necessary personnel, logistical and infrastructural support. Geography of FDI inflow to the real sector of Belarus economy reflects the dominance of Minsk, as well as major cities and districts of central and eastern Belarus (Fig. 2).

Fig. 2. Spatial distribution of FDI inflows to the real sector of Belarus economy (excluding banks), 2013



Source: own elaboration based on *Regiony Respubliki Belarus…, t. 3, Minsk,* 2014, p.101

Tab. 2. Regional structure of foreign direct investment to the real sector of Belarus economy, USD mln.

Regions	2005	2013		Investment activity index (by Kovalev, Shashko, 2009)
		total	%	
Brest	29.8	147.6	1.3	0.83
Vitebsk	6.3	153.1	1.4	0.71
Gomel	4.2	319.4	2.9	0.87
Grodno	4.2	207.0	1.9	0.80
Minsk	127.7	9 498.7	85.7	1.27
Minsk	266.9	571.7	5.1	0.98
Mogilev	12.2	185.9	1.7	0.85
Belarus	451.3	11 083.4	100.0	x

Source: own elaboration based on *Regiony Respubliki Belarus. Statist. Sbornik, t. 1, Minsk*, 2014, p. 655.

Belarus is conducting an active policy of export potential development, promoting investment projects primarily in the CIS countries. Thus, within 871 CIS projects about 300 are implemented by Belarus (most of them are small projects – 293 of them are up to USD 3 million). Clear tendency to increase the total number of enterprises with Belarusian capital is visible over the past decade. This tendency is explained by the fact that the vast majority of Belarusian direct investments is carried out by state exporting companies and not aimed to establish manufacturing abroad, and vice versa, to promote the products of the Belarusian industry in the neighboring countries. Among the state corporations and agencies (including ministries, regional and municipal executive committees) leadership by the number of distribution network entities belongs to the Ministry of Industry. Worldwide, but mainly in the CIS countries, there are 120 distribution companies with Belarusian investments under the jurisdiction of the Ministry of Industry. The second, third and fourth places are occupied by "Bellegprom", "Belneftekhim" and "Bellesbumprom". "Belgospischeprom" and the Ministry of Architecture and Construction also play significant roles. Among specific companies the greatest number of distribution network entities in the CIS countries is in the possession of "BelAZ" (27), Minsk Tractor Works (17), Wood holding "Pinskdrev" (15), a textile factory "Mogotex" (10), a manufacturer of automobile tires "Belshina" (10) and Minsk Automobile Plant (MAZ) (Monitoring…, 2013, p. 16–17). The global economic crisis that began in 2008 did not slow down, but, on the contrary, accelerated the expansion of the distribution network of Belarusian companies. But the geography of the distribution network has changed. Decrease in trade with Russia forced Belarus exporters to pay attention to other markets, and in the period of 2009–2012 the growth of distribution companies number was carried out largely in other countries of the CIS (Kvashnin, 2013).

The volume of direct investments by Belarusian organizations to foreign economies maintained a growing trend (Statisticheskij ezhegodnik…, 2014, p. 655). The basic forms of direct investment were debt instruments (97.2% of total direct investment abroad). A part of the debt instruments – expenses for goods, works and services to the direct investor - resident of the Republic of Belarus in 2013 accounted for USD 4.4 billion, that is 11.9% more than in 2012. In the geography of FDI the leading position is kept by Russia (49.4%) and the United Kingdom (23.5%), and important role is played by neighboring countries (Ukraine –18.2%, Lithuania – 1.7%) and a partner in the Customs Union and the Common Economic Space (Kazakhstan – 2.9%).

Belarusian investments are not limited to investments in retail distribution networks (this trend has been dominated since the mid–2000s). In addition to promoting own distribution networks, Belarusian companies (primarily machine building, such as BelAZ, MTZ) establish assembly plants, as a rule, on the basis of already existing plants. Thus, BelAZ established a joint venture in Korkino (Chelyabinsk region) in 2010, in which the Korkino excavator-carriage repair plant, where production line was launched, has been added to the BelAZ. Agricultural Machinery Plant "Gomselmash", in a joint venture with "Bryanskselmash", began assembling kits in Belarus in mid–2000. During 2010 in Russia 31 assembly factories were created, but most of them are small businesses with total revenue of about USD 100 million (Kvashnin, 2013: 89).

Tab. 3. Parameters of investment and business indexes in the countries of Southeast Europe and the CIS (2014).

