ALFRED NOBEL UNIVERSITY

DEPARTMENT OF THE GLOBAL ECONOMICS

Bachelor's Thesis

"Development and ways of realization of the international investment project "Agricultural Firm" in the US"

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Group: IER16-English

Specialty: 292 "International economic relations"

Supervisor: Shkura I.S., Candidate of economic sciences

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ALFRED NOBEL UNIVERSITY

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The Bachelor's Thesis Assignment

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3. Deadline for submission of _____
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5. Thesis outline (list of issues to be developed):

SECTION 1. U.S. ECONOMY: THE CURRENT SITUATION, DEVELOPMENT TRENDS AND MAJOR PROBLEMS
1.1. General characteristics of the development of the US economy over the last 15 years
1.2. Structural changes in the US economy
1.3. US agricultural sector and its participation in international agrarian market
SECTION 2. FOREIGN ECONOMIC ACTIVITY OF US: INTERNATIONAL TRADE AND CAPITAL MOVEMENT
2.1. The main trends in export-import activity of the US
2.2. Evaluation of the business environment and the investment position of the USA
2.3. Assessment of US investment climate and the degree of its attractiveness to Ukrainian investors
SECTION 3. DEVELOPMENT OF AN INTERNATIONAL INVESTMENT PROJECT IN AGRICULTURAL SECTOR
3.1. Research of the potential of agricultural sector in the US
3.2. Substantiation of the investment project for the creation of farm in the US, the assessment of the need for investment resources and identification of sources of their involvement
3.3. Calculation of expected income and estimation of economic efficiency of investment project

6. Date of issue of the assignment _____
7. Thesis schedule

no	Stages	The deadline for submission	
		Schedule date	Actual date
1	Chapter 1		
2	Chapter 2		
3	Chapter 3		
4	The whole paper		

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SUMMARY

"Development and ways of realization of the international investment project "Agricultural Firm" in the US"

The paper deals with the consideration of the main industries and general characteristics of the development of the US economy. The US agricultural sector and its participation in international agrarian market are studied. The main trends in export-import activity of the US and its place in international economic relations are described. The analysis of international trade and foreign direct investment of the US are provided. The business environment and the investment position of the US are evaluated. The degree of its attractiveness to Ukrainian investors, the main benefits and potential threats for a foreign investor are considered. The main idea of an international investment project of dairy farm to implement in the US and ways of its realisation are presented. To consider these tasks, the analysis of the dairy industry as a part of agricultural sector in the US was done. The substantiation of the investment project for the creation of farm in the US, the assessment of the need for investment resources and identification of sources of their involvement are presented. The calculation of expected income and estimation of economic efficiency of investment project are done.

Key words: the US economy, agricultural sector, dairy farm, international trade, foreign direct investment, business climate, investment project, economic effectiveness

АНОТАЦІЯ

«Розробка та шляхи реалізації міжнародного інвестиційного проекту «Аграрна фірма» в США»

У роботі проведено аналіз основних галузей та тенденцій розвитку економіки США. Досліджено сільськогосподарський сектор США та його участь у міжнародному аграрному ринку. Охарактеризовано основні тенденції експортно-імпортної діяльності США та її місце у міжнародних економічних відносинах. Наведено аналіз міжнародної торгівлі та прямих іноземних інвестицій США. Проведено оцінку ділового середовища та світової інвестиційної позиції США. Розглянуто ступінь привабливості країни для українських інвесторів, основні вигоди та потенційні загрози для іноземного інвестора. Представлена основна ідея міжнародного інвестиційного проекту для реалізації у США, обґрунтовано інвестиції, форми та способи здійснення інвестицій. Для вирішення цих завдань було проведено аналіз молочної промисловості як частини аграрного сектору США. Представлено обґрунтування інвестиційного проекту створення фермерських господарств у США, оцінку потреби в інвестиційних ресурсах та визначено джерела їх залучення. Розраховано очікуваний доход та економічну ефективність інвестиційного проекту.

Ключові слова: економіка США, аграрний сектор, молочна ферма, міжнародна торгівля, прямі іноземні інвестиції, бізнес-клімат, інвестиційний проект, економічна ефективність

CONTENTS

INTRODUCTION

The US is a promising country for foreign investment. Business investors prefer the United States because of the favourable business climate, high standard of living, high level of technology development, supply chain, infrastructure and skilled workforce. Diversification and openness of the economy of the country allows firms of any industry and residence to occupy a market niche and work effectively. The United States has the largest consumer market in the world with a GDP of $ 20 trillion and 325 million people. The level of household consumption is the highest in the world and provides more than a quarter of global household spending. Free trade agreements with 20 foreign countries provide enhanced access to hundreds of millions of consumers.

The aim of the thesis is to evaluate the main macroeconomic trends of the US and its investment climate, to assess the prospects for the development of the agricultural sector and develop an investment project for opening an agricultural farm in the US.

The objectives of the thesis are:

– to research the general characteristics of the development of the economy of the US;

– to evaluate structural changes in the economy of the US;

– to study the main trends of the US agricultural sector and its participation in international agrarian market;

– to analyse the main trends in export-import activity of the US;

– to evaluate the business environment and the investment position of the USA;

– to consider the investment climate in the US and the degree of its attractiveness to Ukrainian investors;

– to analyse the potential of agricultural sector in the US;

– to develop the investment project for the start of the dairy farm in the US and the assessment of the need for investment resources;

– to assess estimated income and economic effectiveness of the investment project in agriculture.

The object of study are the international relations and business climate in the US for foreign investors.

The subject of study is the development of international project in agricultural sector in the US.

Methods. During the study, general scientific methods of cognition, analysis and synthesis, a process approach, methods of systemic, strategic, economic and statistical analysis were used.

The practical significance of the work means that it is possible to develop directions for the development of foreign economic relations in the agriculture, as well as implement a real investment project to open a dairy farm in the US.

The first section of the paper deals with the analysis of general characteristics of the development of the US economy. The main industries of the US economy are considered. The US agricultural sector and its participation in international agrarian market are studied.

The second section describes the main trends in export-import activity of the US and its place in international economic relations. The analysis of international trade and investment position of the US are provided. The business climate and the working conditions of the US are evaluated. The degree of its attractiveness to Ukrainian investors, the main benefits and potential threats for a foreign investor are considered.

The third section provides a rationale for the main idea of an international investment project to implement in the US, the values, forms and ways of making investments. To consider these tasks, the analysis of the dairy industry as a part of agricultural sector in the US was done. The substantiation of the investment project for the creation of farm in the US, the assessment of the need for investment resources and identification of sources of their involvement are presented. The calculation of expected income and estimation of economic efficiency of investment project are done.

The conclusions and proposals contain the generalized findings of the research and development of the international investment project, the main scientific and practical results, and recommendations for practical use.

SECTION 1
U.S. ECONOMY: THE CURRENT SITUATION, DEVELOPMENT TRENDS AND MAJOR PROBLEMS

1.1. General characteristics of the development of the US economy

The US economy is the strongest and the most influential in the world. According to the IMF, in 2019, the rate of economic growth was 2.4% - against 2.9 in 2018. The economy is projected to slow down to 2.1% in 2020 and 1.7% in 2021. GDP growth in 2019 was 2.5%, which was confirmed by the IMF forecasts (Table 1.1). The result of a reduction in corporate tax rates from 35% to 21% as a result of tax reforms by President Donald Trump was a decrease in GDP growth. Among the country's main problems are rising inequality and outdated infrastructure; as a result, the growth potential of GDP is declining. The trade war between the US and China negatively affects foreign investment and economic growth. President Trump has introduced a protectionist trade policy and set tariffs on Chinese imports. A partial trade agreement with China in December 2019 will not ease tensions with China. Most tariffs will be maintained (an average of 19% in January 2020 against 3% at the beginning of 2018).

The IMF forecasts an increase in public debt to 106.2% in 2019 and continuation in 2020 and 2021. The state deficit reached -6.3% in 2019 and should stabilize in subsequent years. Trump's tax reforms caused the budget deficit since 2018 with an increasing in debt. The government will continue to spending during next 3 years. The IMF predicts the inflation fall to 1.8% in 2019, less than the target level of 2% set by the Fed. The inflation rate should rise again in 2020 and 2021, exceeding 2%. With inflation rising above the target level, the Fed may resume a policy of tightening monetary policy. According to the U.S. Bureau of Labor Statistics, the Consumer Price Index (CPI) increased by 0.2% in December 2019, due to the increasing in energy prices and lower price growth in consumer goods.

The unemployment rate fell from 3.9% to 3.7% in 2019. According to the IMF forecast, the indicator value of 3.5% will be in 2020 and 2021. However, taking into

account dismissed and part-time workers, the real unemployment rate will increase to 8.1%. The number of people without health insurance has decreased from 2010 to 2016, but now it is increasing due to tax cuts. US public health policies exacerbate income inequality.

Table 1.1

The main macro-economic indicators of the US

Indicators	2017	2018	2019 (e)	2020 (e)	2021 (e)
GDP, billions USD	19,519.40e	20,580.25	21,439.45	22,321.76	23,180.28
GDP, Constant Prices, Annual % Change	2.4	2.9	2.4	2.1	1.7
GDP per Capita (USD)	60,000e	62,869	65,112	67,427	69,644
General Government Balance, % of GDP	-4.0	-5.1e	-5.6	-5.5	n/a
General Government Gross Debt, % of GDP	106.0	104.3	106.2	108.0	110.0
Inflation Rate, %	2.1	2.4	1.8	2.3	2.4
Unemployment Rate, % of the Labour Force	4.4	3.9e	3.7	3.5	3.5
Current Account, billions USD	-439.65e	-490.98	-539.45	-569.11	-569.58
Current Account, % of GDP	-2.3	-2.5	-3.0	-3.2	n/a

Source: IMF

The US is characterized by a high level of industrial development, labour productivity, and innovative technologies in the economy. The most significant sectors are: agricultural production (corn, soybeans, beef and cotton); production of machinery, chemicals, food and automobiles. The US has a highly developed sector of finance, insurance, real estate, rental and leasing. The US agricultural sector is one of the leaders in world agriculture. For example, in California more than one-third of vegetables and two-thirds of fruits and nuts are grown domestically. Agriculture contributes 0.9% of GDP and provides jobs for 1.4% of the population. In 2019, the added value produced by the agricultural sector decreased by 5.5%.

The US industrial sector is widely diversified and provides more than 18.2% of GDP and 19.2% of jobs. The US also manufactures pharmaceutical and aerospace goods, being a global leader in these industries. Natural resources and their rational use allowed the United States to occupy a key position in the global market for the

extraction and processing of mineral resources and to ensure diversified production. The country is one of the world leaders in the production of oil, liquefied natural gas, shale gas, aluminium, electricity and nuclear energy. US shale oil production is growing every year. The manufacturing sector suffered losses in the second half of 2019, as US and Chinese tariffs slowed trade between the two countries and around the world. However, the sector grew by 1.8% in 2019.

Table 1.2

The employment and value added by sector in the US in 2019

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (in % of Total Employment)	1.6	18.8	79.4
Value Added (in % of GDP)	0.9	18.9	77.0
Value Added (Annual % Change)	11.3	0.1	1.7

Source: World Bank

Services occupy an important place in the US economy. The tertiary sector provides more than three quarters of GDP (77%) and more than 79.40% of the workforce. The maximum contribution to the GDP structure is made by the sectors of finance, insurance, real estate, rent and leasing (18.2%) and educational services, health care and social assistance (8.2%). The public sector (at the federal, state and local levels) provides for about 11% of the country's GDP. According to the US Bureau of Labor Statistics, 5.7% of the workforce is defined as “nonagriculture self-employed”.

1.2. Structural changes in the US economy

The US economic growth is expected in the long and short term in almost all economic indicators. Economic development forecasts were made prior to the spread of the COVID-19 coronavirus pandemic. However, the virus has not yet had a global impact on most indicators of the US economy.

A key indicator is gross domestic product. Most states in a pandemic have shut down non-essential businesses. As a result, GDP growth rates may fall by nearly 50%. This is tantamount to a fall during the Great Depression, but the fall will not be long. The unemployment rate can reach 30%.

For several months, the COVID-19 pandemic has damaged the US economy. In the first quarter of 2020, growth decreased by 5%. In April, retail sales fell 16.4% due to the shutdown of most enterprises. Companies reduced staff and the number of unemployed rose to 23 million.

The Congressional Budget Office predicts a change in the U-shaped recovery.

The forecast for the second quarter is extremely pessimistic. Congressional Budget Office predicts economic contraction of 38%. The number of unemployed will increase to 26 million. In the third quarter, a slight economic recovery does not offset earlier losses. The consequences will be noticeable until the fourth quarter of 2021, economic production will be low and unemployment will remain high.

According to the Federal Reserve's forecast for GDP, unemployment and inflation for 2020, the GDP growth will slow to 2.0% in 2020 from 2.2% in 2019. It will be 1.9% in 2021 and 1.8% in 2022. This is in line with the latest forecast published at the meeting of the Federal Open Market Committee on the 11th of December, 2019. The projected slowdown was the result of the US-China trade war.

The unemployment rate will be 3.5% in 2020. The indicator will grow by 3.6% in 2021 and 3.7% in 2022. This is below the Fed's target of 6.7%. Some citizens after quarantine will not be able to get a well-paid job. As a result, structural unemployment increased.

Actual unemployment includes unemployed, marginalized and discouraged workers. Therefore, this indicator is approximately double the widely-reported rate.

Core inflation will average 1.9% in 2020, 2.0% in 2021, and 2.0% in 2022. Core inflation deprives these volatile gas and food prices. The base rate is consistent with the Fed's target inflation rate of 2%, which is used in monetary policy. As a result, the Fed may lower interest rates. The history and forecast of inflation in the United States predicts inflation. Consider the projected rates of growth, unemployment, inflation and production (Fig. 1.1).

