DIGITAL TRANSFORMATION OF ECONOMIC SYSTEMS
PRODUCING INTERNATIONAL BUSINESS INVESTMENT ACTIVITY

**Abstract:** In this article, the study of the essence, principles, capabilities and threats of international business investment activity becomes relevant.

**Key words:** Digital economy, economic, international investment, investment activity, long money economy, investment decisions, state.

**Language:** English

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Introduction

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The digital economy will evolve and transform in the next few years to achieve its main purpose - the use of unused or underutilized assets in the global economy. In this regard, the study of the essence, principles, capabilities and threats of international business investment activity is becoming relevant.

As a result, the importance of the digital economy for international investment and digital development is substantiated. Firstly, the introduction of digital technologies can fundamentally change the nature of the international activities of companies and the influence of foreign affiliates on investment policy. Secondly, the digital development of all countries and the participation of developing countries in the global digital economy require a focused international investment policy, without which it is impossible to build a network infrastructure that stimulates the development of a business working with digital technologies and supports the process of transformation of the new economy as a whole. The authors conclude that digital is becoming the main factor in economic growth, the methods of conducting production processes and the technical means of their implementation have become complex. In this regard, the level of development of engineering and technology has affected socio-economic development and, as a result, has an impact on international investment activity of a business.

The defining vector of world development is the ubiquitous transition to the digital economy. It fundamentally changes the nature of production and sale by companies of their goods and services abroad. Multinational corporations using digital technologies can maintain contacts with foreign customers and sell them their products without major investments in physical infrastructure in foreign markets. This makes their economic impact on the host countries less tangible, whose role in the process of generating productive capacity and creating jobs with the naked eye is much more difficult to notice.

Technological progress has accelerated so much that technology, which is effective in modern conditions, becomes morally obsolete by the time the investment process is completed, and therefore, the likelihood of a significant limitation of the long-term international investment decisions increases, which can negatively affect the dynamics of economic growth. A low level of investment hinders the growth of the economies of the countries in the medium term, that is, "long money" in the context of the digital economy is a very limited resource.

The digital transformation of international production has serious implications for investment promotion and facilitation, as well as for regulating investor behavior. Standards developed for the
material economy may need to be revised in light of new digital business models. Some countries are already taking steps to modernize their policies; others risk staying with outdated rules or, not wanting to, slow down digital development.

Global investment is showing modest growth, and forecasts for 2018 are cautious. Expectations of accelerated growth in major regions, resumption of trade growth and increase in corporate profits may contribute to a slight revival of foreign direct investment [1].

International investment policy is becoming increasingly complex, heterogeneous and uncertain. The imperatives of sustainable development pose new challenges and give it greater diversity. This policy is becoming more heterogeneous, reflecting the diversity of approaches that guide society and the state in the face of the effects of globalization and digitalization. Along with increased government intervention, this makes investment policies less predictable for investors [2].

Most investment policies in the past few years have been aimed at encouraging, simplifying, and liberalizing investments. Many countries regulate cross-border investments based on specific investment laws, which raise the same issues as in international investment agreements. Such laws exist in no less than 108 countries. The G20 countries have adopted guidelines for global investment policy, the essence of which is as follows:

- The principle of the new generation, in which the emphasis is on sustainable development and inclusive growth, recognition of the right to regulation in the interests of achieving the goals of state policy and reliance on responsible business practices.
- The principle of global promise in such elements of the system of international investment as justification; protection and regulation; encouragement and simplification; dispute resolution.
- The principle of coherence between national and international policies, as well as between investment policies, policies in other areas and sustainable development goals.
- The principle of a delicate balance between the rights and obligations of companies and states, between liberalization and regulation, as well as between the strategic interests of the host countries and their countries of origin.
- The principle of the advisory nature of international investment policy. All principles are not binding. They should provide guidance in evaluating and formulating national investment policies and strategies. In addition, they should become an important guide in the preparation and approval of international investment treaties.

In order for the international activities of organizations to proceed efficiently, the company's management must first establish the feasibility and prospects of doing business on the international market, especially in the context of the development of the digital economy.

Countries can adopt these options when reforming and adapt them to their political priorities. If the state does not carry out a detailed market research, then it will be very difficult for it to correctly assess its capabilities, since this requires matching market requirements with the corresponding parameters of the national economy.

The digital economy is important for investment, and investment, in turn, is extremely important for digital development. The introduction of digital technology can fundamentally change the nature of international investment and the impact of foreign affiliates on host countries. The digital development of all countries and the participation of developing countries in the global digital economy, in particular, require a focused investment policy.

At present, the specific mechanisms for changing the paradigm of “long money” are not yet clear, and the theoretical, methodological and instrumental basis for the digital transformation of the world economy, especially in the long term, in terms of its impact on international investment activity of the business, has not been developed.

The study of the impact of a paradigm shift in the economy of “long money” on the investment activity of a business includes the development of problems in the formation of transformation processes for a model of functioning of an economy under conditions where short-term and long-term measures to support the adoption of investment decisions contradict each other.

The model in which the state could invest five years in oil and gas and 25 years to pay back or build a railway with the most modern technologies and operate it, is leaving. It is very likely that when the construction of such a road is completed, it turns out that the technology is already very old. This significantly limits the long-term investment decisions, including international ones.

The incorporation of digital technology into global production chains across industries will have a profound impact on international manufacturing. Depending on the preferences of specific industries, this can lead to a reduction in large investments in centralized production projects built on large volumes of data, as well as to the development of a more flexible, decentralized production based on 3D printing technologies.

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Some risks of not achieving a forecast include high asset prices in the near future, since the acceleration of growth and the softening of financial conditions reinforce each other. The negative factor is that high asset prices increase the likelihood of a correction in the financial markets and very low premiums over the term weaken growth and confidence. A possible trigger is a faster than expected increase in core inflation and interest rates in advanced economies while accelerating demand growth. If the mood in the global economy remains positive and inflation moderate, then financial conditions can remain soft in the medium term, which will lead to the accumulation of financial vulnerability factors in both advanced economies and emerging and developing countries. Closer policies, geopolitical tensions, and political uncertainty in some countries also pose risks of not achieving a forecast.

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| RIHNC (Russia) | 0.126       |
| ESJI (KZ)  | 8.716         |
| SJIF (Morocco) | 5.667        |

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