ORIGINAL PAPER

DOI: 10.26794/2587-5671-2020-24-3-118-131
UDC 330.322(045)
JEL F21

Challenges of a New Investment Policy: Investment Promotion and Protection

E.V. Sapir[a] ✉, I.A. Karachev[b]
P.G. Demidov Yaroslavl State University, Yaroslavl, Russia
[a] https://orcid.org/0000-0002-2754-0985; [b] https://orcid.org/0000-0001-9327-7022
✉ Corresponding author

ABSTRACT

The study **aims** to analyze key aspects of the new emerging investment policy, which sets the priority for private investment protection and promotion. **The relevance of the study** is due to the search for new, non-budget, funding sources for implementing large-scale national tasks and large infrastructure projects. Attracting private capital within changing global investment becomes an important task for national governments, and therefore requires a departure from investment protectionism to investment protection and promotion. Due to the **methods** of theoretical (analysis, synthesis, generalization, historical method) and empirical (comparison, measurement) research, the authors managed to reveal the main economic determinants and components of the national investment climate that contribute to attracting foreign capital; to systematize the key measures of investment policy; to identify trends in the dynamics of global flows of foreign direct investment. As a **result**, the authors established key principles and criteria for the new investment policy of sustainable development, as well as identified contemporary models of the new investment policy. These include a model for stimulating the development of individual priority economic activities; a model for improving the technological level of national industries; a model for creating new integrated meta-industries. The authors focus on reforming the investment regime in the Russian Federation. The new legislation provides for the possibility to conclude an investment protection and promotion agreement with private investors based on "a stabilization clause". Thus, investors implementing large-scale investment projects will be subject to new rules that will establish the conditions at the time of the agreement, in particular, tax and customs policies. According to the authors, such agreements will improve the quality of the investment climate in the Russian Federation.

Keywords: private investment; investment protectionism; investment policy; guidelines for investment policy; investment policy models; investment incentives; new investment project; investment promotion

For citation: **Sapir E.V., Karachev I.A. Challenges of a new investment policy: Investment promotion and protection. *Finance: Theory and practice.* 2020;24(3):118-131. (In Russ.). DOI: 10.26794/2587-5671-2020-24-3-118-131**

INTRODUCTION

National investment policies are key for attracting foreign direct investment (hereinafter referred to as FDI). Those policies have to be seen in the broader context of the determinants of FDI, among which economic factors predominate (*Fig. 1*).

On the one hand, national FDI policies seek to stimulate the country's economic development, and on the other, to preserve its economic independence. To achieve the first goal is possible by increasing the share of foreign participation in the authorized capital of organizations. The second goal is to ensure control over investor organizations by national governments.

In recent years, theoretical problems of investment policy have had wide coverage in foreign and domestic scientific and analytical literature. Set out in section "Fighting Protectionism and Promoting Trade and Investment" of the Seoul Summit Document[1] (11.12.2010), where the participating states asked the WTO, OECD, and UNCTAD to continue monitoring the situation and to report publicly on a semi-annual basis, the request encouraged the large-scale research.

According to leading analysts, the main problem of investment policy is to achieve the best ratio of liberalization and protectionism, i.e. the balance between the facilitation and promotion of foreign investment on the one hand and the measures of restriction, prevention and deterrence on the other [1, 2].

Researchers note that international investment policy is constantly changing. The annual number of new bilateral investment treaties keeps declining, while regional investment policies are strengthened. In recent years, numerous ideas have appeared on improving the framework for the settlement of investment disputes between investors and the state, but, unfortunately, only a few of them were implemented.

The literature systematizes the main investment policy measures[2], including:

1. FDI-specific measures. Exclusive for foreign investors; include conditions for investing, restrictions on the participation of foreign investor national firms in the authorized capital, rules for controlling FDI placement, measures to support foreign investors [3].

2. General investment measures. Applicable to both local and foreign investors. May be expressed in restriction of private property, rules for issuing licenses to new enterprises, privatization plan, etc. [4].

3. Systemic measures affecting the business climate in the country. Have an indirect effect on the investment process. Affect

[1] The Seoul Summit Document. Seoul, November 12, 2010. URL: https://www.oecd.org/g20/summits/seoul /Seoul-Summit-Document.pdf (accessed on 05.04.2020).

[2] Investment Policy Monitor. Issue No 20. December 2018. UNCTAD. URL: https://unctad.org/en /PublicationsLibrary/diaepcb2018d5_en.pdf (accessed on 05.04.2020).