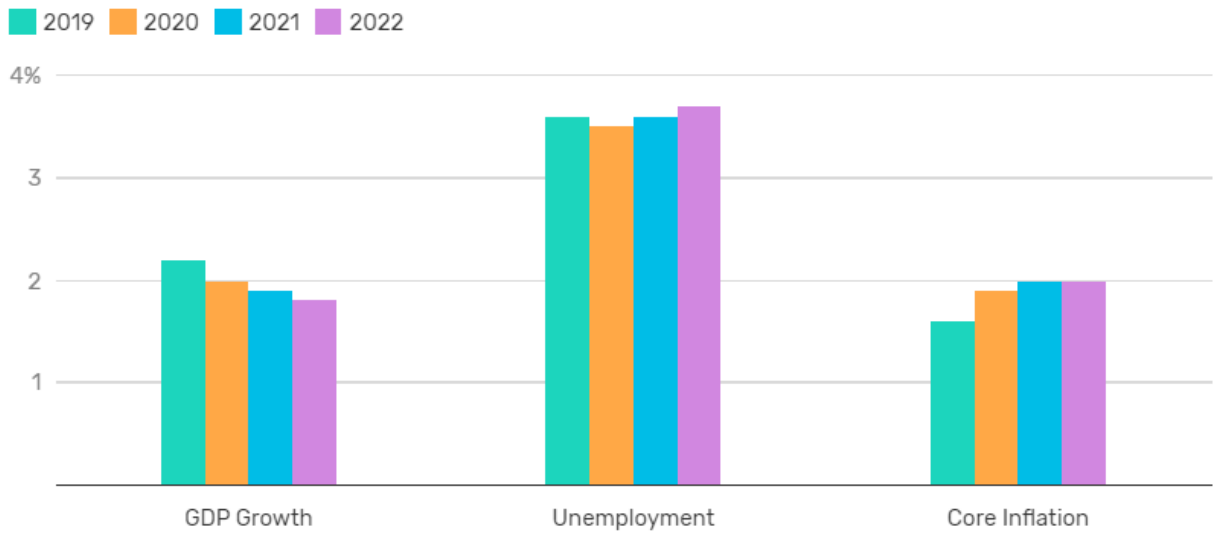

Fig. 1.1. U.S. Economic Outlook 2019, 2020, 2021, And 2022.

Source: The Federal Reserve

On March 15, 2020, the Federal Open Market Committee developed a set of measures to mitigate the economic impact of the COVID-19 pandemic. The current rate on funds was reduced in the range from 0.0% to 0.25%. This is after reducing it to the range from 1.0% to 1.25% on March 3, 2020.

The Fed funds rate controls short-term interest rates. These include banks' base rates, Libor, most adjustable rate loans and credit card rates. You need to protect yourself from changes in rates by choosing loans with a fixed rate.

The Fed also keeps long-term rates low. He resumed his quantitative easing program. On March 15, 2020, the Fed announced that it would buy $ 500 billion in US Treasury bonds and $ 200 billion in mortgage-backed securities over the next few months. On March 23, 2020, FOMC expanded QE procurement to an unlimited amount. By May 18, its balance sheet grew to 7 trillion.

During quantitative easing, the Fed increases its balance sheet by purchasing US treasury bonds from member banks, increasing banks' excess reserves and stimulating lending to support the economy (Fig. 1.2).

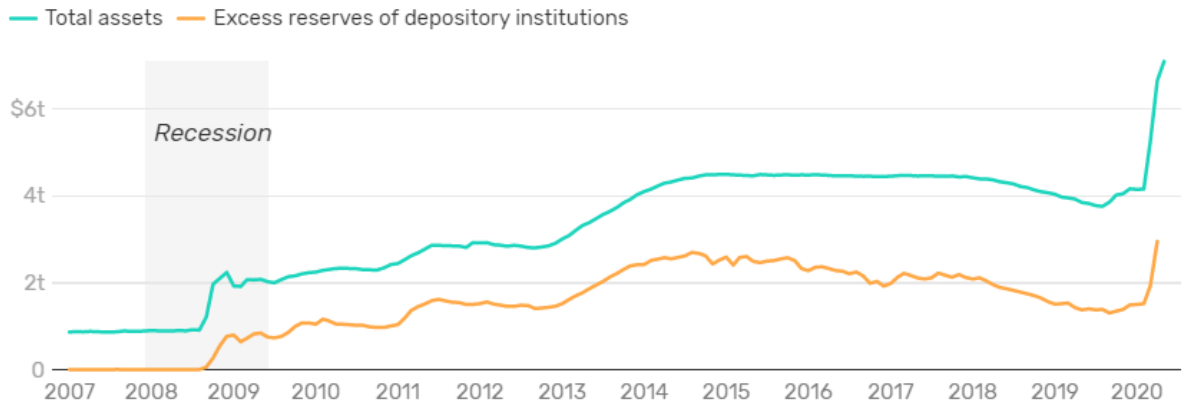

Fig. 1.2. U.S. Federal Reserve Total Assets vs. Excess Reserves: 2007-Present

Source: Federal Reserve

The acquisition of bank securities leads to a decrease in the supply of treasury bonds. This leads to higher prices and reduced profitability of these long-term notes. These incomes are the basis for fixed rate mortgages and corporate bonds.

Treasury yields mostly depend on demand for the dollar. With high demand, yield is reduced. After the global economic recovery, investors will no longer be interested in enhancing investment security.

The US Energy Information Administration predicts Brent Global Crude oil prices of $ 34 per barrel in 2020 and $ 48 per barrel in 2021. West Texas Crude will be cheaper by about $ 44 per barrel.

EIA forecasts up to 2050 justify rising oil prices. By 2025, the growth in the price of Brent Crude oil will be $ 79 per barrel. This is a quote of 2019 dollars that will prevent the effects of inflation. Rising global demand will increase oil prices by 2050 to $ 214 per barrel. By this period, cheap sources of oil will be exhausted, which will cause an increase in the cost of oil production.

This forecast doesn’t take into account the factor of global warming. Governments can increase renewable energy production to prevent global climate change. This will affect the reduction in oil prices.

The Bureau of Labor Statistics develops forecasts every decade that contain information on the prospects for the development of industries and professions. BLS predicts an increase in total employment of 8.9 million jobs from 2018 to 2028.

The most sought-after specialists will be in the healthcare (18 of the 30 fastest growing professions). This is caused by an aging population. The need for computer and math professions will also increase. The market will also need specialists in the field of alternative energy production.

Specialists in manufacturing, administrative support and sales will lose jobs because computers and digital technologies will begin to do their job. The need for retail professionals will decrease due to the growth of e-commerce. This will lead to an increase in the number of jobs in the field of transport and storage.

The Fed is worried about the impact of global warming on the economy. According to Richmond Fed research, this climate change will cause a 30% reduction in US economic growth over the next century.

The Fed also requires banks to consider the factors and risks of adverse weather conditions for economic consequences. For example, Florida banks must predict the risks of hurricanes.

Representatives of the Federal Reserve lobbied Congress to introduce a carbon tax to reduce hazardous greenhouse gas emissions.

Damage from natural disasters (hurricanes, floods and forest fires) reached $ 150 billion in 2019. This is lower than $ 350 billion in 2017, and $ 186 billion in 2018. In 2019, 9,000 people died as a result of these natural disasters, and 15,000 people died in 2018. Insurance companies paid $ 52 billion in 2019 losses and $ 86 billion in 2018. Industry requires the implementation of measures to address global warming problems that are detrimental.

In 2019, 820 natural disasters occurred, compared to 520 per year between 1989 and 2018.

1.3. US agricultural sector and its participation in international agrarian market

The development of US agriculture is at a high level, the range of products is quite wide. Agricultural production volumes allow the country to stably maintain leadership with a specific gravity in the structure of the global agricultural sector of

about 25%. The United States produces more than 40% of the world's soy and corn products, up to 33% of feed grain, sorghum, poultry and cheese, about 20% of cotton, citrus and beef, about 1/7 of cow's milk and eggs, 10% of butter, pork fresh fruit.

The formation of the American agro-industrial complex began before World War II, and ended at 10 years after the war. The United States is the first Western state with such a large-scale merger of the agricultural industry with industry and other sectors, the creation of a powerful agribusiness and agribusiness. In the late 1990s. 18% of the economically active population worked in the agricultural sector, and the volume of production reached 1 trillion USD.

The high level of development of the American agribusiness is the result of its structure due to the predominance of non-agricultural I and III spheres of agribusiness and the simultaneous reduction of the II (agricultural) sphere formed in the first half of the 20th century. In the early 1990s the share of I and III spheres in the structure of gross agricultural output has already exceeded 80% and remains to this day. This is due to the specifics of the development of the US economy as a whole, the strengthening of the social and territorial division of labor, the redistribution of functions between the agribusiness sectors.

The Ist sector of the agro-industrial complex is the production of objects and means of labor for the agricultural sector - agricultural machinery, fertilizers, seeds, etc. In the early 1990s. 13% of the employed population in the agricultural sector worked in this area, providing output of marketable products by 14% in the structure of gross output of the agricultural sector. The United States switched to mechanization of agriculture, primarily tractorization, back in the 1930s. - much earlier than other developed countries. The level of mechanization was high. For this period, 4.7 million tractors with an average power of 75 kW, 3.4 million trucks, 660 thousand grain combines were used in this area. Thus, there were 1.3 tractors and 1 truck per worker. Suppliers of agricultural machinery in the United States are more than 1.5 thousand companies, of which the majority are small companies.

Chemicalization of the US agricultural industry began its development in the 1950s. Modern agro-industrial complex receives about 20 million tons of mineral

fertilizers per year. The I sector includes the production of animal feed, in the USA there are 10 thousand animal feed plants that produce feed mixtures and mineral and vitamin supplements.

Thus, industries of the first sphere provide the agro-industrial complex with the necessary resources, and also carry out more than 50% of all research and development in the agro-industrial complex, as well as information and consulting services.

In modern American agribusiness, automation is highly developed, ensuring the transition of the industry to a higher biotechnological stage. Already in the early 2000s. genetically modified crops occupied almost 40 million hectares of farmland. The proportion of soy and corn grown by genetic modification is respectively about 50% and 25% in the United States. The use of genetic engineering in the cultivation of crops can increase productivity by 40-60%. Similarly, the use of hormonal supplements in animal husbandry is expanding in the United States.

The II sector of agribusiness - is the production of agricultural products. In 2015, about 2% of the working population was employed in this industry. The share of employment and gross output of the II sphere in the structure of the agro-industrial complex was 16 and 12%, respectively. In 2017, the share of agriculture in GDP decreased to 1%, which does not mean a decrease in production volumes. So, from 1950 to the beginning of the 2000s. US agricultural output grew almost 2 times, and labor productivity increased 6.5 times. The structural proportions of agriculture, in which livestock has traditionally prevailed, have undergone a change.

Since the mid-1970s the rapid development of export-oriented crop production was due to the global food crisis and rising grain prices. Therefore, the ratio between crop production and animal husbandry was approximately the same. However, more than 2/3 of grain production is used as animal feed and 1/2 of the country is occupied by pastures and fodder crops.

The role of agriculture in the development of the US economy is also confirmed by the fact that in 1900 one person employed in the agricultural sector provided food to 4 consumers not employed in the agricultural sector, in 1035 - 10, in 1950 - 27, in 1970. - already 73, in 1995 - 129, and in 2010 - more than 150 consumers.

The III sector of agribusiness is represented by the storage, transportation, processing and marketing of agricultural products, marketing infrastructure. This area includes food and a number of other industries, wholesale and retail trade, transport, catering. In the structure of the employed population of the agro-industrial complex, this sector occupies about 72–74%, and in the structure of the value of gross output - similarly. The predominance of the III sphere of agribusiness is a natural consequence of the industrial development of agriculture and the prerequisites for this. In the III sector of the agro-industrial complex, the food and taste industry is important, which accounts for about 60% of the agro-industrial complex, which ranks third among US industries. This industry is a leader in the pace of industrialization of production and labor productivity. The advanced state of this industry is due to the growing demand for standardized food products from all consumers in the country. In the United States, now more than 70% of all food raw materials are subject to industrial processing in the food industry. The key industries are wholesale and retail trade, catering. In the III sphere of the agro-industrial complex, not only small and medium-sized enterprises operate, but also large enterprises that affect the improvement of the quality and range of agricultural products, their specialization and location. In retail, companies own “chains” of thousands or more stores, including supermarkets.

An important specificity of the agro-industrial complex is a clear export orientation, especially a number of field crops. The US share in world exports annually is: wheat - one third, soybeans - more than half, corn - two thirds. The United States is also a major global exporter of broiler and egg products. Agricultural engineering also prevails in world exports in its field.

Considering the US agricultural sector in the context of the global economy, we present the main indicators of the most important periods and the forecast until 2021 in the table 1.3.

Table 1.3

The main indicators of US agriculture in 1999-2018 and forecast for 2019-2021

Indicators	1999-2001	2009-2018	2019-2021	Growth in%	
				fact	forecast
Grain output, million tons	333,9	399,3	466,1	119,6	116,7
Productivity, 100 kg / hectare	58,9	71,1	82,3	120,7	115,7
Soybean production volume, million tons	75,3	88,4	97,2	117,4	109,9
Productivity, 100 kg / hectare	25,6	28,9	32,0	112,9	110,7
Milk production volume, million tons	74,9	87,4	102,1	116,7	116,8
Annual milk yield per head, kg	8186	9500	11400	116,0	120,0
Meat production volume, million tons, including:	42,9	41,7	45,7	-	109,6
Beef	12,1	11,9	12,8	-	107,6
Pork	8,7	10,3	11,5	118,4	111,6
Poultry	22,1	19,2	21,4	-	111,4
Egg production, billion pieces	84,7	91,2	96,0	107,6	105,3
Sales of agricultural products, billion dollars, including:	195,7	324,5	393,3	165,8	121,2
from agriculture	95,4	182,6	203,2	191,4	111,3
animal husbandry	100,3	141,8	190,1	141,4	134,1
Direct support of the state, billion dollars	21,5	11,6	9,4	-	-
Net profit of the agricultural sector, billion dollars	46,7	81,4	85,4	174,3	104,9
Export of agricultural products, billion dollars	50,8	140,3	161,4	276,2	115,0
Import, billion dollars	38,4	92,8	141,3	241,7	152,3
Balance	+12,4	+47,5	+20,1	-	-

The data in the table confirm that a relatively small share of the agricultural sector (10-15% of the total number of farms), which is a large business according to the typology of the United States (production volumes over 250 thousand dollars), is steadily increasing production volumes and product quality. They provide food security of the state and advanced positions in world trade in agricultural products.

U.S. agrarian policy is aimed at creating the necessary conditions to stimulate the development of competition and promote products in the markets, using the achievements of science and technology, stimulating and supporting the production of safe products, protecting plants and animals from pests and diseases, supporting small farms, and developing agricultural science and education.

SECTION 2
FOREIGN ECONOMIC ACTIVITY OF USA: INTERNATIONAL GOODS AND CAPITAL MOVEMENT

2.1. The main trends in export-import activity of the US

The result of the reduction of trade barriers in the United States and coordination with major trading partners in the global economic system has been the increase in foreign trade. Today, the United States is the world's largest importer and second largest exporter of goods, as well as the largest importer and exporter of business-services. In 2018, according to the World Bank, the share of trade amounted to 27.5% of the country's GDP.

State policy aimed at protecting the domestic market, pursued by Trump, has worsened trade relations with major trade and economic partners, especially with China. Fig. 2.1 contains foreign trade values of the US for the last 5 years.

