## SECTION 4
## INVESTMENT AND INNOVATIVE POLICY OF INTERNATIONAL BUSINESS UNDER GLOBALIZATION

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### FOREIGN DIRECT INVESTMENT EFFECTS ON THE ECONOMIC SECURITY OF HOST COUNTRIES

In today's world foreign investment, especially foreign direct investment (FDI), plays a major role among the factors affecting the economic development of the country, recipient of investment and its national and economic security.

Economic security is defined as a system of measures of economic, geopolitical, legal and other conditions designed to protect national interests in the sphere of the economy that have a regulating effect and actively counteract the external and internal threats.

Under certain conditions investments can stimulate a rise in industry and agriculture, and hence the economic situation as a whole.

Positive effects resulting from attraction of foreign investments on the economy of the host countries lead to a positive impact on the financial sector, favourable social and employment effects, the use of new methods of business management and new technologies, creating more competitive environment.

As the world economic practice shows, the influence of foreign investment is not limited to positive effects on the economic development of the host country. Foreign investments may also impede economic growth and development of the national economy. It results in a negative financial, social and employment effects, moving environmentally hazardous industries to the host country, the loss of economic sovereignty, the deterioration of the competitive environment.

Despite the negative factors, the developing countries cannot exist without foreign direct investment. Countries try to enhance the positive effects and minimize the negative effects of foreign direct investment on economic development and provide the required protection or the required level of economic security of their own economies.

Two different trends influence the formation of the system of economic security in an open economy. The first one is that the system should be sensitive to maximizing positive results, minimizing and preventing the development of the negative impact of FDI, which has either occured or may occur in the future. The second implies that the adoption of a certain defensive position against FDI will not lead to a positive outcome for the economy, as many countries have been able to accelerate their economic growth due to FDI.

Taking into account these two divergent trends in economic security policy in an open economy to FDI, it is essential to find the balance of interests between the state and a foreign investor. The policy of attraction of foreign direct investment should focus on finding and creating opportunities for the application of external capacity of the country of outward FDI, TNCs and internal potential of host country to achieve its goals of economic development and to minimize threats to the economic security of the state.

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## M&A MARKET TRENDS IN 2014–2015

Mergers and acquisitions (M&A) is a general term used to refer to the consolidation of companies. A merger is a combination of two companies to form a new company, while an acquisition is the purchase of one company by another in which no new company is formed.

In 2014, the M&A market has grown considerably. The value of worldwide M&As totaled $3.5 trillion in 2014, a 47 percent increase over the previous year and the strongest annual period for global deal-making since 2007.Megadeals (transactions with a value of more than $10 billion) accounted for more than 35 percent of total 2014 deal value, including five deals worth more than $43 billion each a level of activity not witnessed since before the financial crisis. Reasons for the hot M&A market vary depending on the industry and business size. Business brokers cite an increase in qualified buyers, strong cash reserves, record-low interest rates, improved financial performance, favorable economic conditions and a growing number of Baby Boomers seeking retirement.

It is a well-known fact that the M&A market is becoming more international, with an increase of cross-border deals. Even countries which had somewhat low levels of cross-border M&A, such as Japan, are increasingly opening up.

One should note here that broken deals also provide interesting hidden indicators of the health of the M&A market. In 2014, US$ 221bn of deals were announced but then withdrawn, up from US$ 87 bn in the previous year. On the one hand announced M&A in 2014 matched the peak of pre-crisis levels – further evidence of rising confidence and deals needing to be done. On the other hand the level of failed transactions demonstrates that the current deal-making environment has very significant challenges which require careful planning and execution.