Determinants of the FDI recipient country	Type of FDI based on objects of transnational corporations	Key economic determinants in FDI recipient countries
Policy framework for FDI – Economic, political and social stability – Restrictions on the inflow and functioning of foreign capital – Standards of treatment of foreign affiliates – Competition policy – International trade and investment agreements – Privatization policy – Trade policy – Fiscal policy	Market-seeking	– Market size and per capita income – Market growth – Access to regional and global markets – Country-specific consumer preferences – Structure of markets
Economic determinants	Resource/ asset-seeking	– Low-cost labour – Skilled labour – Technological, innovatory and other created assets – Clusters – Physical infrastructure
Business support – Investment promotion – Investment incentives – Anti-corruption and administrative policies – Social amenities – After-investment services	Efficiency-seeking	– Input costs – Level of labour productivity – Transport, logistic and communication costs

Fig. 1. **Determinants of FDI in the context of the formation of a national investment policy**

Source: World Investment Report 2003. UNCTAD / World Investment Report 2003. UNCTAD. URL: https://unctad.org/en/Docs/wir2003_en.pdf (accessed on 02.04.2020).

changes in civil, tax, labor, antitrust and environmental laws [5].

Depending on the policy area to which they relate, investment measures, except systemic, are in turn divided into the following types: attraction and placement, business operations and exploitation, as well as assistance and facilitation [6]. In addition, we can identify measures that have a positive and negative impact on investors. The former involves creating a favorable investment climate, for example, through liberalization or the provision of incentives. The latter have the opposite effect; they are directly aimed at administratively restricting FDI inflow and limiting repatriation of earnings [7].

Despite the fact that international political forums, state institutions, and the expert community at the highest level often refer to the concept of investment protectionism, its generally accepted definition has not been developed yet. In a broad sense, this term covers a country's actions that directly or indirectly impede the attraction of foreign investment without an official regulatory framework. At the same time, different scientific schools interpret the nature of investment protectionism in different ways. Some authors include in investment protectionist measures only measures that apply to foreign investors, which put the latter in an unequal position for national investors and which force them to abandon the implementation of planned investment projects in the country [8]. Other authors believe that protectionist measures should also include measures against domestic companies that impede the conduct of investment and operating activities abroad [9, p. 28]. In this context, it is primarily a question of legislative regulation of investments, but does not exclude the use of political instruments.

A big scientific discussion raises the question of whether the green economy can generate a side effect in the form of increased investment protectionism[3].

Obviously, costs of environmental protection can hamper FDI [10]. Increasing demands for emission limits and energy efficiency measures may encourage investors to stop investing. Environmental factors can also indirectly affect FDI flows. For example, importing countries may impose restrictions on the import of goods produced using non-environmentally friendly technologies. Similar problems are typical of the public procurement sector.

Some authors — and there are many — are skeptical about criticism of investment protectionism. They believe that the measures to achieve the legitimate goals of state policy may well be motivated by political considerations, the need to ensure national security, protect the health of citizens, and preserve the country's economic sovereignty [11]. It is important to achieve the balance of investment, social, environmental and trade policies, as well as to identify restrictive measures that pursue discriminatory goals. Despite this, for most researchers and investment politicians, the term "protectionism" has a negative connotation and is unambiguously associated with a "toxic" effect on the dynamics and volumes of investment flows.

Today, changes in the global investment landscape, showing a prolonged recession, an increasing role of governments in the economy and a growing need to stimulate international investment, are creating new phenomena in investment policy: a shift away from investment protectionism towards protecting and promoting investment[4].

FOREIGN DIRECT INVESTMENT TRENDS

According to the World Investment Report 2019, projections for global FDI show only a modest recovery of 10 per cent to about $1.5 trillion, below the average over the past 10 years. The underlying FDI trend remains weak.

[3] Harnessing Freedom of Investment for Green Growth. 2011. OECD. URL: https://www.oecd.org/daf/inv/ internationalinvestmentagreements/47721398.pdf (accessed on 05.04.2020).

[4] Investment Policy Monitor. Special Issue — National Security-related Screening Mechanisms for Foreign Investment. December 2019. UNCTAD. URL: https://unctad.org/en/PublicationsLibrary/diaepcbinf2019d7_en.pdf (accessed on 05.04.2020).

FDI net of one-off factors such as tax reforms, megadeals and volatile financial flows has averaged only 1% growth per year for a decade, compared with 8% in 2000–2007, and more than 20% before 2000. Explanations include declining rates of return on FDI, increasingly asset-light forms of investment and a less favourable investment policy climate.

Global FDI flows continued their slide in 2018, falling by 13% to $1.3 trillion (*Fig. 2, 3*).

FDI flows to developed economies reached the lowest point since 2004, declining by 27% — to $557 billion. FDI inflows declined due to large-scale repatriations of accumulated foreign earnings by United States multinational enterprises (MNEs), following tax reforms introduced in the country.

FDI inflows to developing countries remained stable, rising by 2% — to $706 billion. As a result of the increase and the anomalous fall in FDI in developed countries, the share of developing countries in global FDI increased to 54%, a record.

FDI flows to economies in transition continued their downward trend in 2018, declining to $34 billion, driven by a 49% drop in flows to the Russian Federation (from $26 до $13 billion). The wary attitude of investors towards Russia was due to the geopolitical situation, weak GDP growth, as well as the policy of de-offshoring [12]. The decline in FDI inflows affected other countries in this economic group: Azerbaijan, Kazakhstan and Ukraine.