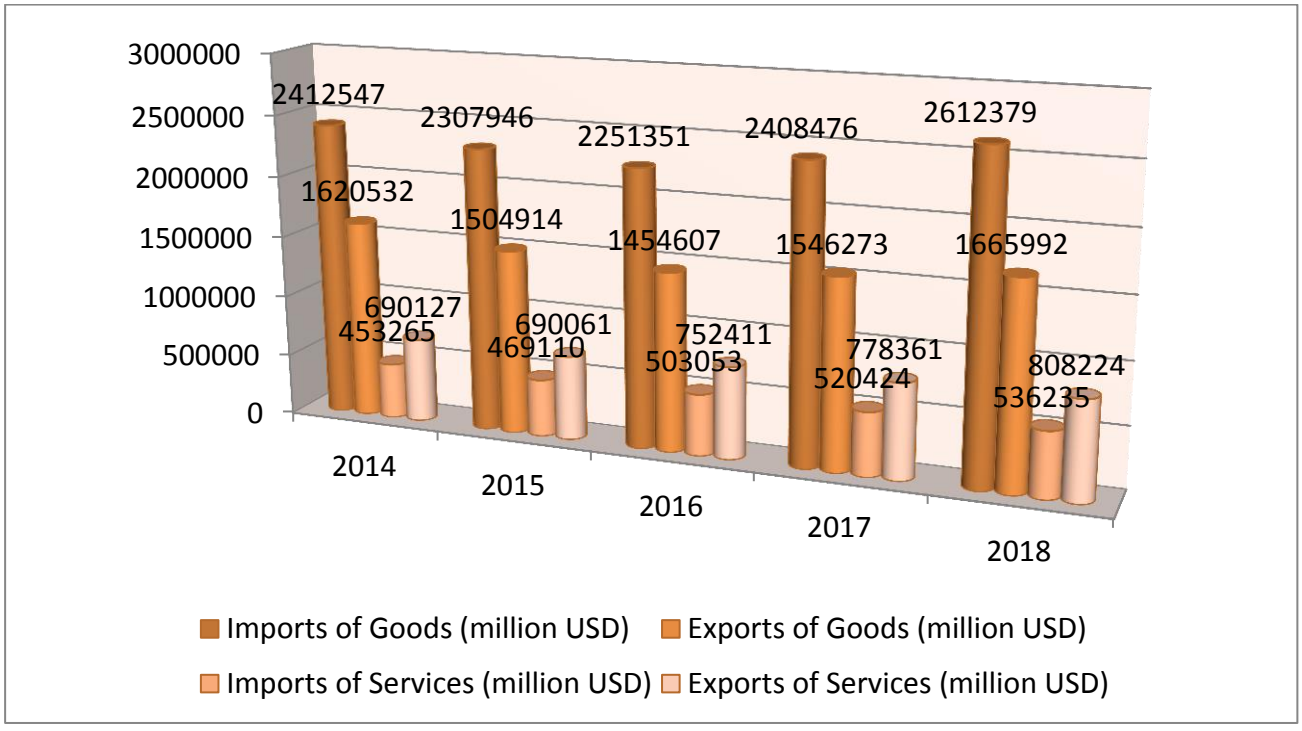

Fig. 2.1. Foreign Trade Values of the United States

Source: World Trade Organisation (WTO)

As can be concluded from the table, the volume of imports of goods and services in the United States exceeds the volume of exports, creating a negative trade balance. Foreign trade volumes have been increasing over the past 5 years. Table 2.2 shows foreign trade indicators in the US.

The share of foreign trade in goods and services in US GDP was 27.5 percent in 2018. In 2014, it amounted to 30.0 percent. US export growth is declining, as are imports. The share of exports in GDP decreased slightly from 13.5 percent in 2014 to 12.2 percent in 2018. The share of imports in GDP decreased from 16.4 percent in 2014 to 15 percent in 2018 (Fig. 2.2).

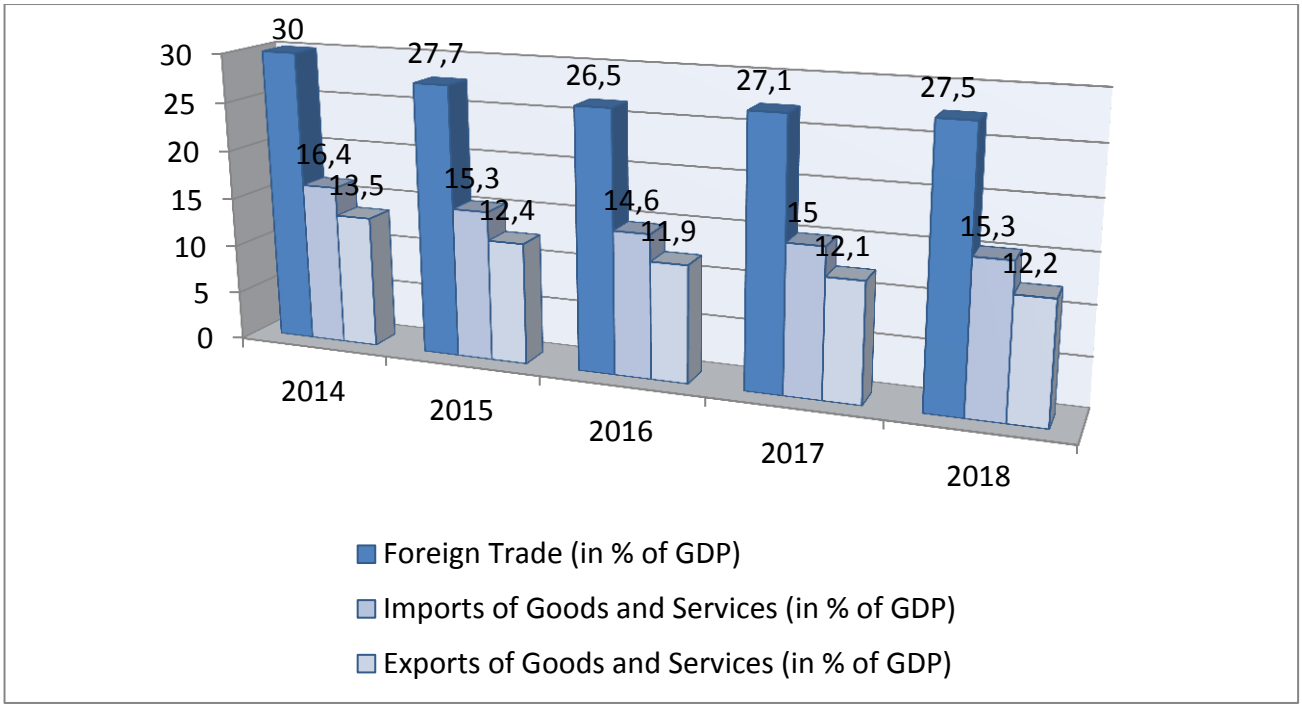

Fig. 2.2. Foreign Trade Indicators of the United States

Source: World Bank

The import volumes of goods and services in the United States are forecast to grow by 3.70% in 2023 (Fig.2.3).

The structure of the US trade balance is negative. In recent years, an increased trade deficit has persisted. In 2018, the US trade deficit amounted to $ 887.3 billion ($ 627.7 billion, including services). The growth rate of imports amounted to 4.4%, which exceeds the growth rate of exports (3%).

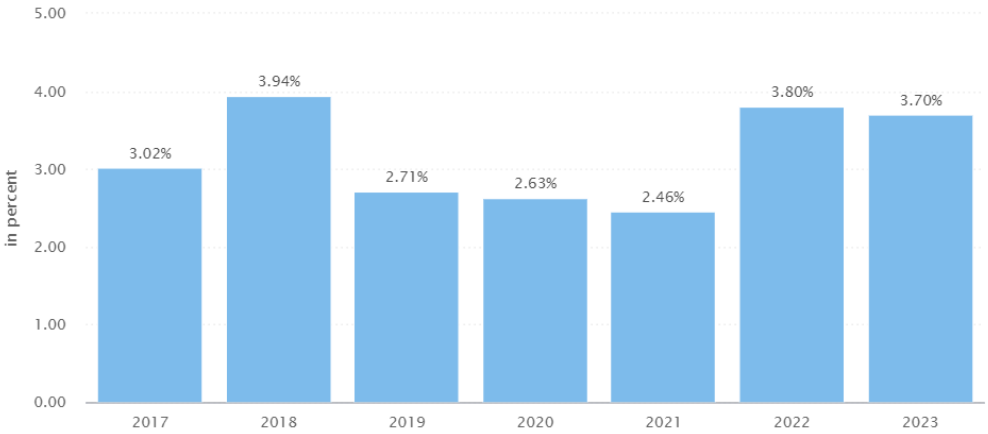

Fig. 2.3. Import volume growth in the United States

Source: IMF

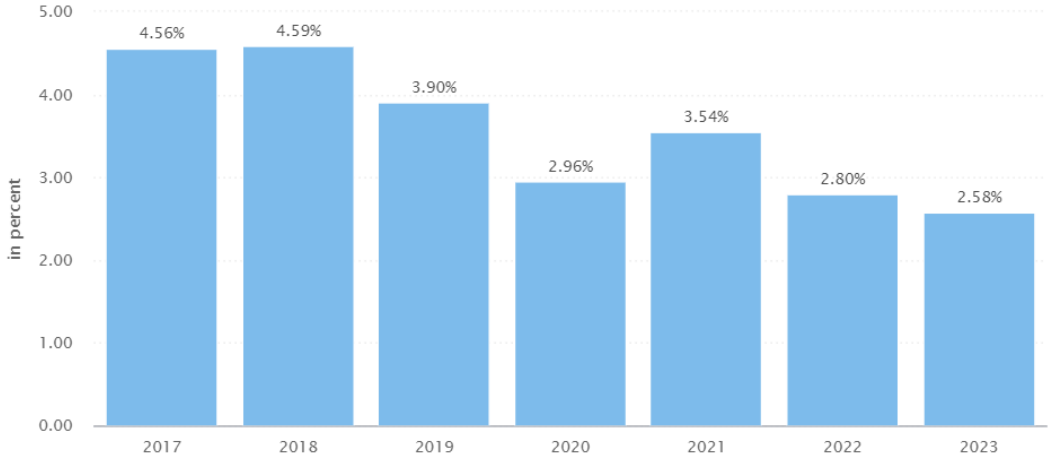

Fig. 2.4. Export volume growth in the United States

Source: IMF

The US economy is import-dependent. After the President signed a trade agreement with China in January 2020, tariffs remained that restrict the supply of products from China to the US market. In 2019, there was a reduction in the trade deficit, especially with China (-15% for the trade deficit with China). According to the WTO information, in 2018, imports of goods to the United States amounted to 2,612 billion US dollars, exports amounted to almost 1,666 billion US dollars. Excluding services, imports to the United States amounted to 536.23 billion US dollars, and export of services for the same year amounted to 808.22 billion US dollars.

Key US trading partners are Canada, Mexico, China, Japan, the UK and Germany (Fig. 2.5-2.6).

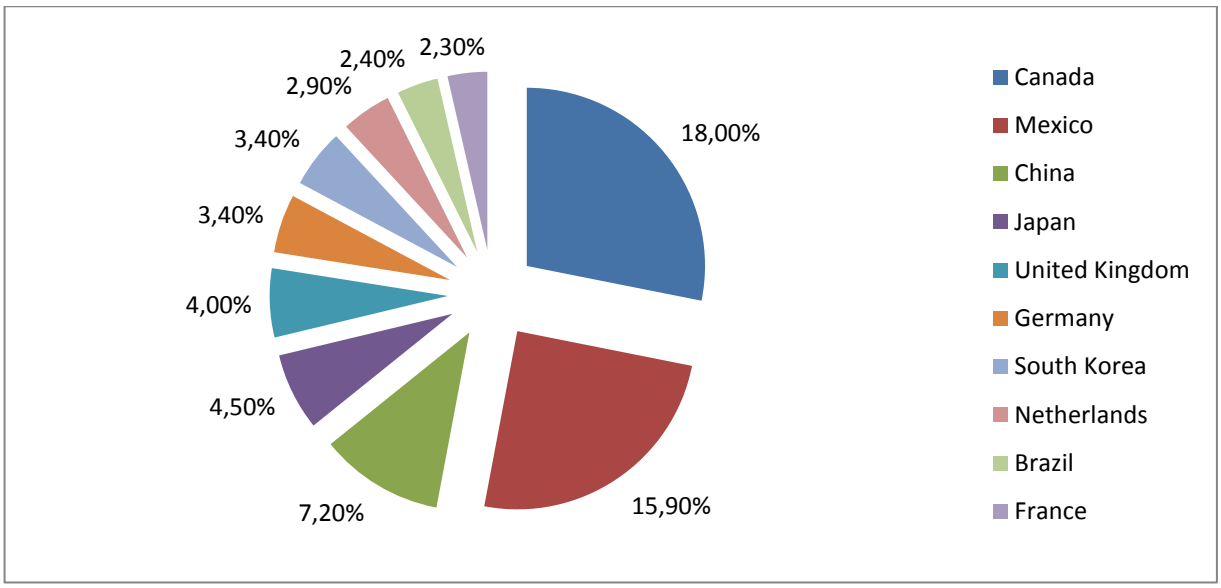

Fig. 2.5. The main US Customers (% of Exports)

Source: Comtrade, 2019. Because of rounding, the sum of the percentages may be smaller/greater than 100%.

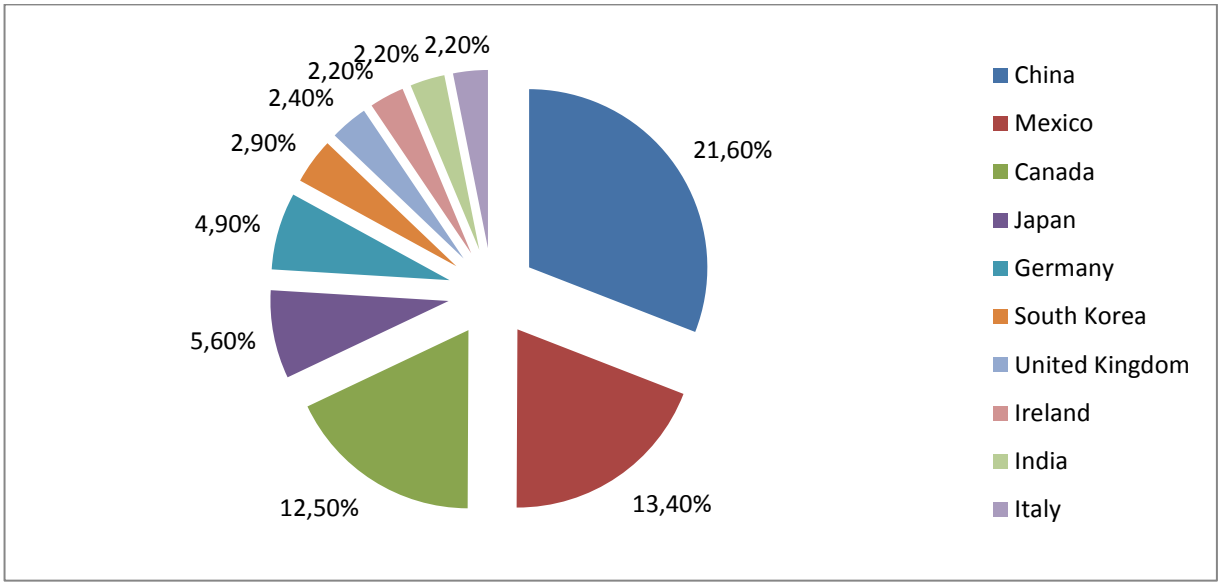

Fig. 2.6. The main US Suppliers (% of Imports)

Source: Comtrade, 2019.