Country	Index/Parameters											
	1	2	3	4	5	6	7	8	9	10	11	12
Georgia	1	3	1	3	1	2	10	7	3	6	22	23.6
Latvia	2	9	4	8	10	6	12	3	2	4	5	5.9
Lithuania	3	5	2	10	5	6	19	9	1	2	15	…
Macedonia	4	1	8	7	19	11	5	1	10	19	3	19.0
Montenegro	5	16	14	5	20	1	10	19	5	25	1	4.9
Bulgaria	6	14	9	12	14	6	3	18	6	18	4	12.8
Armenia	7	2	7	13	4	11	12	8	16	24	17	26.5
Romania	8	10	15	24	16	2	9	12	8	15	7	13.8
Hungary	9	17	10	21	12	4	25	17	9	5	13	26.5
Turkey	10	22	13	2	13	21	2	13	12	11	20	18.1
Belarus	11	11	5	16	2	22	21	14	18	1	16	5.4
Russia	12	7	20	14	7	17	22	10	21	2	14	11.1
Moldova	13	8	23	17	9	6	15	16	19	13	11	29.0
Kazakhstan	18	15	19	9	8	20	6	2	24	8	12	15.4
Azerbaijan	19	6	18	19	6	22	14	4	22	9	19	15.8
Kyrgyzstan	23	4	3	23	3	11	8	23	23	17	25	43.1
Serbia	20	20	26	6	18	16	7	25	14	21	8	6.6
Ukraine	22	21	6	26	15	4	24	20	20	14	23	7.9
Kyrgyzstan	12	5	6	23	6	2	2	22	21	12	23	43.1
Bosnia and Herzegovina	24	26	25	22	21	11	20	24	15	20	2	14.0

Indices: 1. Filtered Rank, 2. Starting a Business, 3. Dealing with Construction Permits, 4. Getting Electricity, 5. Registering Property, 6. Getting Credit, 7. Protecting Minority Investors, 8. Paying Taxes, 9. Trading Across Borders, 10. Enforcing Contracts, 11. Resolving Insolvency, 12. Share of the population below the national poverty line in 2000–2009, %.

Source: own elaboration based on *Ranking of economies*…, 2014.

It should be noted that according to the International Monetary Fund (IMF), Belarusian accumulated direct investment abroad at the end of 2011 accounted for USD 290 million. That is much less than several countries of the CIS. Such a discrepancy in the amounts is due to the fact that significant funds are involved into the debt instruments, i.e. debt of foreign companies to direct investors - Belarusian residents (71.3% of FDI in 2012), and most of it was formed in 2011 amid the economic crisis and the devaluation of the Belarusian ruble.

When assessing the prospects for attracting FDI in Belarus it should be noted that among the 26 countries of South-Eastern Europe and the CIS, 5 Eastern European countries of the EU, Turkey and Belarus, ranked 11th in 2014 (Tab. 3), are inferior to four new members of the EU, three Transcaucasian countries (Georgia, Armenia), Macedonia and Montenegro. However, it should be borne in mind that in most of these countries, except Montenegro, the share of the population living below the national poverty line in 2000–2009, was significantly higher (15.8 – 26.5%) than in Belarus (5.4 %).

Conclusion

The results of the analysis of the current position of Belarus in the world's leading investment rankings show that the most problematic areas, due to which Belarus is largely losing with other countries are, in accordance with the opinion of national experts (Muha, Kashinskaya, 2013, p. 22), factors such as the protection of property and investments, access to land resources, taxation, the conditions for international trade and access to financial resources. The attractiveness of Belarus in the eyes of foreign investors can increase as a result of improvements in these areas. Investment Code and a set of measures to liberalize the business international trade and the protection of investors environment adopted in the Republic of Belarus, gave as a result a 57th position out of 189 countries in the world rankings in 2014 (Ranking of economies…, 2014).

Multivariable modeling of FDI in modern conditions (Muha, 2014) showed that, in developing countries and countries with economies in transition, the share of economic factors (market size, availability of natural resources and infrastructure, level of trade openness of the country, etc.) is about 60.3% of the resultant value variation. The share of institutional factors (government policies for the development of business and foreign trade, bureaucracy, democratic institutions and political mechanisms) does not exceed 33.1%. On this basis, three ways of improving the institutional environment for increasing FDI in Belarus are suggested by specialists: 1) reduction of bureaucratic barriers by decreasing the state involvement in administrative regulation of the economy (protection of property rights, stability of economic legislation); 2) simplification of the business environment (reducing the state's role in the prices regulation, financial and credit institutions, simplifying the tax system) and management of foreign trade (simplification of export-import operations); 3) development and strengthening of political and democratic institutions, development of political and social integration (Muha, 2014, p. 48–50).

State regulation on globalization enlargement should provide an increase in investment activity by liberalizing legislation through state planning and regional programming, with flexible system of allowances, credits, implementation of social and economic programs in the interests of all segments of the population.

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Ivan Pirozhnik, Prof. Ph.D., Institute of Geography and Regional Studies, University of Pomerania in Slupsk, Poland. Graduate of Geography at the Belarusian State University in Minsk (Belarus). ScD, Ph.D. and Professor of Geography. His research interests: socio-economic geography, the impact of globalization on the transformation of the regions, economics and policy of regional development, political geography and geopolitics, geography of tourism.

Address:

Pomeranian University in Słupsk
Institute of Geography and Regional Studies
Partisans street, 27, 76–200 Słupsk, Poland
e-mail: ipirozhnik@hotmail.com