FDI outflows from economies in transition reached $38 billion. As in previous years, the Russian Federation accounted for the bulk of outward FDI ($36 billion, or 95%). The country's outflows rose by 7%, and was driven mainly by reinvested earnings in projects and the extension of intracompany loans to established affiliates. Equity investment in new ventures and foreign acquisitions declined by almost half, reflecting the caution about foreign expansion.

The value of announced new projects rose by 41% to $961 billion from their low 2017 levels. In 2018, the value of projects in the Asian region has almost doubled.

During the last five years 5,300 R&D projects were announced, representing about 6% of all investment projects, and up from 4,000 in the previous five years. Developing and transition economies capture 45% of all innovation-related FDI.

TRENDS IN INVESTMENT POLICY DEVELOPMENTS

Under conditions of economic uncertainty, aggravating trade conflicts and stagnation of commodity markets, policy measures of many countries show a more critical stance towards investment instruments as reliable means of growth and development of national economies.

In 2018, 55 economies introduced at least 112 measures affecting foreign investment. 65% of the measures were aimed at liberalization, promotion and facilitation of new investments. 35% introduced new restrictions or regulations relevant to FDI — the highest number since 2003.

Steps toward liberalization were made in various industries, including agriculture, media, logistics, mining, energy, retail trade, finance, transportation, infrastructure and internet business. Two-thirds of these measures were in developing countries in the Asian region. Some countries have taken measures to privatize public companies. The trend towards simplifying or streamlining administrative procedures for foreign investment continued, for example, by canceling the requirements for obtaining licenses or creating online portals for submitting applications. Also, several countries provided new fiscal incentives for investment in specific industries or regions.

Strengthening government regulation is most pronounced in respect of foreign investment in strategic industries and critical infrastructure. Here the trend is ambiguous: with a general policy of favoring the attraction of foreign property, in some developed countries access procedures have been tightened as a result of the introduction of new requirements for investors or verification procedures for the implementation of investment projects.

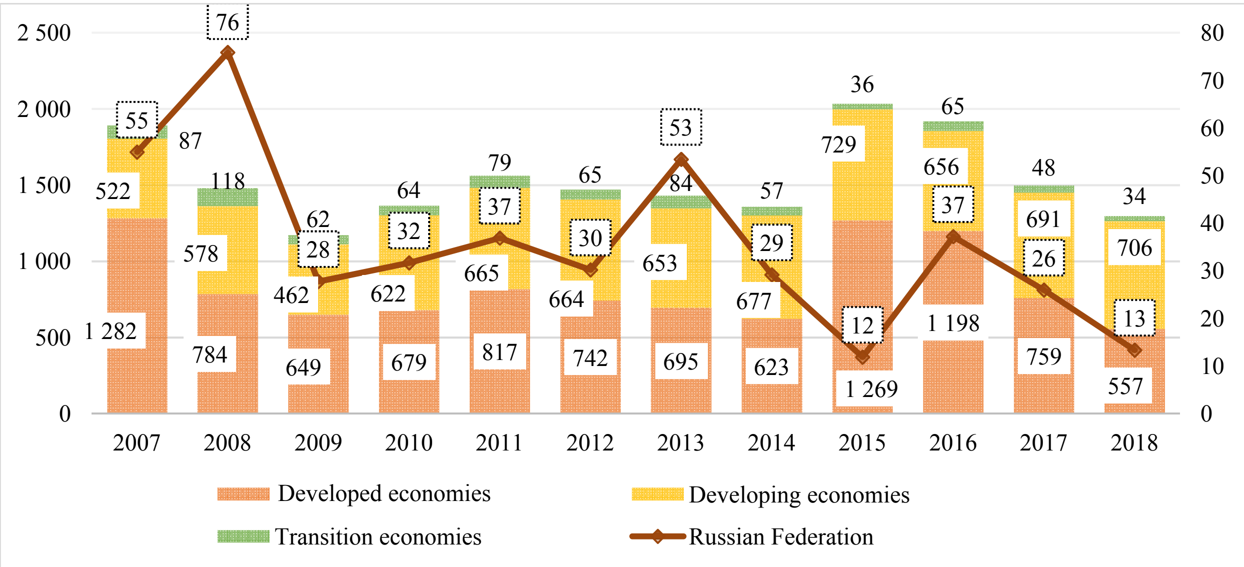

Fig. 2. **FDI inflow by economic groups of countries and separately by the Russian Federation, 2007–2018, billion dollars**

Source: according to the World Investment Report 2019. UNCTAD. URL: https://unctad.org/en /PublicationsLibrary/wir2019_en.pdf (accessed on 02.04.2020).