The US government pursued a state foreign economic policy aimed at increasing the openness of the domestic market. Trade led to economic growth, increased social stability, democracy and the development of international relations. After the election of President Donald Trump, the vector of foreign trade policy has changed and it began to be built on other principles. Since the beginning of 2018, the United States introduced high tariffs for the import of steel and aluminum. At the same time, trade and economic

relations with China and other trading partners have deteriorated. Import prices have risen for US consumers and companies. An agreement for replacing NAFTA with the USMCA has been concluded with Canada and Mexico, Congress approval has not yet been received.

The main US exports in 2018 were refined petroleum oils, automobiles, automotive parts and accessories, electronic integrated circuits, mobile phones, financial and transport services. The most important imports to the United States in 2018 were automobiles, crude oil, telephone communication devices, computers, car spare parts, transport and other business services (Fig. 2.7-2.8).

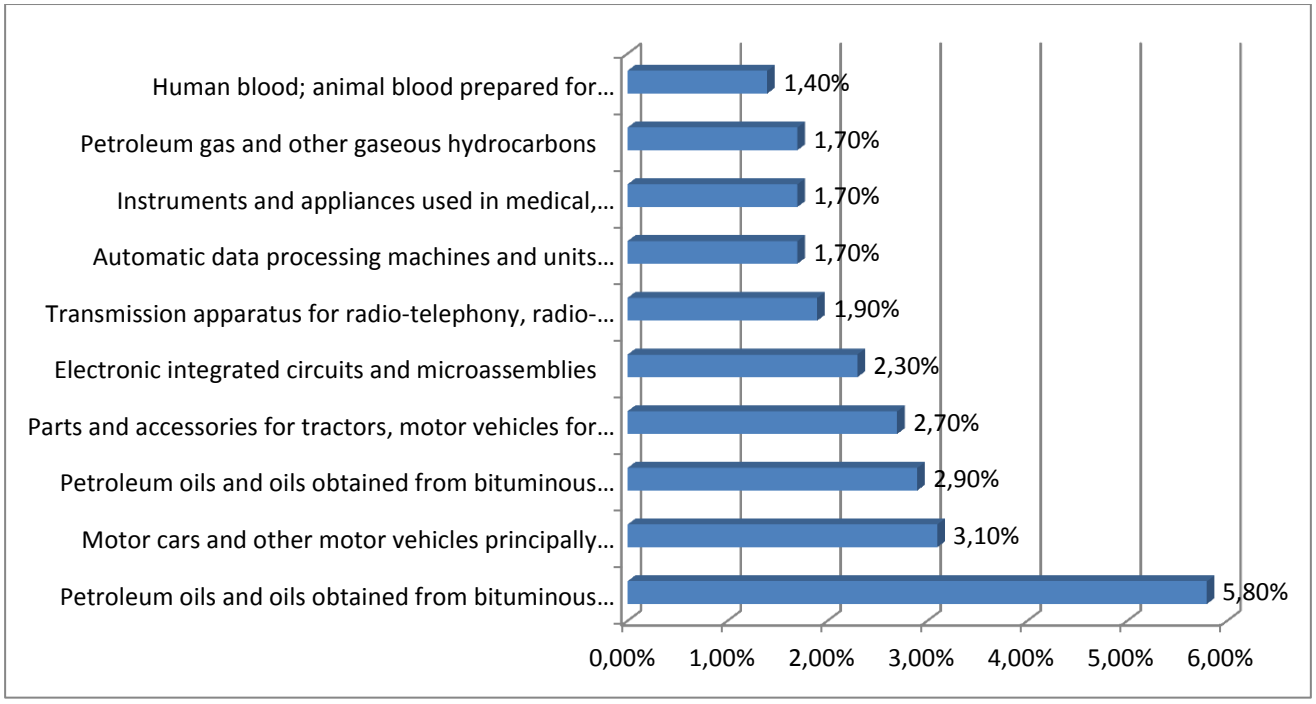

Fig. 2.7. The Main Products of the US export in 2018

Source: Comtrade, 2019.

US exports and imports of goods are highly diversified, which reduces the risks of increasing dependence on imports or exports of certain goods and services and increases the economic security of the state. 1,665.3 bn USD of products exported in 2018 and 2,611.4 bn USD of products imported in 2018.

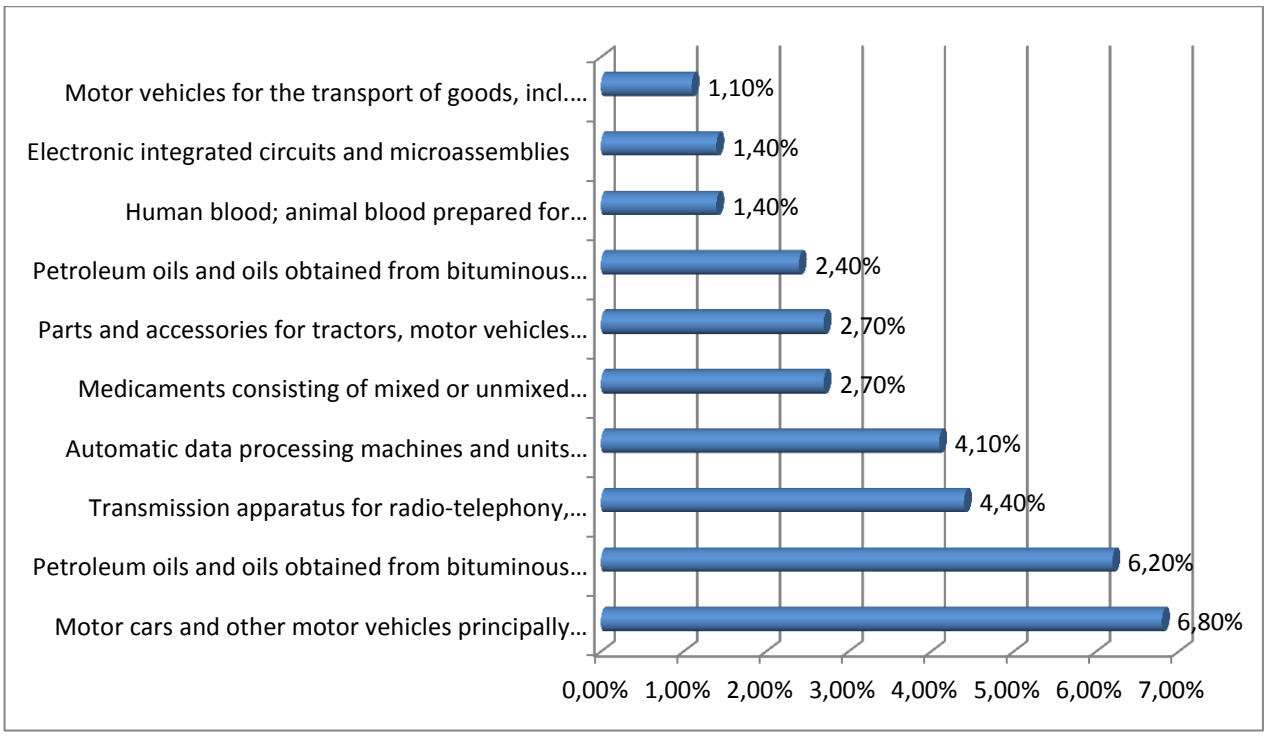

Fig. 2.8. Main Products of the US import in 2018

Source: Comtrade, 2019.

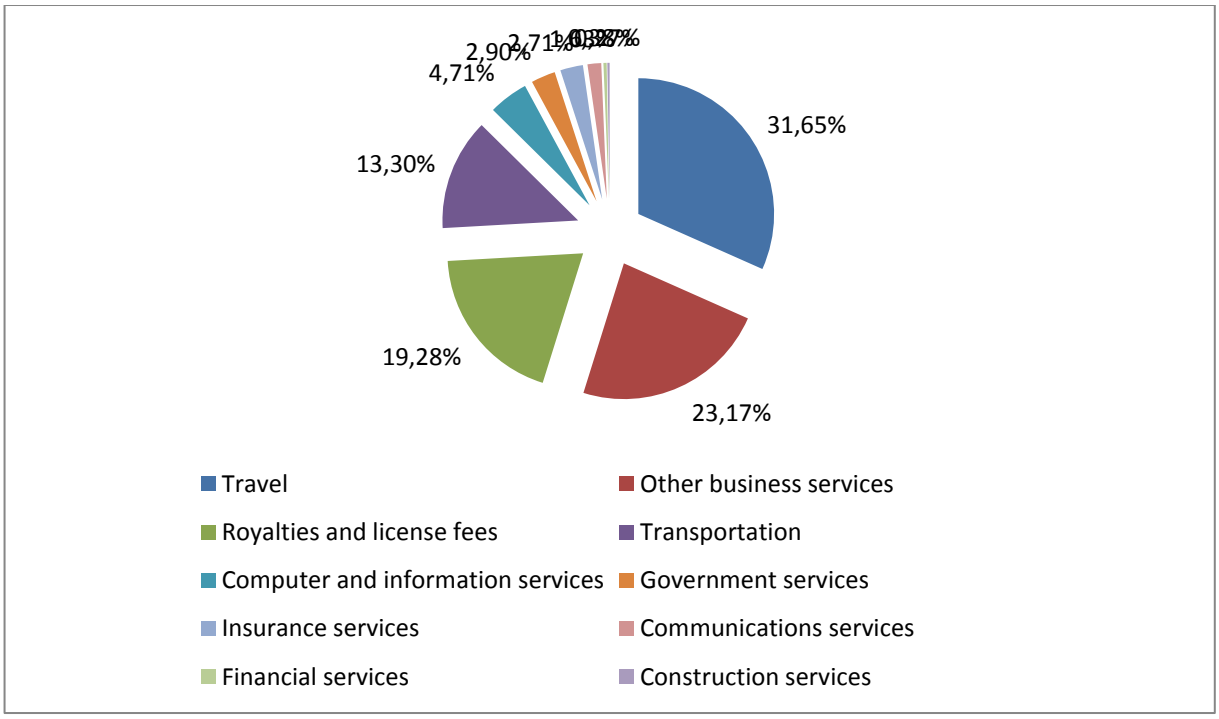

Fig. 2.9. The main Services of the US export in 2018

Source: United Nations Statistics Division.

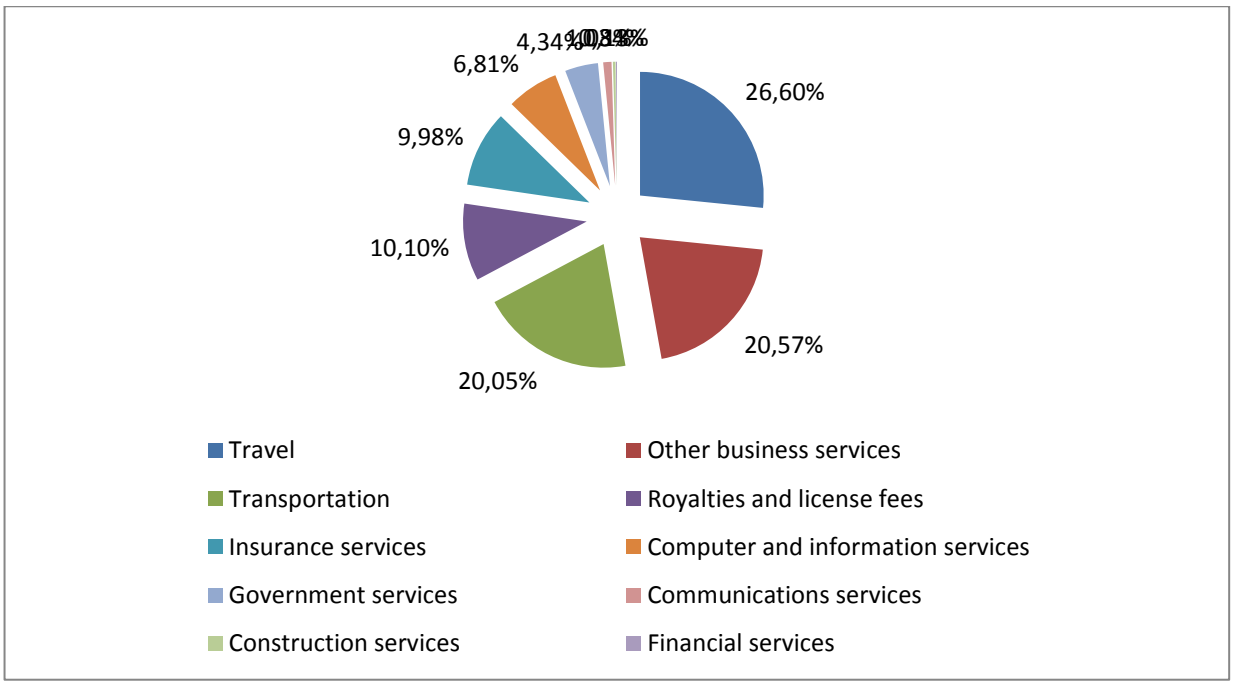

Fig. 2.10. The main Services of the US import in 2018

Source: United Nations Statistics Division.

1,331.9 billion US dollars of services exported in 2017 and 1,015.1 billion US dollars of services imported in 2017. Tourism services account for 31.65% of the US export structure, including business tourism 23.40%, and personal trips 6.37%.

The main services exported from the United States are tourism, business services, licensing and intellectual property services, and transportation services. Also, these types of services are the main ones when importing services.

2.2. Evaluation of the business environment and the investment position of the US

The investments of international investors in the US economy amounted to more than $ 480 billion in 2015 and 2016, which is more than 2 times higher than the volume of investments in 2014. In 2018, the inflow of foreign investment fell to $ 268 billion (8 percent lower than in 2017). These years showed the highest results in terms of attracted investments. FDI in the US includes reinvestment of income, capital other than reinvestment of income, and debt instruments.

