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FOREIGN DIRECT INVESTMENT IN THE UNITED STATES: DETERMINANTS AND IMPACT

Abstract: Foreign Direct Investment (FDI) refers to investments made by individuals, corporations, or governments in businesses or assets in another country. Unlike portfolio investments, which involve buying stocks or bonds, FDI establishes a significant degree of influence over the foreign company or asset. In the context of the United States, FDI plays a vital role in shaping the economy by creating jobs, introducing new technologies, and fostering international economic ties. Over the years, the U.S. has been one of the most attractive destinations for FDI due to its large consumer market, robust infrastructure, and stable political environment. The objectives of this research are twofold: to explore the key factors that influence foreign investors to choose the United States as an investment destination and to assess the economic, social, and political impacts of these investments. Understanding these dynamics can help policymakers and businesses maximize the benefits of FDI while mitigating potential risks.

Key words: Foreign Direct Investment

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ПРЯМЫЕ ИНОСТРАННЫЕ ИНВЕСТИЦИИ В СОЕДИНЕННЫЕ ШТАТЫ: ОПРЕДЕЛЯЮЩИЕ ФАКТОРЫ И ВОЗДЕЙСТВИЕ

Аннотация: Прямые иностранные инвестиции (ПИИ) - это инвестиции, осуществляемые частными лицами, корпорациями или правительствами в предприятия или активы в другой стране. В отличие от портфельных инвестиций, которые предполагают покупку акций или облигаций, ПИИ оказывают значительное влияние на иностранную компанию или актив. В контексте Соединенных Штатов прямые иностранные инвестиции играют жизненно важную роль в формировании экономики, создавая рабочие места, внедряя новые технологии и укрепляя международные экономические связи. На протяжении многих лет США является одним из наиболее привлекательных направлений для прямых иностранных инвестиций благодаря большому потребительскому рынку, развитой инфраструктуре и стабильной политической обстановке. Цели данного исследования двояки: изучить ключевые факторы, влияющие на выбор иностранными инвесторами Соединенных Штатов в качестве места инвестирования, и оценить экономические, социальные и политические последствия этих инвестиций. Понимание этой динамики может помочь директивным органам и предприятиям максимизировать выгоды от прямых иностранных инвестиций при одновременном снижении потенциальных рисков.

Ключевые слова: Прямые иностранные инвестиции

The strength of the U.S. economy, characterized by consistent GDP growth, low inflation, and a stable currency, has been a primary driver of FDI. Investors seek

markets where they can achieve high returns with minimal risk, and the U.S. economy's size and diversity offer unparalleled opportunities [1].

The U.S. has a well-established legal framework that protects investors' rights. Its relatively low corporate tax rates, combined with incentives for foreign firms, make it an attractive destination. Additionally, political stability ensures that foreign investments are secure, reducing concerns about sudden policy changes or expropriation [2].

The availability of a skilled and educated workforce is a significant determinant of FDI. Sectors like technology, pharmaceuticals, and manufacturing benefit from the U.S.'s high labor productivity and innovation-driven culture [3].

Foreign investors are drawn to the U.S. due to its advanced infrastructure and leading position in research and development. The country's technological hubs, such as Silicon Valley, provide access to cutting-edge innovations that are critical for competitive advantage.

Trade agreements like USMCA and partnerships with key regions further enhance the attractiveness of the U.S. by providing foreign firms with easier access to the North American market [4].

FDI contributes significantly to the U.S. GDP by introducing capital into the economy. Foreign-owned firms employ millions of Americans, helping to reduce unemployment rates. These companies often bring new management practices and create demand for local suppliers, further boosting economic activity.

One of the most profound impacts of FDI is the transfer of technology and expertise. Foreign firms often collaborate with U.S.-based universities and research institutions, fostering innovation and enhancing the country's global competitiveness. FDI can help reduce regional economic disparities. For instance, investments in manufacturing plants in the Midwest have revitalized local economies, creating jobs and stimulating growth in historically underdeveloped areas [5].

By fostering stronger economic ties with investing countries, FDI enhances diplomatic relations. The presence of foreign firms also boosts exports by integrating U.S. suppliers into global value chains.

While FDI brings capital, it also has downsides. Repatriation of profits by foreign firms can drain capital from the domestic economy. Overdependence on FDI in critical sectors can leave the economy vulnerable to external shocks [3].