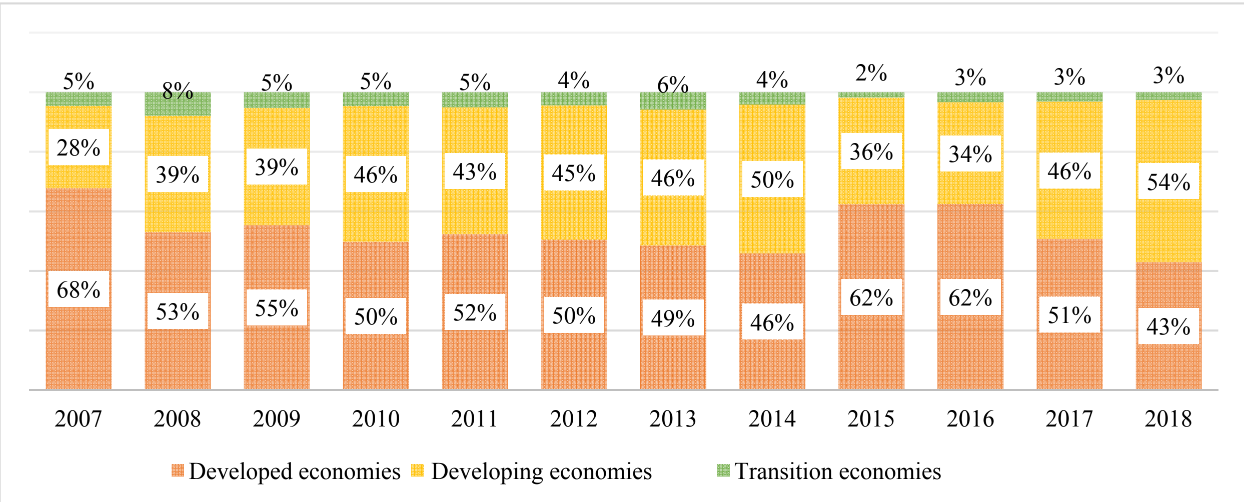

Fig. 3. **FDI inflow by economic groups of countries, 2007–2018, %**

Source: according to the World Investment Report 2019. UNCTAD. URL: https://unctad.org/en /PublicationsLibrary/wir2019_en.pdf (accessed on 02.04.2020).

In recent years, two trends have been competing with varying success: liberalization of investment regimes as a factor of technological modernization, on the one hand, and restrictions on foreign investment in order to support national industry, on the other. State policy manipulates the appropriate instruments very subtly to solve the tasks. It must be recognized that the liberalization process aimed at achieving the sustainable development goals is accompanied by the creation of an appropriate regulatory and institutional framework [13].

In a broad sense, the new investment policy has the following goals:

• harmonization with the goals of the national industrial policy to build a unified development strategy. It implies, first, the identification of key areas of investment in terms of both domestic economic needs and the tasks of increasing the country's international competitiveness; second, setting investment priorities while maintaining high economic growth rates and at the same time ensuring the inclusive and socially equitable development of society;

- maximum investor commitment to the principles and values of corporate social responsibility. Whenever possible, economic, social, environmental, cultural, intergenerational and other "costs" and losses associated with production investments should be minimized;
- ensuring the effectiveness of the policy in its development, implementation, and institutional environment.

Key principles of the new investment policy determine its development criteria (*Table 1*, *Fig. 4*).

Modern models of the new investment policy, emerging in the new industrial revolution, include:

- stimulating development of certain types of economic activity (significance of a particular type of activity depends on the strategic priorities of national and regional policies);
- raising the technological level of national industries in order to advance the country to higher links in global value chains [14];
- creating new integrated meta-industries amidst the achievements of the new industrial revolution [15, 16].

All these models provide for employing various instruments — separate tax incentives, a set of support measures within special economic zones, measures to promote and facilitate investment activities, and investment control mechanisms. The three models of investment policy use the same type of investment instruments, but with different focuses and scales.

Tax incentives are the most frequently used instrument under the new investment policy. The provision of tax incentives is always associated with shortfalls in the public budget, which are not always covered by tax payments from investment projects. Therefore, increasing the efficiency of providing incentives as levers of industrial and investment development is of particular importance. About 60% of incentive programs in the manufacturing sector are currently aimed at supporting specific types of economic activities, such as R&D.

Requirements for investors' performance indicators (conditions for providing incentives) and their investment projects are also widely used to maximize the contribution of MNEs to industrial development. These requirements became a frequent practice in the development of special economic zones [17, 18].

The process of creating new special economic zones and their diversification is ongoing. In most countries, the transition from simple export processing zones to industrial free trade areas has already finished. High-tech zones and industrial parks are becoming a key instrument of investment policy based on the achievements of the new industrial revolution.

Due to modern investment policies, many investment activity regulations (permits, registrations, approvals, notifications, etc.) have been greatly simplified. From once lengthy bureaucratic procedures, they are now turning into instruments for quick targeted formation of powerful nodes and centers of modern production, building global production networks, especially in industrially advanced developing economies.

Targeted investment promotion remains the core of investment strategies: about 60% of national investment attraction agencies, identifying priority economic activities for their promotion, proceed from industrial policy directions, and 75% implement investment attraction projects in high-tech sectors that they consider to be the most promising.