Over the past decade in the pre-crisis period FDI peaks were observed in 2008 with an influx of investments of $ 318 billion. The financial crisis negatively affected transactions with foreign investments. The result was a sharp decrease in investments by international companies in the US economy in 2009 compared to the previous year. The revival in the market and the growth of investments of international investors in the US economy began in 2010-2011, and then fell slightly in 2012. FDI inflows in 2013 increased by $ 6 billion, and then declined slightly in 2014 (Fig. 2.11).

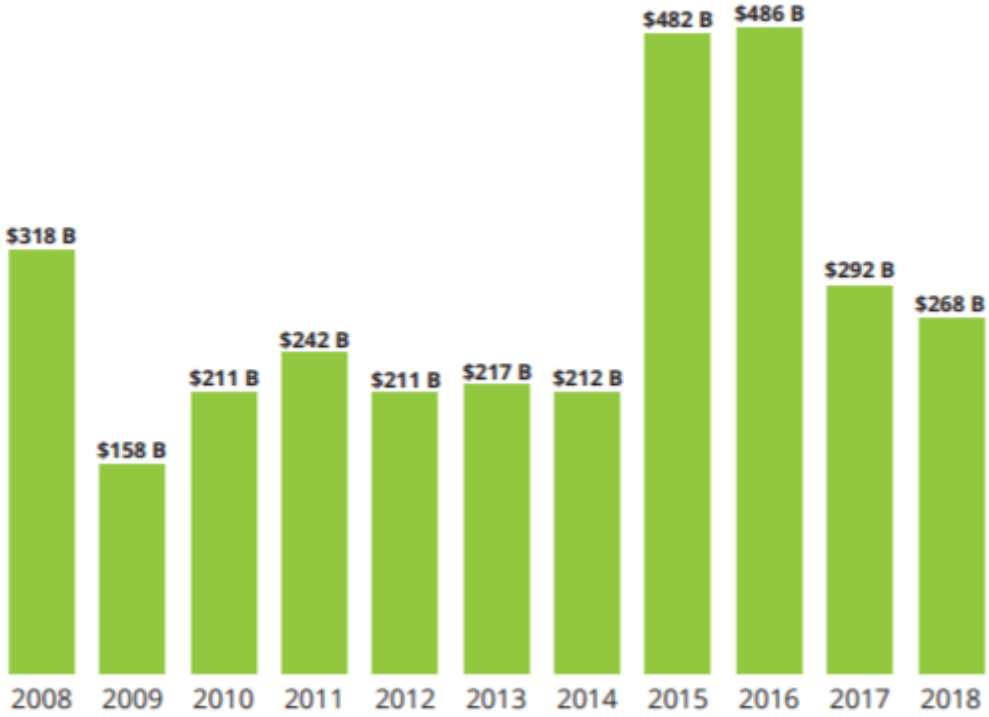

Fig. 2.11. Data for inward direct investment (foreign direct investment in the United States) are shown on a directional basis

Source: BEA

According to the UNCTAD World Investment Report for 2019, FDI inflows in the US in 2018 amounted to $ 251.8 billion, which is 9% less than in 2017. The reason for the decline is a decrease in one third of cross-border M&A sales. The FDI stock in the US in 2018 decreased by 4% compared to 2017, and amounted to 7,464 billion US dollars. In 2017, the country was favourable for investors due to the wide consumer market and solvent demand of the population, a transparent and predictable justice system, skilled labour resources, modern infrastructure and innovative business

environment. In 2018, the US remained the largest global investor with FDI outflow, amounted to 342 billion US dollars, which is 22% higher than in 2017. The main investors in 2018 in the US were the Japan, United Kingdom, Luxembourg, Canada, the Netherlands and Switzerland. The main investment sectors were manufacturing, finance, insurance, trade and maintenance, telecommunications and digital. According to a UNCTAD survey of multinational enterprises (MNEs), the US is the first potential host economy in terms of FDI for 2017-2019, ahead of China and India. The most significant contribution into FDI inflow was made by the manufacture, in particular chemical industry. In 2018, Greenfield investment for new international business projects of foreign companies amounted to $ 7.7 billion, including investments in opening a new business ($ 5.6 billion) and investments in expanding existing companies ($ 2.1 billion).

In December 2019, U.S. FDI growth amounted to $ 37.4 billion, compared with an increase of $ 69.9 billion in the previous quarter. The data on FDI inflows to the US in millions of US dollars is updated quarterly and is available from March 1960 to December 2019. The record high was FDI in the amount of 244.4 billion US dollars in March 2015, a record low FDI was -69.8 billion US dollars in March 2014

In December 2019, a deficit of $ 109.8 billion was recorded in the US in the Current Account. FDI increased by $ 9.7 billion in December 2019. Foreign portfolio investment declined by 28.2 billion US dollars in the same period. Nominal GDP amounted to $ 5431.7 billion.

According to official information from the BEA, the US investment position abroad, or the accumulated level of investment, fell in 2018 from $ 6.01 trillion (at the end of 2017) to $ 5.95 trillion. (by 62.3 billion US dollars). The reason for the reduction was the repatriation of the accumulated profit of US multinationals from their foreign branches, mainly in response to adopted Tax Cuts and Jobs Act in 2017. This decline reflects a reduction of $ 75.8 billion in Latin America and other states of the Western Hemisphere, mainly in Bermuda. Industrial large holdings in the US manufacturing sector have reduced investment the most.

The US FDI investment position grew from $ 4.03 trillion (at the end of 2017) to $ 4.34 trillion (at the end of 2018). The absolute growth amounted to 319.1 billion US dollars. The growth was mainly due to an increase in inward investment and an increase in the investment position by $ 226.1 billion by European countries, especially from the Netherlands and Ireland (Fig.2.12). The largest growth was shown by industries of companies with branches in the manufacturing, retail and real estate.

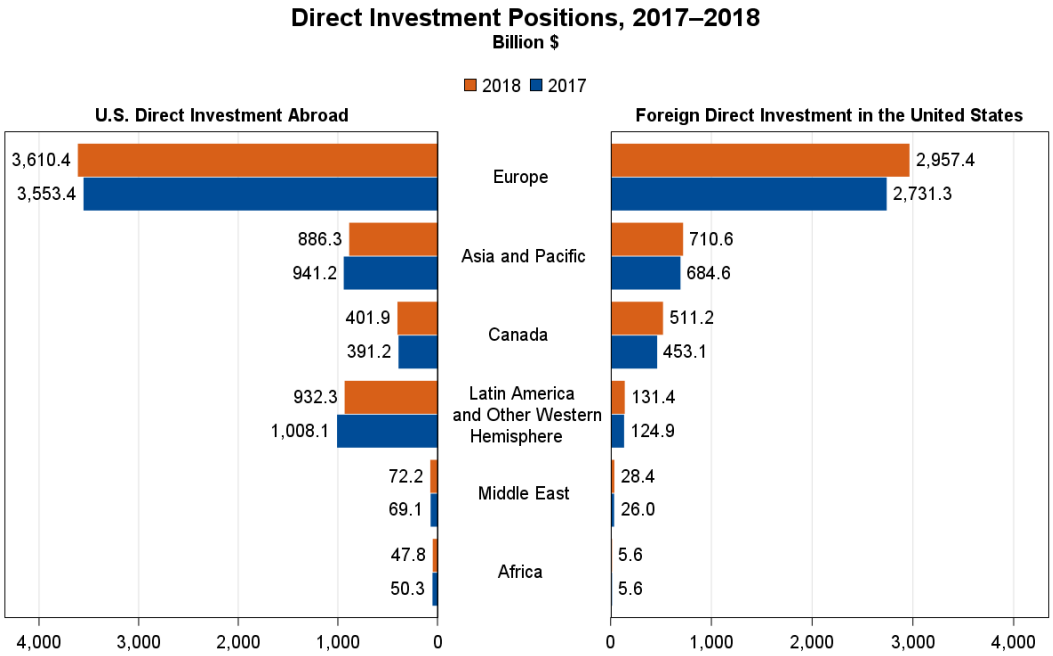

Fig. 2.12. The US Direct Investment Positions 2017-2018, $ billion

Source: BEA

Since the adoption of the TCJA in 2017 the dynamics of FDI in the US has been quite unstable. The legal act abolished taxes on dividends or repatriated profits of US multinationals from its affiliates located abroad. Dividends of $ 776.5 billion in 2018, the US exceeded the annual amount of profit. This trend caused a negative reinvestment of income and a decrease in the US investment position for the first time since 1982. Tables A.3 and A.4 in Appendix A provide the data on the breakdown of dividends.

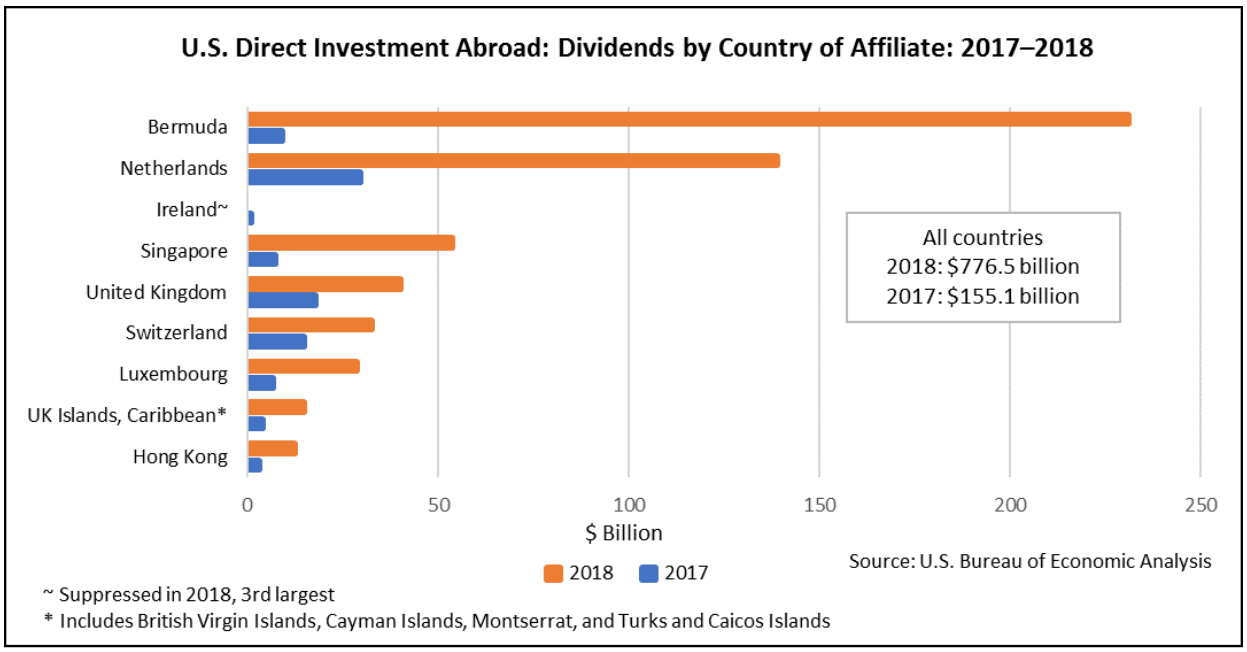

Fig. 2.13. The US direct investment abroad: Dividends by Country of Affiliate: 2017-2018, $billion

Source: BEA

In 2018, almost half of the dividends were repatriated from affiliates in Bermuda ($ 231.0 billion) and the Netherlands ($ 138.8 billion). Ireland was the third largest source of dividends, but its amount is inaccurate due to confidentiality requirements. By industry, in 2018, the largest amount of dividends was repatriated by US multinationals in chemical production (209.1 billion US dollars) and the production of computers and electronics (195.9 billion US dollars).

Investments by US Multinational enterprises (MNEs) are located in almost every country in the world. The five largest countries with affiliates located on their territory brought in more than half of the investments in the general investment position in 2018. The US position on FDI abroad was maximum in the Netherlands - 883.2 billion US dollars, followed by Great Britain ($ 757.8 billion), Luxembourg ($ 713.8 billion), Ireland ($ 442.2 billion) and Canada ($ 401.9 billion) (Appendix A, table A.1- A.2).

Considering the industries of foreign affiliates owned by US companies, most of the investments were made by holdings, which share in 2018 amounted to almost half in the investment position of the US. Most of the affiliates of holdings owned by US parent companies in different industries, own other foreign companies with affiliates in other industries. Investments in manufacturing owned by MNEs were 54.0% by the

industry of the US parent company, followed by MNEs in finance and insurance (12.1%).

US MNEs' revenues in 2018 amounted to 531.0 billion US dollars on their FDI abroad, which is increase in 12.8 percent more than in 2017.

Proceed to the analysis of the *FDI dynamics* in the US.

By the country of a foreign parent, more than half of the US investment position was concentrated in the 5 major countries of the world at the end of 2018. The Great Britain is a country with a maximum investment of 560.9 billion US dollars, Canada (511.2 billion US dollars) has been the second largest investing country since 2017, Japan (484.4 billion US dollars) is in the third place, and the Netherlands (479.0 billion US dollars) and Luxembourg (356.0 billion US dollars) are in the fourth and the fifth place in investment at the end of 2018.

By the country of the ultimate beneficial owner (UBO), the five countries occupy the leading investment positions: Great Britain ($ 597.2 billion), Canada ($ 588.4 billion), Japan ($ 488.7 billion), Germany ($ 474.5 billion) and Ireland ($ 385.3 billion). The amount of investment from the Netherlands and Luxembourg is lower compared to the country where the foreign parent companies are located. This means that most of the foreign parents' investments in these countries belonged to investors in other countries

The investor's expenses on the acquisition, creation or expansion of US enterprises in 2018 amounted to 296.4 billion US dollars. Expenses increased by 8.7 percent compared with $ 272.8 billion in 2017, but did not exceed the average annual value of 338.1 billion US dollars in 2014-2017. In the reporting period, the acquisition of existing enterprises accounted for most of the total expenses of foreign investors (Fig. 2.14).

In 2018, acquisition expenses amounted to $ 287.3 billion. Expenses on establishing new companies amounted to $ 5.3 billion. Expenses on expansion of existing companies owned by foreign investors amounted to $ 3.8 billion. Planned total expenses, including expenses in the first and subsequent years, amounted to 318.1 billion US dollars.

