Chapter 2
Explaining That Everything Trendy and New Is Essentially Slightly Changed Classics; Also Explaining How Leadership Can Be Maintained Using Traditional Means Under Non-Traditional Market Relations

ABSTRACT

National investment and innovation process today is the basis for national competitiveness and country’s positioning in the international structure of labor distribution. It also guarantees country’s leadership in the most important innovative processes in parallel to economic attractiveness maintenance for traditional capital and its owners. These are the major preconditions for not only leadership but also for the dynamics of national progress or even for survival under tough global competition. This chapter evaluates the peculiarities of the world innovation and investment process and describes the distribution of countries within the coordinate system of world innovations and investments. Major preconditions for innovative leadership of a country are determined, and institutional bases for innovative development of the economic systems in the twenty-first century are analyzed. The most meaningful changes of this new century are also described, including: changes in ownership relations, transformation of economic motivation of people as consumers and also human relations as a factor of intellectual production.

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INVESTMENT HEALTH INSIDE

Investment attractiveness of a country is a comprehensive indicator and a key factor in any investment decision. It also influences significantly all rankings of today’s economies, known to economic science and business practice. At the same time, methodologies developed and used by the known and much respected international expert organizations (Doing Business, The Heritage Foundation, McKinsey & Co, Ernst & Young) do not take into account the real size of economic systems; neither have they considered the sector specificity of the objects for potential investment. They mostly operate the numbers that describe only the international flow of capitals.

Meanwhile, many internal investors do not want to export their capital abroad, neither have they the intention to develop domestic economies through their own means. This is sometimes is treated as an indicator of lowering business activity and reduced external popularity of a country. However, at the same time this also strengthens the investment attractiveness of a state (of course, if this state is able to provide the necessary infrastructure for capital export and is not imposing direct limitations on the related activities).

For example, according to traditional Western quantitative and comparative evaluation method, the developed countries of the world (like Denmark, Holland, Sweden etc.) would have high ranks from the standpoint of infrastructure and investor support and protection (Ushakov, 2016). However, the volume of capital outflow from these economies can be manifold higher than the volumes of incoming capital; the former can even be more than the internal reserves of a country. And this actually testifies to the low investment attractiveness of a country!

We can carry out the analysis of investment attractiveness by countries, using the criteria of internal competitiveness of foreign investments which is usually manifested through national companies’ intentions to invest into their own, domestic economies, not in some faraway countries. This indicator is actually already used in the world practice for the analysis of sectorial competitive advantages (Pilipenko, 2003). Describing national finances in their interrelation with international capital flows as a certain sector, we can analyze the investment attractiveness of countries worldwide using real data on international and domestic investments.

In this analysis we have used the following macroeconomic indicators: the volume of exported and imported capital, annually; the total volume of
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