For investment policy adapted to the new realities of industrial development and aimed to promote private investment in every way, the design criteria should be applied to its key elements (*Fig. 4*).

Table 1

Key principles of the new investment policy of sustainable development

Region	Key principles
Sustainable investing	Sustainable investing is the key goal of investment policy
Policy coherence	Harmonization of investment policies within the country: with a strategy for socio-economic development and outside with the global investment community
Public administration and institutions	Investment policy is based on the rule of law, protection of property rights, an independent court, transparency and efficiency of power
Dynamism in policymaking	Flexibility, adaptability, monitoring and necessary adjustment of tasks and instruments of investment policy
Balance between rights and obligations	Equal rights and obligations of the parties of the agreements; full responsibility of investors and the state for performing their duties
Right to regulation	The state has the right to regulate the rules and standards for foreign investors, considering international obligations and public safety, without prejudice to the legitimate interests of bona fide investors
Openness to investment	Transparency, stability, predictability and free access to relevant information are the main features of a favourable investment climate
Investment protection and investment regime	Legislative guarantees for maintaining a non-discriminatory investment regime; protection of investments from illegal actions of business entities and authorities at various levels
Investment promotion	Support, stimulation, promotion of investments in the context of sustainable inclusive development goals; eliminating the risk of unfair, discriminatory and destructive competition
Corporate management and responsibility	Standards and values of corporate social responsibility incorporated into investment policy
International cooperation	Countermeasures to investment protectionism; supporting an economic strategy for strong, sustainable, balanced growth

Source: according to the World Investment Report 2012. UNCTAD. URL: https://unctad.org/en/ PublicationsLibrary/wir2012_embargoed_en.pdf (accessed on 02.04.2020).

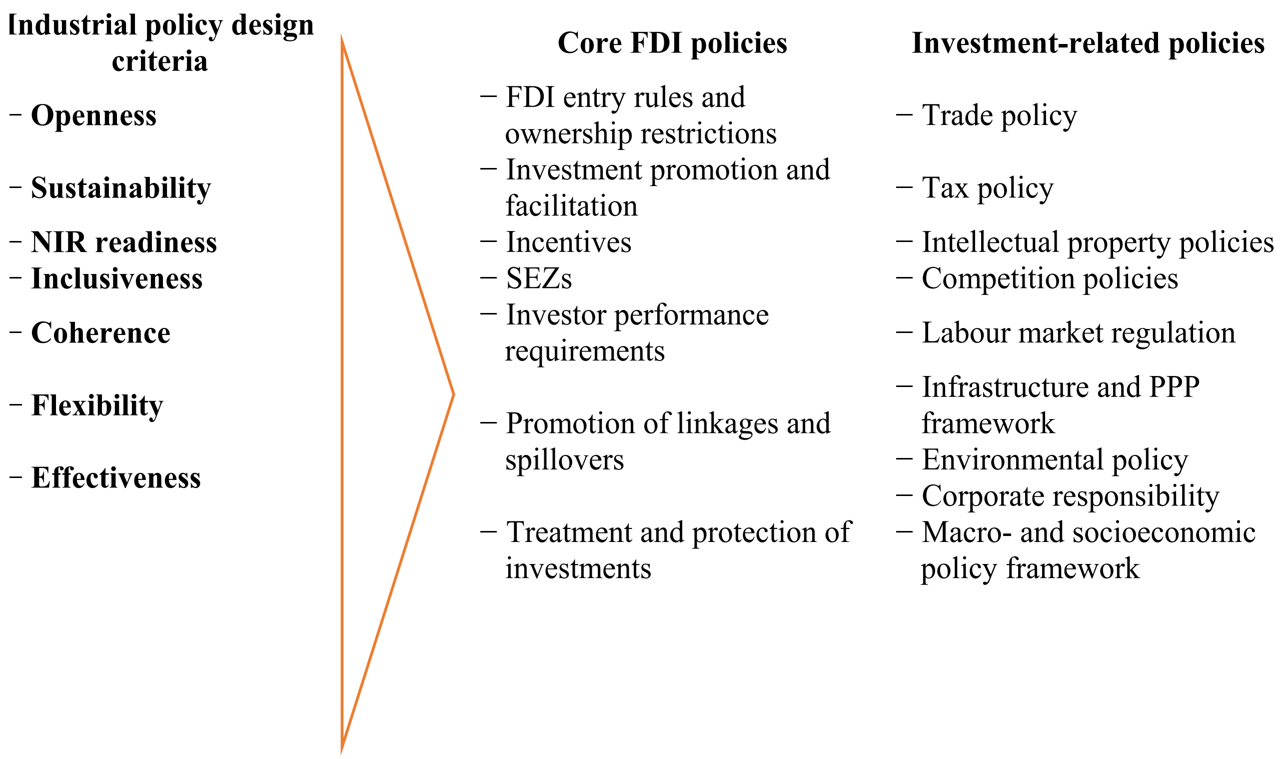

Fig. 4. **Investment policy framework for sustainable development**

Source: according to the World Investment Report 2018. UNCTAD. URL: https://unctad.org/en/ PublicationsLibrary/wir2018_en.pdf (accessed on 02.04.2020).