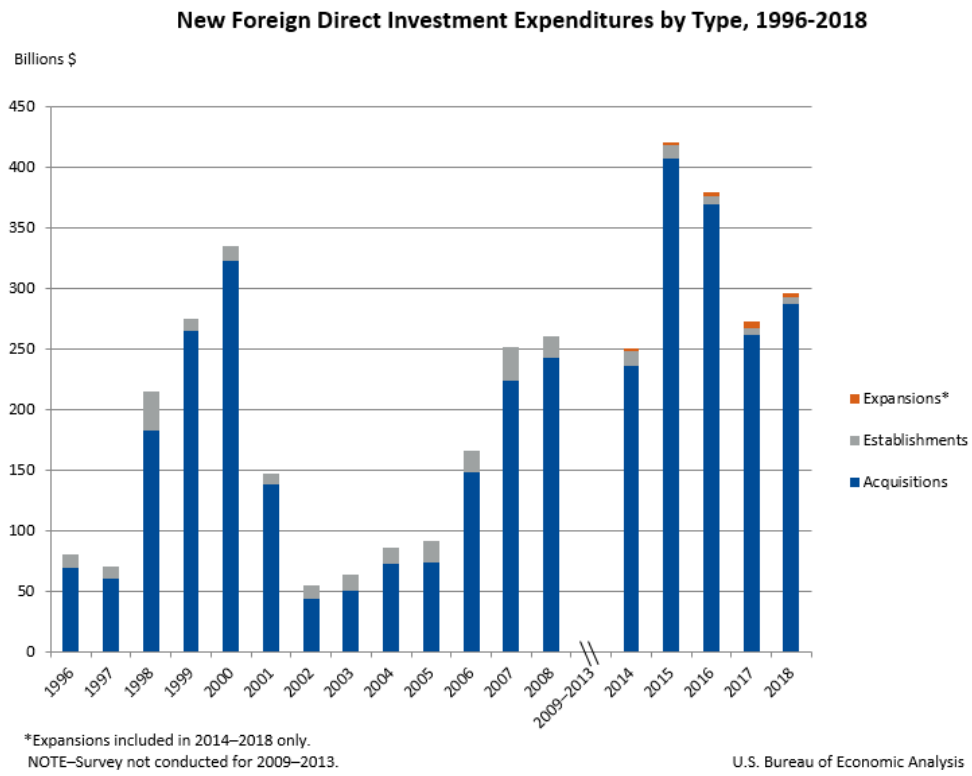

Fig. 2.14. New FDI Expenditures by type in the United States, 2018

Source: BEA

Proceed to the analysis of the structure of expenses by industry, country, and state in 2018.

By industry, the share of expenses for new direct investments was the largest in the manufacture (67.4 percent of total expenses), the total investment expenses amounted to 199.7 billion US dollars. The expenses in chemical production (142.3 billion US dollars), real estate, rental and leasing (22.1 billion US dollars) and information (16.3 billion US dollars) were high.

By the countries of UBO, Germany and Ireland had the highest expenses, but their amount is not taken into account due to confidentiality requirements. With $ 32.5 billion in investment, Canada was the third largest investor. In total, European countries made almost three quarters of new investments into US economy in 2018.

The largest recipients of foreign investment were Missouri, the exact amount of investment is unknown due to confidentiality requirements. Large investments were

received by the states of New York ($ 63.0 billion), Texas ($ 31.1 billion) and California ($ 27.3 billion).

Greenfield investment expenses are the investment expenses for the start of new business projects in the US or the expansion of an existing business owned by foreign investors, in 2018 amounted to $ 9.1 billion. The total planned expenses until the completion for investments in new projects started in 2018, including expenses for the first year and subsequent years, amounted to $ 30.8 billion.

By the US industry, the Greenfield expenses in 2018 were the largest in the manufacture ($ 2.6 billion) and real estate, rental and leasing ($ 2.6 billion). The largest UBO countries by investment expenses were Canada ($ 2.4 billion) and Japan ($ 1.2 billion). Among the states, Texas was the most attractive for investors with the amount of investment in new business projects (2.0 billion US dollars), and New York (1.6 billion US dollars).

2.3. Assessment of US investment climate and the degree of its attractiveness to Ukrainian investors

The business environment and investment climate of a country are related to the main industries and the conditions to support the activities of local and foreign enterprises. The country's business climate is determined by the peculiarities of the national working conditions, the time required to register a company or a property, tax rates for certain categories of goods and companies, and the level of development of business infrastructure. It is important to consider the country's competitiveness compared to other countries, as well as investment competitiveness.

In 2018, the United States received the highest score in the ranking of countries in the world for competitiveness - 85.64 points.

According to the World Bank's Doing Business 2020 report, the United States ranks the 6th place out of 190 countries for the development of the business climate, rising two points compared to 2019. The US is one of the most economically developed countries in the world, the largest international financial centre and the third largest

country in the world in terms of solvent population. The United States has effective paying tax regulatory practices. In 2019, the corporate income tax rate in New York and Los Angeles was reduced. The procedure for registering a business has been greatly simplified. Now it's enough to submit an online application for information for limited companies. Enforcement of contracts is also simplified by electronic filing and electronic payment of court fees. To increase the position in the business ranking, the United States can improve its ability to receive electricity, register property and trade across the border.

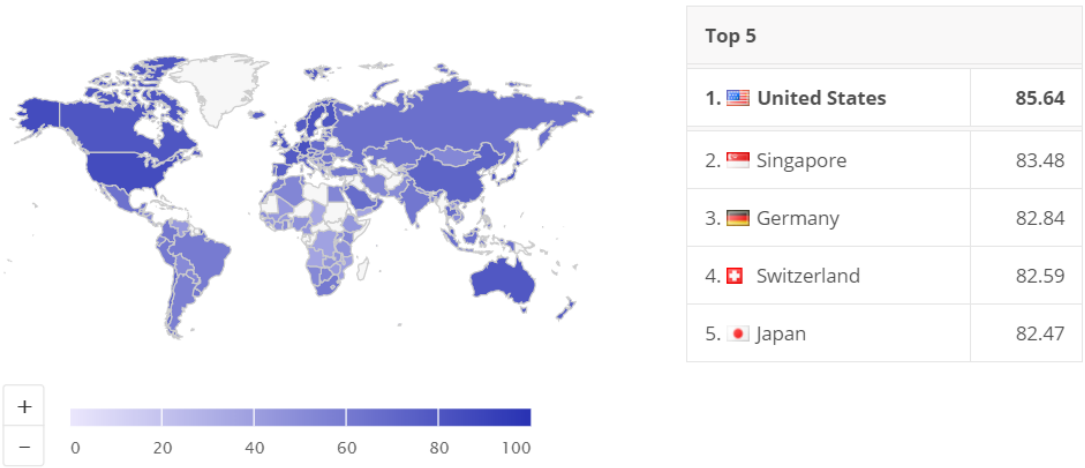

Fig. 2.15. The US position in the global competitiveness ranking in 2019

Source: World Economic Forum

An important element of the business environment and investment attractiveness is the number of jobs and employment in newly acquired, created or expanded enterprises with foreign investments. In 2018, nearly 430,600 people were employed at such companies in the United States. Currently, 426,400 people are employed in the acquired enterprises. The total planned number of jobs, which includes current employment at acquired enterprises, planned employment of new enterprises after the start of their work, and planned employment after expansion amounted to 469,800 people.

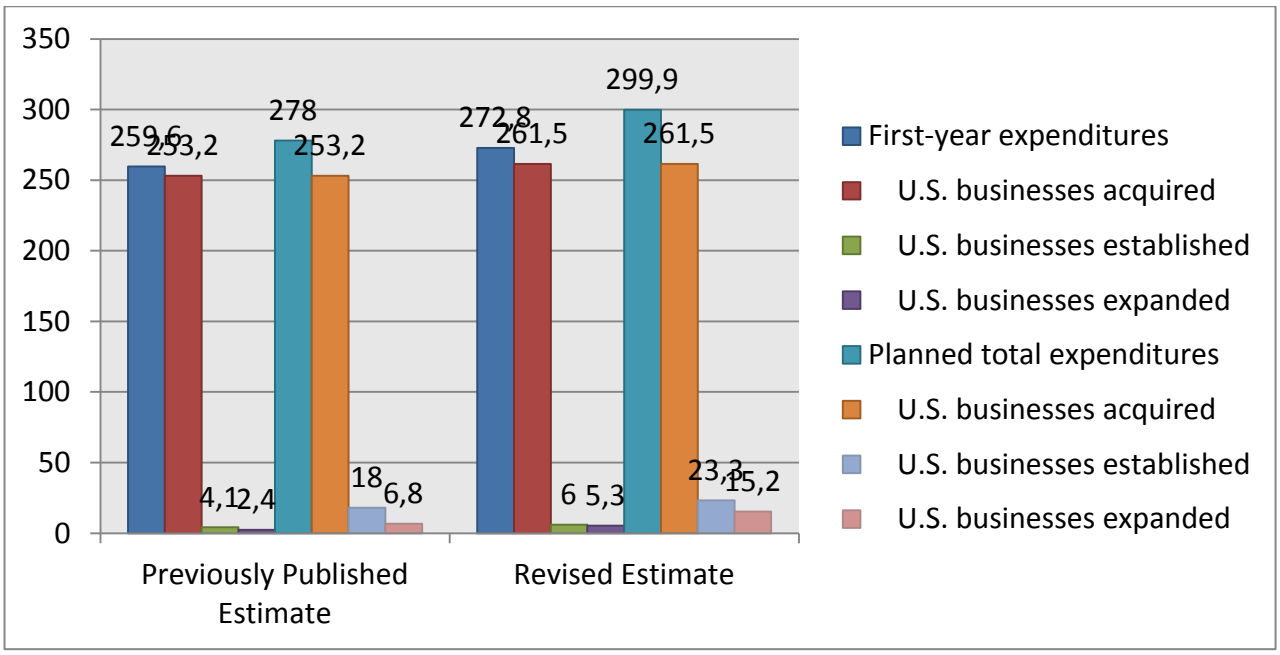

Fig. 2.16. Updates to 2017 Expenditures for New FDI in the US, Billion US dollars

Source: World Economic Forum

By industry, the largest number of employees worked in manufacturing (209,000) and retail trade (62,500). By country of UBO, the largest number of employees worked in Canada (84,300), the United Kingdom (68,900), and Ireland (68,300).

By U.S. state, California had the largest employment (102,000), than - New York (55,300) and Texas (45,500).

The important area of business climate assessment is the analysis of the marketing opportunities.

Consumer profile helps the potential investor to determine the direction of investment and the scope of the enterprise.

The average age of the population has not practically changed since 2010, amounting to 38.2 years in 2018. Over 31% of the population is younger 24 years old and 29% are over 55 years old. The population growth rate was 0.8%. 28% of people live alone, 34.5% of people live in families of two people, 15.2% of people live in families of 3 people. For every 100 females there are about 97 males. Approximately 82% of the population lives in cities. The most densely populated areas are located in the eastern part of the country (Northeast, Great Lakes, East and Southeast) and in the western states. The least populated are mountainous regions, deserts and boreal forests

in the north. The largest cities are New York-Newark, Los Angeles-Long Beach, Santa Ana, Chicago, Houston, Miami, Washington DC. 90% of people aged 25 to 64 years have secondary education, and 28% continuing in higher education. The population works in the administrative sphere, trade, healthcare, management, business, finance, transport and construction.

Purchasing power and consumer behavior are important for the investor in the production of goods and services.

The GDP per capita PPP in the United States is $ 59,531 per year. The average annual salary is $ 38,390. In 2018, purchasing power increased due to the growth of promotions and consumer loans. Adjusted disposable income per capita is $ 44,049. Consumption increased in 2018 and grew by 1.26% in the third quarter of 2018. The Gini income inequality index has stabilized since 2016. In 2017, men earned an average of $ 44,408 a year, and women earned $ 31,610. Wages is higher in the east and is lower in the south.

The United States has a developed consumer culture. Amid the current financial crisis, consumers began to buy cheaper products. Young people evaluate stocks and compare prices more often than earlier. The most popular supermarkets are Walmart and Sam's Club (more than one fifth of the market share), Kroger, Albertsons, Costco, etc. Americans more often buy goods in large shopping centers. The average annual consumer expenses are 7203 dollars. 85% of Americans buy goods on the Internet at least once a month. At the end of 2018, consumer confidence declined.

Consumers are loyal to brands, but the decisive factor in the purchase is the price (10% of consumers are ready to buy goods of another brand, if the price is lower). Consumers trust social networks (74%), 45% of them read articles, reviews about products by competent specialists.

Among US consumer trends, "Made in America" is an important issue. About 70% of Americans consider it important to buy American goods. In addition, responsible consumption is increasingly attracting consumers who prefer sustainable, transparent, clean products. About 48% of consumers say they want to change their habits in order to reduce their environmental impact. Young people are even more

concerned about this topic and are willing to pay more to reduce their footprint. It means that the market of agricultural goods is attractive for investment.

The main Consumers Associations are: US Government, Lodge a Consumer Complaint; CR, Consumer Association: CFA, Federation of American Consumers.

The important element of the business climate is the Banking and Finance sector and its convenience for doing business.

National Currency is American Dollar (USD), which is is fully convertible. US has the floating exchange rate regime. The currency's level of instability is low. The exchange risk is limited because the U.S. dollar is a major world currency.

There are important rules in the making payments.

Cash is not used as often as cards in the US. The most popular payment mechanism is the bank transfer (swift). Payment by check is not reasonable because of lack legal guarantee and delay in repayment. International credit card transactions processed by phone or fax are rare used. Factoring is expensive, but provides 100% coverage against risk of default. Documentary letters of credit or documentary collections or projects are practiced. To facilitate internal transactions, it is reasonable to open a bank account in the United States.

Table 2.4

The terms of payment in B2B Transactions

Average domestic payment delay	22 days
Average foreign payment delay	18 days
Proportion of sales made on credit	48.7%
Proportion of domestic past due invoices	46.6%
Proportion of foreign past due invoices	56.3%
Uncollectable past due invoices	2.5%

Source: Atradius Payment Practices Barometer

The US banking system is one of the largest and most stable in the world. Commercial, investment, and savings banks are the backbone of the US financial system, along with insurance companies and other specialized financial institutions. Banks can be chartered either by the federal government or by one of the states. Foreign banks also operate in the financial market.

State and national banks are insured by the Federal Deposit Insurance Corporation (FDIC), but only national banks allowed being a part of the Fed. Commercial banks provide short-term and long-term loans, investment banks provide long-term loans and equity in addition to other financial services. The United States is also a leader in investment management. The main US banks are: JP Morgan Chase & Co, Bank of America, Citigroup, Wells Fargo & Co, Goldman Sachs, Morgan Stanley, US Bancorp, PNC Financial Services Group, Capital One Financial Corporation, Bank of New York Mellon, American Express Company, BB&T Corp, SunTrust Banks, Ally Financial, State Street Corp, Fifth Third Bancorp. The New York Stock Exchange (NYSE) is considered the world's largest equities-based stock exchange in the world based on total market capitalisation of its listed securities and companies. The second largest exchange is the NASDAQ Stock Market (NASDAQ). Trading in either of these exchanges requires registration with the Securities and Exchange Commission (SEC).