Investments in sensitive sectors like defense and technology raise national security concerns. Foreign ownership in these areas could compromise the U.S.'s strategic interests, prompting regulatory scrutiny.

Balancing the benefits of FDI with protectionist measures remains a challenge. While openness attracts investments, it can sometimes undermine domestic firms, leading to monopolization or loss of market share for local players [2].

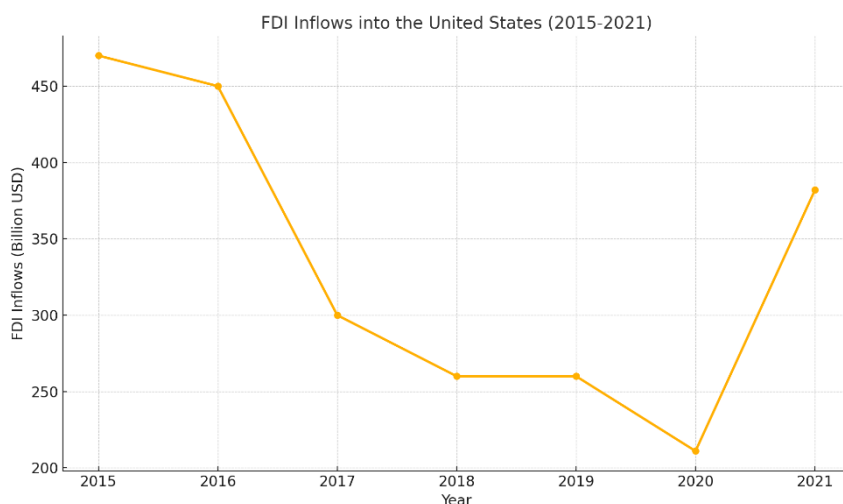
Historical Case Studies. Japanese automakers like Toyota and Honda have significantly impacted the U.S. manufacturing industry. Their investments have created thousands of jobs and introduced efficient production techniques, revitalizing regions like the Rust Belt. Comparing FDI in the U.S. with countries like China reveals interesting patterns. While China often attracts FDI in manufacturing due to low labor costs, the U.S. attracts high-tech investments, reflecting its advanced infrastructure and skilled workforce [4].

FDI is particularly prominent in sectors like technology, real estate, and finance. For example, the tech industry has benefited from investments by firms like SoftBank, which have funded innovative startups and created new employment opportunities.

The U.S. should focus on attracting FDI in sectors that offer long-term benefits, such as renewable energy, biotechnology, and artificial intelligence. Offering tax breaks and grants for investments in these areas can encourage sustainable growth. Improving FDI Regulation. Regulatory frameworks should ensure transparency and fairness. Strengthening the Committee on Foreign Investment in the United States (CFIUS) can help monitor and approve investments in sensitive sectors without

discouraging legitimate investors. To ensure that FDI complements domestic industries, policies should encourage collaborations between foreign firms and local businesses. This approach can help domestic firms adopt global best practices and improve their competitiveness [1].

The research employs a mixed-methods approach. Quantitative analysis will involve econometric modeling to study the relationship between FDI determinants and inflows, while qualitative methods will include case studies and policy reviews. Data sources will include reports from the World Bank, IMF, and Bureau of Economic Analysis. The graph shows the dynamic of FDI inflows into the USA for 2015-2021 [3].



FDI has been a cornerstone of the U.S. economy, driving innovation, creating jobs, and fostering global economic integration. While its benefits are undeniable, challenges like economic overdependence and security concerns require careful management. Policymakers must strike a balance between attracting foreign capital and safeguarding national interests, ensuring that FDI continues to serve as a catalyst for sustainable growth.

Refernces

1. U.S. Bureau of Economic Analysis (BEA): Foreign Direct Investment in the United States: Provides detailed statistics on FDI flows, positions, and related income
2. United Nations Conference on Trade and Development (UNCTAD):
World Investment Report: Offers insights into global FDI trends, including country-specific analyses.
3. Organisation for Economic Co-operation and Development (OECD):
FDI Statistics: Presents data on FDI flows and stocks among OECD countries.
4. World Bank: World Development Indicators: Includes data on FDI net inflows and outflows by country.
5. International Monetary Fund (IMF): Coordinated Direct Investment Survey (CDIS): Provides data on direct investment positions, including inward and outward FDI.
6. U.S. Department of Commerce: SelectUSA: Offers information on FDI trends, reports, and resources for investors.