INVESTMENT POLICY FRAMEWORK IN THE RUSSIAN FEDERATION

The Russian Federation currently takes active measures to reform the investment regime in the framework of a new industrial policy. For the first time, investment promotion is a priority in developing investment policy instruments in the Russian Federation. *Table 2* presents the main stages in the development of investment legislation in Russia.

The investment legislation evolution of Russia reflected the development of state approaches and state investment policy from the initial steps to legalize and make investments (there was no private investment in the USSR) to various instruments, forms, institutional nuances of modern investment activity. The new investment policy framework is laid in Federal Law of April 1, 2020 "On the Protection and Promotion of Investments in the Russian Federation" (hereinafter Federal Law of April 1, 2020 No. 69).

Federal Law of April 1, 2020 No. 69 is aimed at creating the most favorable conditions for attracting investment in Russia. The Law provides for concluding agreements, on a competitive basis, to protect and promote investments (hereinafter the "APPI"). Parties to the APPI may be the Russian Federation, a constituent entity of the Russian Federation or a municipality and a Russian legal entity, provided that it implements a new investment project. A new investment project complies with one of the following conditions:

• the organization implementing the project decided to approve the budget for capital costs[5] before Federal Law of April 1, 2020 No. 69 took effect, but not earlier than May 7, 2018, and sub-

[5] Excluding the budget for the costs associated with the design estimates, the design and survey and exploration works.

Table 2

Development of investment legislation in Russia

Stage	Regulatory framework	Features
Mid 1980s	Resolution of the Council of Ministers of the USSR of January 13, 1987 No. 48 "On the Procedure for Creating Joint Ventures, International Associations and Organizations of the USSR and Other CMEA Member Countries"	Creating joint ventures on the territory of the USSR with the participation of Soviet organizations and firms of capitalist and developing countries is allowed
	Resolution of the Council of Ministers of the USSR of December 2, 1988 No. 1405 "On the Further Development of the Foreign Economic Activity of State, Cooperative and Other Public Enterprises, Associations and Organizations"	Restrictions on investments by foreign enterprises are removed
Early 1990s	Fundamentals of Law on Investment Activity in the U.S.S.R. of December 10, 1990 (No. 1820–1, adopted by the Supreme Council of the USSR)	The concept and status of participants in the investment process is defined The agreement is provided as a fundamental document in relations between subjects of investment operations The need to respect the rights and interests of investors has been proclaimed
	Fundamentals of Law on Investment Activity in the U.S.S.R. of July 5, 1991 (No. 2302–1, adopted by the Supreme Council of the USSR)	The fundamental provisions regarding the legal regime of foreign investment are established
	Law of the RSFSR of June 26, 1991 No. 1488–1 "On investment activity in the RSFSR"	The developed regulatory framework on foreign and domestic investments has become the basis for the development of investment processes in the Russian Federation
	Law of the RSFSR of July 4, 1991 No. 1545–1 "On Foreign Investments in the RSFSR"	
	Resolution of the Government of the Russian Federation of June 11, 1992 No. 395 "On the conclusion of agreements between the Government of the Russian Federation and the governments of foreign states on the promotion and mutual protection of capital investments"	
End of 1990s	Federal Law of February 25, 1999 No. 39-FZ "On Investment Activities in the Russian Federation in the Form of Capital Investments"	The administrative and economic foundations of investment activities carried out in the form of capital investments on the territory of the Russian Federation are determined Capital investments should be protected by law equally, regardless of the form of ownership, volume, legal affiliation of the investor
	Federal Law of July 09, 1999 No. 160- FZ "On Foreign Investments in the Russian Federation"	The basic guarantees of the rights of foreign investors to investments and the income and profits received from them, the conditions for entrepreneurial activity of foreign investors in the Russian Federation are given The stability of the conditions for the activities of foreign investors and compliance with the legal regime of foreign investment with international law are determined by the rule of law
2020	Federal Law of April 1, 2020 No. 69-FZ "On the Protection and Promotion of Capital Investment in the Russian Federation"	A new type of investment agreement is introduced — an agreement on the protection and promotion of investment The parameters for using by investors the stabilization clause are established

Source: developed by the authors.

mitted an application for the project implementation no later than December 31, 2021;

- the organization implementing the project decided to approve the budget for capital costs before Federal Law of April 1, 2020 No. 69 took effect and submitted an application for the project implementation no later than one calendar year after the decision was made.

The most important provision introduced by Federal Law of April 1, 2020 No. 69 is the stabilization clause. It provides for not applying against the Organization regulations of the public entity, which impair conditions for implementing the Project, in particular:

- regulations increasing the time required to implement the procedures necessary for the investment project implementation;
- regulations increasing the number of procedures required for the investment project implementation;
- regulations increasing the fees charged to the organization implementing the project in order to implement the investment project;
- regulations establishing additional requirements for the conditions for the investment project implementation, including requirements for the provision of additional documents;
- regulations establishing additional prohibitions that impede the investment project implementation.