Table 2.5

Financial indicators of population in the US

Proportion of population aged 15+:	
With account at financial institution	93.6
With credit card	60.1
With debit card	76.2

Source: The World Bank Financial Inclusion Database

The cheques are the popular tool of payment and banking in the United States. Company usually use checks to conduct business with clients. Efficient management of cheques in the U.S. can be done by a lockbox service.

Business law in the United States is one of the argument to start business there. The US has independence of justice, equal treatment of nationals and foreigners.

The main source of the law is the Constitution of 1787. The country's legal system is based on a federal court system. Each state has its own unique legal system with its own supreme court. A case may be appealed from a state supreme court to the federal Supreme Court only if it is related to federal issues, such as the U.S. Constitution or laws/treaties of the United States.

Checking national laws online is provided by the Office of the Law Revision Council.

The important argument for investments to the US economy is the consumption tax rate.

Sales tax rates vary from state to state, except for the state of Delaware, where there is no sales tax. Sales tax rates range from 2.9% to 7.25% at the state level. In some states, local jurisdictions charge an extra percentage of sales tax and raise local budget revenues. The highest sales tax rates have the next states: Tennessee (9.47%), Louisiana (9.45%), Arkansas (9.43%), Washington (9.17%) and Alabama (9.14%).

Other consumption taxes are set locally.

In accordance with the TSJA, the federal corporate income tax rate is 21% of effectively connected income (ECI). State and local governments can also establish income taxes (usually ranging from 1% to 12%, depending on the state).

After the tax reform on December 22, 2017 (P.L. 115-97), the United States adopted a tax system based on territoriality. Foreign companies pay the same corporate tax as local companies. The taxable income is based on the ECI, which is considered as all U.S.-source income received from trade or business in the U.S. or sale of U.S. real real estate or inventory by a foreign entity. ECI tax exemption can also be applied on the basis of a tax treaty.

US taxation of non-resident income depends on whether the income has a connection with the United States, as well as the level and extent of non-resident presence in the United States.

Foreign companies pay a branch profits tax at 30% of the ECI that is not invested in US trade or business, and a 30% withholding tax on non-ECI U.S.-source income (for example, dividends, interest, rent and royalties). Other arrangements may be estabilished through tax treaties.

Tax rates for corporate capital gains are similar for ordinary income if shares are owned for a short period (less than a year). Otherwise (shares are owned longer than a year), capital gains are taxed at a rate of 15% (maximum 21%). In general, capital losses can only compensate for capital gains, and not ordinary income. Subject to certain

restrictions, net operating losses may be carried forward for three years (federal limit, varies from one state to another, not permitted in some states) and extended for up to 20 years (varies from state to state) to compensate for capital gains in such other years.

Foreign companies are exempted from capital gains tax, unless the gain is U.S.-sourced (from US real estate or through US business or trade).

The main allowable deductions and tax benefits are considered by investors.

Deductions are possible for some activities, expenses and depreciation, amortization and losses. Start-up expenses may be amortized over a 15-year period. Bad debt arising from a trade or business can be deducted in that year when the debt becomes worthless.

Charitable contributions can be deducted up to 10% of taxable income, and can be carried forward to the next five years. Fines and penalties are not deductible if they are not paid for restitution or do not comply with the law. Incentives are provided in the form of tax credits for R&D, energy-efficient appliances and electric vehicles.

In addition to federal taxes, state and municipal taxes differ from state to state.

Table 2.6

Country comparison for corporate taxation

	United States	OECD	Germany
Number of Payments of Taxes per Year	10.6	10.9	9.0
Time Taken For Administrative Formalities (Hours)	175.0	163.4	218.0
Total Share of Taxes (% of Profit)	43.8	40.9	49.0

Source: Doing Business, 2019

Work conditions in the United States are considered before starting a business.

Working conditions in the US are favourable for the business. Legal weekly duration is 40 hours, as in most countries.

Employment contracts determine if the employee forms part of the regular or non-regular staff. Full time employees form the regular staff. Among the non-regular staff, there are different types of contract: part-time workers, temporary workers and interns.

Doing business in the U.S. needs to obtain a summary of labour regulations that apply to local enterprises.

Table 2.7

The Active Population in Figures

	2013	2015	2017
Labour Force	153,600,000	155,400,000	156,400,000

Source: CIA – The World Factbook

Table 2.8

The activity population rate

	2015	2016	2017
Total activity rate	62.12%	61.98%	61.82%
Men activity rate	48.82%	49.22%	49.62%
Women activity rate	56.01%	55.87%	55.71%

Source: ILO, Laborstat - Yearly Statistics

The minimum wage depends on the state and sector of the economy. According to American Federal Government, the minimum wage in 2018 ranged from 1,058 to 1,298 US dollars per month.

According to the US government, the average wage in 2018 was $ 22.4 per hour.

Social security contributions for companies are: OASDI (handicap, disability, old age; 6.2% on the first USD 118,500 per year) + Medicare (1.45%) + FUTA (federal unemployment; 6% for the first $ 7000 and applies to tax credit) + SUTA (unemployment at the state level; depends from state).

Social security contributions for employees: OASDI (6.2% on the first $ 118,500 per year) + Medicare (1.45% + 0.9% if the total wage exceeds $ 200,000 per year).

Benefits of investing in the US economy:

- a high level of GDP per capita and a population of over 320 million;
- a strong, widely diversified economy;
- high level of research and development and innovative technologies;
- flexible and reactive labor market;
- public debt is mainly held by the Americans;

- quite high level of qualification of Americans, high productivity and innovation;
- the dollar is a global currency;
- quite high level of shale gas production and an increase in energy autonomy;
- the development of regional “clusters” (groups of companies in the same sector of activity in the geographic region).

Disadvantages of investing in the US:

- fierce market competition, low customer loyalty and high demands;
- high unemployment and informal employment;
- decrease in labor productivity;
- Trump elections have polarized political life;
- Trump protectionist measures impede the integration of the US into the international economy;
- strong socio-economic differences;
- high depreciation of infrastructure;
- risk of explosion of student loan bubble;
- high public debt, a strong dollar increases the trade deficit.

The US government is implementing measures to stimulate or limit FDI. US government tax and regulatory policies provide foreign investors with freedom. However, after the Trump election, investment controlled by foreign governments can be complicated.

In November 2017, Congress passed the Foreign Investment Risk Review Modernisation Act, which aims to improve the Committee of Foreign investments (CIFUS) in monitoring foreign investment that threatens United States national security. In October 2017, Congress approved the United States Foreign Investment Review Act, which authorized the Department of Commerce to investigate the economic consequences of certain foreign investments. Some sectors are strategic for the United States, so foreign FDI from certain countries to these sectors are examined in more detail.

SECTION 3
DEVELOPMENT OF AN INTERNATIONAL INVESTMENT PROJECT IN AGRICULTURAL SECTOR

3.1. Research of the potential of agricultural sector in US

In 2018, the average cost of production exceeded the total cost of producing milk in only one state, in California, as a whole throughout the country, dairy farmers lost an average of $ 3.21 per hundred kg of raw materials produced. Compared to 2018, only 0.3%. The average price of milk has increased only to $ 18.4. US / 100 kg compared to $ 16.26 in 2018. Although rising prices for these products are a good for American farmers, this level is still below the average total cost of production for most farmers in the country.

This situation should be due to the constant discrepancy between the supply of dairy products and the demand for it, and not a frequent case in the US domestic market.

According to the US Department of Agriculture, demand for dairy products has grown slightly in recent years, by less than 9% since 2000. The consumption of dairy products and cheeses increased, while other categories (butter, cottage cheese, canned milk and dried dairy products) remained unchanged. Farmers are introducing new technologies to reduce costs. Prices are falling, so the result is lower income.

At the end of the year, the 2018 Farmers Bill, Congress tried to respond to the dairy crisis, the massive changes in the dairy product safety system. Under the new law, dairy products can be produced using milk margin protection (DMC) programs. Dairy producers have the right to demand reimbursement of certain contributions, which they value at $ 58 million for all producers. DMC must receive a 25 percent discount on contributions. The law on the bilateral budget for 2018 (adopted in February 2018) and the amendments, which are projected to cost $ 1.1 billion. Exceeding basic spending levels for the period from 2018 to 2028.

DMC disbursements for 2019 amounted to $ 306 million. Currently, 1237 gross weight insurance policies for 2016 have been sold, covered by liability in the amount of $ 128 million.

According to the Federation of the American Farmer's Bureau, collected at the federal court's representation, 580 farms had bankrupted in September 2019. The national Fig. is a 24 percent increase compared to the level of 2018. About a fifth of these farms mainly raised dairy cows.

In general, only a small proportion of farmers went out of business through bankruptcy. However, production simply stops. Some farmers sell their own dairy herd and milking equipment.

Despite the deviation, US dairy production continues to grow. According to data collected during the census of agriculture, as of December 31, 2017 there were about 55,000 households that had 9,000 fewer dairy cows than were recorded on December 31, 2012. The number of dairy farms with a dairy herd of 1000 or more cows increased over the same period, from 1807 to 1953, and the share of large farms increased from 44 to 50 percent.

The investor decided to focus on the livestock farm in the US in the field of dairy production, because it is a perspective business despite on some problems in the US economy. The current situation of the US agricultural sector is quite stable and promising. It is characterized by high efficiency, which has become the basis for guaranteeing food security of the state, as well as dominance in global agricultural markets. The formation of a highly developed agribusiness in the United States was largely facilitated by a strong state agricultural policy and a system of government regulation measures. Today, US agriculture is characterized by significant scientific and technological progress and competitive potential, prospects for expanding agricultural production, improving its quality and economic efficiency.

3.2. Substantiation of the investment project for the creation of farm in the US, the assessment of the need for investment resources and identification of sources of their involvement

In this part, we will present a business project in the organization of a livestock farm in the US in the field of dairy production. The project will also include the investment analysis to determine its rationality and the effectiveness of practical implementation.

The largest US milk farms are concentrated in the western regions of the United States, they are most in California, but there are also in Texas, New Mexico, Washington, Idaho and Arizona.

Large farms use purchased feed. Young animals, in most cases, are raised on the family farms, but the transfer of calves to other farms is also practiced. The best heifers are then returned to the farm. Vertical coordination in dairy farms is based on the fact that the majority of farms usually sell their products through the so-called “dairy cooperatives”.

The project implementation period for the organization of the dairy farm, taking into account the return of borrowed funds raised for its implementation, is planned for a 6 years period. With successful development, the farm will be further developed and expanded.

To implement this project, the investor needs:

- organize a stall for cows and production and utility premises, in which the final product will be directly produced (design, development, assembly of the dairy complex);
- attract additional financial sources;
- to hire the personnel of the farm (to attract employees with the necessary education and professional skills), and to hire the additional employees for preparatory work;
- conduct a series of marketing events to attract the attention of potential customers to dairy products, obtain permits for this type of activity.

The investor plans to finance 15% of the required capital investments at his own expense. Table 3.1 shows the monthly investment plan.

Table 3.1

Investment plan of the dairy farm, thousand USD

Events	1th month	2nd month	3rd month	Total
1. Purchase of necessary fixed assets (dairy cows)	25.0		54.5	79.5
2. Acquisition of land and reconstruction of the production premises		120.0		120.0
3. Purchase of equipment (milking equipment, containers for spills)		45.0		45.0
4. Hiring and payment of additional employees for preparatory work		52.0		52.0
5. Estimated costs for the production and sale of products	793.0	793.0	793.0	2 380.0
Total - capital investments	818.2	1010.2	847.7	2676.2

The total amount of capital investments will be 2676.2 thousand USD, while the investor plans to spend 56.5 thousand USD from his own finances.

The funds received for the implementation of the project will be directed to the reconstruction of the existing farm and the purchase of young cattle. In total, the farm will contain a constant number of at least 80 animals. Such a number of animals will require the square of at least 360 square meters (based on 4.5 sq. m. per animal). In addition, it is necessary to build utility premises for storing tools (30 sq. m.), and a warehouse for feed (200 sq. m.). Thus, the total area of buildings will be about 590 square meters. In total, about 120 thousand USD will be spent on the reconstruction of the premises and land acquisition.

Milk cows of the black-motley breed will be purchased as the “fixed assets” for milk production. This is the most common and productive breed of cows. The average annual milk yield of the black-motley breed is 6300 liters of milk. The approximate purchase price for the livestock will be $ 800-1,000 per cow. Slaughter of cattle will be carried out at a specialized slaughterhouse, with the preliminary removal of animals. Slaughtering of one head of cattle will cost the au pair an average of $ 150. Feed (hay, sugar beets, compound feed) will be purchased from local agricultural producers. It is

planned to buy hay at a price of $ 130 per bale, sugar beets - $ 1,650 per ton, mixed fodder - $ 11 per kg. An experienced veterinarian will be hired to monitor the condition of the animals and timely prevent disease. These services will cost $ 6,000 per month.

The main cost items for the dairy farm project are shown in table 3.2.

Table 3.2

The cost of the acquisition of components for the production of dairy products per year

No	Name of materials and equipment (works, services)	Price USD per unit	Purchases per month, USD			Purchases per year, USD
			Units	Amount, units	Amount, USD	
1	Acquisition of feed	37,4	kg	15000	561000	6732000
2	Product quality testing	454	pcs.	50	22700	272400
3	Veterinary medicine and protective equipment	95	kg	160	15200	182400
4	Veterinary control procedures	105	pcs.	1	105	1260
	Total				599 005	7 188 060

For the production of milk material costs are 599,005 USD per month, 7188.06 thousand USD per year.

The sale of dairy products is expected on the local market and is planned in the amount of 35 thousand liters, 20 thousand kg of dairy products per month. Taking into account the average inflation index, we will lay 4% on the annual increase in production costs. According to forecasts of a rise in the cost of feed, veterinary drugs and an increase in prices for utilities, we will lay an increase in the price of dairy products by an average of 5% annually.

Taking into account the planned price (including margins) and planned sales volumes, annual sales will amount to about 12060 thousand USD (Table 3.3).

Approximately 53% of revenue is generated from the sale of milk and 47% from dairy products.

Table 3.3

The sales plan of dairy products

No	Name of products (works, services)	Price USD per unit	Sales per month			Sales per year, thousand USD
			Units	Amount, units	Amount, thousand USD	
1	Milk	15	L	35000	525	6300
2	Milk processing products	24	kg	20000	480	5760
	Total					12060

For the production of dairy products with planned sales volumes, for starters, investor will need to attract personnel in the production and maintenance of the farm. 7 people will be hired to organize the work of the farm, and a manager who will oversee the production process and coordinate work with suppliers and customers (table. 3.4).