The maximum term of the stabilization clause may not exceed 6 years for investment projects of up to 5 billion roubles, 15 years for projects of 5 to 10 billion roubles, and 20 years for investment projects of 10 billion roubles and more.

The stabilization clause includes issues related to land use regulation, zoning standards, conditions for various tax payments (corporate income tax, corporate property tax, transport tax, other taxes and fees), and export duties.

Under the budget legislation of the Russian Federation, the organization implementing the project is provided government support measures in form of compensation of costs from the federal budget or from the budget of the constituent entity of the Russian Federation:

- on building, modernizing, reconstructing the fundamental infrastructure and related infrastructure of the project;
- on paying interest under credit and loan agreements, coupon income on bond loans attracted for building, modernizing and reconstructing facilities providing and related infrastructure necessary for implementing the project.

In this case, the amount of costs to be compensated cannot exceed the amount of obligatory payments to be made by the organization implementing the project to budgets of the public entities that are parties to the APPI.

Note two fundamental structural elements of the APPI, enshrined in the Federal Law:

- the investor has the right, but not obliged, to implement the investment project (in this case, if the deadline for the implementation established by the APPI is violated, the agreement can be terminated at the initiative of a public legal entity);
- the Russian Federation, the constituent entity of the Russian Federation is obliged not to apply acts changing the conditions for the project implementation (in this case, if the application of non-applicable legislation has taken place, the investor has the right to demand compensation for real damage).

Under the Decree of the President of the Russian Federation of May 7, 2018 No. 204 "On national goals and strategic objectives of the development of the Russian Federation for the period until 2024", a working group was created to facilitate the implementation of new investment projects[6].

The aim of the working group is to develop mechanisms and instruments to protect and promote investment in the Russian Federation, and to make up a list of new investment projects.

From December 2018 to December 2019, as part of the activities, the working group

[6] Decree of the Government of the Russian Federation of September 15, 2018 No. 1093 (as amended on March 19, 2020) "On the working group to facilitate the implementation of new investment projects".

considered 33 new investment projects in the areas of international cooperation and export, ecology, gas chemistry, forestry, modernization and expansion of the main infrastructure with a total value of about 7.1 trillion roubles, of which about 1.5 trillion roubles were their own investor funds.

The priority criteria for projects applying for state support are access to sales with the maximum ratio of accumulated revenue and investment in fixed assets until 2024 of one rouble of state support.

The projects considered by the working group expect the conclusion of the APPI. The planned total investment in the framework of new investment projects will exceed the amount of financing from the federal budget of national projects (programs) by at least 2–3 times and will amount to 26 to 39 trillion roubles in 2019–2024.

CONCLUSIONS

Today, the mobilization of private capital and its effective attraction into the national economy is the priority of the new investment policy.

However, passive liberalization (open door policy) is not always the best way to attract FDI. Liberalization can stimulate receiving large volumes of FDI, but this is not enough. Currently, attracting FDI in a highly competitive investment market requires significant advantages in FDI placement and well-directed efforts to promote them. The policy of attracting FDI into technologically advanced or export-oriented economic activities is even more complicated.

For countries, the main ways to attract FDI are as follows.

- Reducing FDI barriers by removing restrictions on their inflow into the country and placement, as well as on the activities of foreign branches. The key issues here are to define the term "investment" [19, 20] in order to liberalize the investment inflow into the country or provide protection (direct and portfolio capital flows can be interpreted differently) and the level of control over the implementation of the investment process.
- Establishing the most favorable regime for foreign investors, in which the national economy and national governments are most interested.
- Protecting foreign investment by introducing legislative norms on the prevention of damage in case of expropriation or nationalization, on guarantees of repatriation of earnings.
- Facilitating the FDI inflow through measures that improve the business climate in the country, provide information on investment opportunities, offer incentives to place FDI, facilitate FDI through institutional and administrative improvements and the provision of post-investment services.

The new investment policy is being developed to protect and promote investment. In the Russian Federation, the adoption of Federal Law of April 1, 2020 No. 69 "On the Protection and Promotion of Capital Investment in the Russian Federation" created the legal framework to support private investment, to improve the investment climate, to establish a solid basis for equal cooperation and interaction between business and the state. These foundations of sustainable growth are vital to the domestic economy.

REFERENCES

1. Tietje C., Baetens F. The impact of investor-state-dispute settlement (ISDS) in the Transatlantic trade and investment partnership. Study prepared for the Minister for Foreign Trade and Development Cooperation, Ministry of Foreign Affairs, The Netherlands. 2014. URL: https://ecipe.org/wp-content/uploads/2015/02/the-impact-of-investor-state-dispute-settlement-isds-in-the-ttip.pdf
2. Belitskaya A.V. State investment policy as a means of state regulation of the investment market. *Prilozhenie k zhurnalu Predprinimatel'skoe parvo = Entrepreneurial Law. Supplement.* 2017;(3):36–41. (In Russ.).
3. Poulsen L.N.S., Bonnitcha J., Yackee J.W. Analytical framework for assessing costs and benefits of investment protection treaties: To the Department for Business Innovation and Skills. LSE Enterprise.

2013. URL: https://www.italaw.com/sites/default/files/archive/Analytical-framework-for-assessment-costs-and-benefits-of-investment-protection.pdf

4. Hindelang S., Krajewski M., eds. Shifting paradigms in international investment law: More balanced, less isolated, increasingly diversified. Oxford: Oxford University Press; 2015. 432 p.
5. Haberly D., Wójcik D. Tax havens and the production of offshore FDI: An empirical analysis. *Journal of Economic Geography*. 2014;15(1):75–101. DOI: 10.1093/jeg/lbu003
6. Choudhury H., Owens J. Bilateral investment treaties and bilateral tax treaties. International Tax and Investment Center Issues Paper. June 2014. URL: https://www.wu.ac.at/fileadmin/wu/d/i/taxlaw/institute/WU_Global_Tax_Policy_Center/Bilateral_Investment_Treaties_and_Bilateral_Tax_Treaties.pdf
7. Owens J. The role of tax administrations in the current political climate. *Bulletin for International Taxation*. 2013;67(3):156–160. URL: https://www.wu.ac.at/fileadmin/wu/d/i/taxlaw/institute/WU_Global_Tax_Policy_Center/the_role_of_tax_administrations_in_the_current_political_climate.pdf
8. Sauvant K.P. FDI protectionism is on the rise. The World Bank Policy Research Working Paper. 2009;(5052). URL: http://documents.worldbank.org/curated/en/710441468148162689/pdf/WPS5052.pdf
9. Nottage H. Trade and competition in the WTO: Pondering the applicability of special and differential treatment. *Journal of International Economic Law*. 2003;6(1):23–47. DOI: 10.1093/jiel/6.1.23
10. Bianchi A., ed. Non-state actors and international law. London, New York: Routledge; 2009. 640 p. (The Library of Essays in International Law). DOI: 10.4324/9781315247885
11. Beer S., Loeprick J. Profit shifting: Drivers of transfer (mis)pricing and the potential of countermeasures. *International Tax and Public Finance*. 2015;22(3):426–451. DOI: 10.1007/s10797–014–9323–2
12. Kheifets B.A. Deoffshorization and anti-Russian sanctions. *Rossiiskii vneshneekonomicheskii vestnik = Russian Foreign Economic Journal*. 2018;(8):15–31. (In Russ.).
13. Belitskaya A.V. International experience of legal consolidation of state investment policy. *Yurist = Jurist*. 2018;(2):11–17. (In Russ.). DOI: 10.18572/1812–3929–2018–2–11–17
14. Karachev I.A., Shvarts D.S. Support for cooperation projects in the Russian economy as a factor in stimulating cluster development. *Teoreticheskaya ekonomika = The Theoretical Economy*. 2018;(4):151–163. (In Russ.).
15. Sapir E.V., Karachev I.A. Life Science industry in the modern European economy. *Vestnik Tverskogo gosudarstvennogo universiteta. Seriya: Ekonomika i upravlenie = Herald of Tver State University. Series: Economics and Management*. 2019;(2):105–112. (In Russ.).
16. Birch K. Innovation, regional development and the life sciences: Beyond clusters. Abingdon, New York: Routledge; 2016. 148 p. (Regions and Cities Series. No. 105).
17. Kargieva B.E. Special economic zones: Peculiarities of state legal regulation. *Obshchestvo i parvo = Society and Law*. 2010;(4):62–65. (In Russ.).
18. Obolonkova E.V. Free (special) economic zones: Goals and reasons for creating. *Zakonodatel'stvo i ekonomika*. 2016;(5):7–12. (In Russ.).
19. Doraev M.G. The peculiarities of government regulation of foreign direct investment in Canada (legal issues). *Predprinimatel'skoe pravo = Entrepreneurial Law*. 2012;(1):33–37. (In Russ.).
20. Voznesenskaya N.N. The modern concept of "foreign investment". *Zakon*. 2012;(5):167–174. (In Russ.).

ABOUT THE AUTHORS

Elena V. Sapir — Dr. Sci. (Econ.), Prof., Head of the Department of World Economy and Statistics, P.G. Demidov Yaroslavl State University, Yaroslavl, Russia
evsapir@yahoo.com

Igor' A. Karachev — Cand. Sci. (Econ.), Assoc. Prof., Department of World Economy and Statistics, P.G. Demidov Yaroslavl State University, Yaroslavl, Russia
karachev2011@yandex.ru

The article was submitted on 06.04.2020; revised on 22.04.2020 and accepted for publication on 04.05.2020.
The authors read and approved the final version of the manuscript.