Table 3.4

Calculation of the wage fund for the year

Position	Number, people	Salary, USD per month	wage fund, thousand USD	
			per month	per year
Veterinarian	1	6000	6.0	72.0
The production worker	5	4500	22.5	270.0
Manager	2	6100	12.2	146.4
Total	8	X	40.7	488.4

Thus, the annual wage fund will be 488.4 thousand USD.

In this project, we consider the effectiveness of investments into the production process, so investments are real and direct. Obtaining economic benefits from the project is projected annually throughout the entire period of its implementation (annuity). The farm bears expenses, including payment of tax payments - property tax. Its accrual is carried out, based on the value of the property (by years) starting from the 2nd year of the implementation of the investment project.

Table 3.5

Estimated costs for the production and sale of products, thousand USD

	Indicators	Month costs	Year costs
1.	Material costs	681.3	8176.1
1.1.	Raw materials	599.0	7188.1
1.2.	Electricity	54.2	650.6
1.2.	Fuel	24.6	295.2
1.3.	Work, services	3.5	42.2
2.	Salary	40.7	488.4
3.	Payroll taxes	10.6	127.0
4.	Depreciation deductions	0.9	10.4
5.	Property tax	0.3	3.6
6.	Other costs	2.1	25.2
	Total	735.9	8830.7
7.	Selling costs	43.5	522.0
8.	Management costs	13.8	166.2
	Total	793.2	9518.8

To calculate the tax base, determine the volume of buildings and structures available to the farm, and also calculate their value at the beginning and end of the reporting year. The depreciation rate per year for buildings is 4.5%, for equipment is 9.9%. The calculation results for the property tax are shown in table 3.6.

Table 3.6

Calculation of property tax by years, thousand USD

Indicators	Years			
	2	3	4	5
1. The cost of buildings and structures at the beginning of the year	120.0	114.6	109.4	104.5
2. Depreciation of buildings and structures	5.4	5.2	4.9	4.7
3. The cost of buildings and structures at the end of the year	114.6	109.4	104.5	99.8
4. The cost of equipment at the beginning of the year	50.0	45.1	40.6	36.6
5. Depreciation of equipment	5.0	4.5	4.0	3.6
6. The cost of equipment at the end of the year	45.1	40.6	36.6	33.0
7. Total property value:				
7.1 at the beginning of the year	170.0	159.7	150.0	141.1
7.2 at the end of the year	159.7	150.0	141.1	132.8
8. The average annual value of the property	164.8	154.8	145.6	136.9
9. Property tax	3.6	3.4	3.2	3.0

As can be seen from the data in table 3.6, the value of property tax during the project implementation period is reduced. This is due to a decrease in property value due to their depreciation.

Sources of financing for an investment project are own and borrowed funds.

According to the initial data of the project, we analyze capital investments in fixed and circulating assets (table. 3.7).

Table 3.7

The financing plan of the investment project

No	Indicators	Amount, thousand USD
1.	The total amount of investment funds, including:	9 864.26
1.1.	Capital investment	2 676,20
1.2.	Current assets	7 188,06
2.	Sources of financing:	
2.1.	Own funds, including:	4 706.70
	working capital replenishment	4 650.20
	capital investment	56.50
2.2.	Borrowed funds, including:	5 157.56
	working capital replenishment	2 537.86
	capital investment	2 619.70

The project requires additional investor funds, and credit funds. Thus, the amount of necessary financial resources for the project is 9 864.26 thousand USD.

The part of investments (5 157.56 thousand USD) will be borrowed at the bank. The loan rate is 2.6%, the debt repayment period is 5 years, and the project implementation amount is 6 years.

The farmer will repay the loan through payment transfers starting from the second year. Calculate the loan amount to maturity at the beginning of the second year based on the following data:

loan amount at the beginning of the lending period - 5 157.56 USD

loan amount at the beginning of the 2nd year - 5 157.56 * (1 + 0.026) = 5291.7 USD;

loan amount at the beginning of the year (from the 3rd to the last year) which equals the loan amount at the end of the previous year.

The amount of payment is determined by the formula (1):

$D_{load\ debt} = K_{loan\ debt}$ x ∑ Loan at the beginning of the second year, (1)

The debt ratio ($K_{loan\ debt}$) is calculated by the formula (2):

$$K_{loan\ debt} = \frac{r}{(1-Kd)} \quad (2)$$

where r - the discount rate (2.6%),

K_d is the discount coefficient, which is determined as:

$$K_d = \frac{1}{(1+r)^n} \quad (3)$$

where r - the discount rate, n - loan repayment period.

$$K_d = \frac{1}{(1+r)^n} = \frac{1}{(1+0.026)^5} = 0.8796$$

Therefore, the debt ratio is:

$$K_{loan\ debt} = \frac{r}{(1-Kd)} = \frac{0.026}{1-0.8796} = 0.2159$$

The amount of annual interest on the loan is determined by the formula, based on interest rates and the amount pledged on the loan at the beginning of the year. The loan repayment schedule is shown in table 3.8.

Table 3.8

The schedule of the loan repayment (thousand USD)

Indicators	Years				
	2	3	4	5	6
1. Loan amount at the beginning of the year	5 291.7	4 286.9	3 256.1	2 198.5	1 113.3
2. The amount of the annual loan payment, including:	1 142.3	1 142.3	1 142.3	1 142.3	1 142.3
2.1. loan interest amount	137.6	111.5	84.7	57.2	28.9
2.2. loan debt	1 004.7	1 030.8	1 057.6	1 085.1	1 113.3
3. The balance of the loan debt at the end of the year	4 286.9	3 256.1	2 198.5	1 113.3	0.0

Based on the data in table 3.8, a loan repayment schedule is provided (Fig. 3.1).

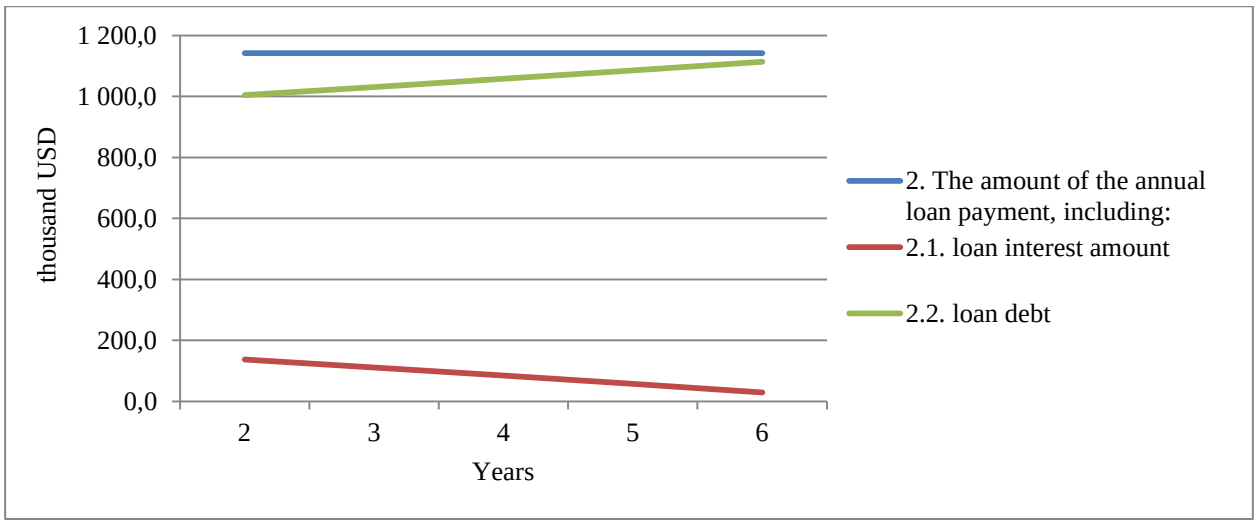

Fig. 3.1. Loan repayment schedule

The loan repayment term is 5 years. Loan repayment is carried out by annuity payments - 1 142.3 thousand USD.

3.3. Calculation of expected income and estimation of economic efficiency of investment project

As a result, a forecasted profit and loss plan for the project implementation period was formed (table 3.9).

Table 3.9

Forecast of profit and loss of the project (thousand USD)

No	Indicators	Years					
		1	2	3	4	5	6
Income and expenses from operating activities							
1	Revenue from the sale of goods, works, services (excluding VAT)	12 060	12 663	13 296	13 961	14 659	15 392
2	Cost of goods sold, works, services	8 176	8 503	8 843	9 197	9 565	9 947
2.1	Land tax	0					
3	Gross profit	3 884	4 160	4 453	4 764	5 094	5 444
4	Selling expenses	522	543	565	587	611	635
5	Management expenses	137	166	156	161	166	171
6	Profit (loss) from sales	3 225	3 451	3 732	4 016	4 318	4 638
Operating income and expenses							
7	Interest receivable						
8	Interest payable		138	111	85	57	29

9	other income						
10	other expenses		1 005	1 031	1 058	1 085	1 113
11	Profit (loss) before tax	3 225	2 309	2 590	2 874	3 175	3 496
12	Income tax (21%)	645	462	518	575	635	699
13	Net profit (loss)	2 580	1 847	2 072	2 299	2 540	2 797

During the project, the investor will receive a positive financial result from the activities (profit). The movement of funds is shown by compiling a cash flow statement.

To calculate the cash flow from operating activities, it is necessary to subtract the amount of operating expenses from the sum of operating income.

The calculation is shown in table 3.10 in the context of activities. Investment activity is represented only by the costs of the project in the amount of 9 864 thousand USD.

Table 3.10

Cash flow forecast (thousand USD)

	Years					
Indicators	1	2	3	4	5	6
1. Operating activities						
1.1. Sales revenue excluding VAT	12 060	12 663	13 296	13 961	14 659	15 392
1.2. Current expenses	8 835	9 198	9 551	9 933	10 330	10 743
1.3. Property tax	0	4	3	3	3	3
1.4. Property tax	0	0	0	0	0	0
1.5. Income tax (21%)	645	462	518	575	635	699
1.6. Depreciation deductions		10	10	9	8	8
Total	2 580	2 989	3 214	3 441	3 683	3 939
2. Investment activities						
2.1. Asset acquisition costs	-9 864	0	0	0	0	0
3. Financial activities						
3.1. Own (share capital)	4 707	0	0	0	0	0
3.2. Loans	5 158					
3.3. Repayment of loans	0	-1 005	-1 031	-1 058	-1 085	-1 113
3.4. Payments of interest on a loan	0	-138	-111	-85	-57	-29
Total	9 864	-1 142	-1 142	-1 142	-1 142	-1 142
Cash flow - total	2 580	1 847	2 072	2 299	2 540	2 797

Revenues (cash receipts) from financial activities include funds from the company's equity (in the first year of receipt) and a loan of 5 158 thousand USD. Expenses (outflows) include expenses on repayment of a loan - repayment of debt and interest on a loan.

Thus, summing up the total cash flows for certain types of activities, we get the total cash flow. Throughout the entire duration of the project, the company has a positive total cash flow from carrying out its activities.

We will evaluate the effectiveness of the costs incurred for the implementation of the investment project by calculating the net present value (NPV); internal rate of return (IRR).

The NPV is calculated by the next formula:

$$\text{NPV} = \frac{\text{CF}_1}{(1+\text{r})^1} + \frac{\text{CF}_2}{(1+\text{r})^2} + \cdots + \frac{\text{CF}_\text{n}}{(1+\text{r})^\text{n}} \quad (4)$$

where CF - the cash flow in the current year. CF_1 - the cash flow in the 1st year, CF_2 is the cash flow in the 2nd year, CF_n is the cash flow in the n year, r - the discount rate, n - the number of a period, n = 1…N.

The formula and calculation of the IRR is:

$$\mathbf{0} = \boldsymbol{NPV} = \sum_{\boldsymbol{n=1}}^{\boldsymbol{N}} \frac{\boldsymbol{CF_n}}{\boldsymbol{(1+IRR)^n}} - \boldsymbol{C_0} \quad (5)$$

where: CF_n - net cash inflow during the period n, C_0 - total investments, IRR - the internal rate of return, n - the number of a period, n = 1…N.

Before calculating these indicators, we will discount the cash flows from previously indicated activities (table 3.11).

The amount of accumulated cash flow for the year is calculated by summing the flow for the previous and current years.

The result obtained over the years is multiplied by the discount coefficient. In this way the value of the discounted cash flow over the years is obtained. In order to find the accumulated discounted cash flow, it is necessary to carry out a similar action. The net present value will be 2568 thousand USD. Using Excel tools, we determine the internal rate of return of the project.

Table 3.11

Analysis of the effectiveness of the investment project (thousand USD)

Indicators	Years					
	1	2	3	4	5	6
1. Operating activities						
1.1. Sales revenue excluding VAT	12060.0	12663.0	13296.2	13961.0	14659.0	15392.0
1.2. Current expenses	8835.4	9198.2	9550.7	9932.7	10330.0	10743.2
1.3. Property tax	0.0	3.6	3.4	3.2	3.0	2.8
1.4. Land tax (rental)	0.0	0.0	0.0	0.0	0.0	0.0
1.5. Income tax (21%)	644.9	461.7	518.0	574.8	635.1	699.2
1.6. Depreciation deductions	0.0	10.4	9.6	8.9	8.3	7.8
Total:	2579.7	2989.1	3214.4	3441.3	3682.6	3939.0
2. Investment activity						
2.1. Asset acquisition costs	-9864.3	0.0	0.0	0.0	0.0	0.0
3. Financial activities						
3.1. Own (share capital)	4706.7	0	0	0	0	0
3.2. Loans	-5157.6	0	0	0	0	0
3.3. Repayment of loans	0.0	-1004.7	-1030.8	-1057.6	-1085.1	-1113.3
3.4. Interest payments on loans	0.0	-137.6	-111.5	-84.7	-57.2	-28.9
Total:	-5157.6	-1142.3	-1142.3	-1142.3	-1142.3	-1142.3
Cash flow - total	2579.7	1846.8	2072.1	2299.0	2540.3	2796.7
4. Cumulative cash flow	2580	4426	6499	8798	11338	14135
5. Discounted cash flow	2269	1624	1823	2022	2234	2460
6. The accumulated discounted cash flow	-7595	-5971	-4148	-2126	108	2568

We evaluate the feasibility of the investment project indicators (table 3.12).

Table 3.12

Indicators of economic efficiency of the investment project

Indicator	Designation	Value
Net present value, thousand USD.	NPV	2568
Internal rate of return, %	IRR	7.0
Payback period, years	PP	3.8

The value of the obtained indicators indicates the feasibility of the considered investment project for the investor.

CONCLUSIONS AND PROPOSALS

The US is one of the most economically developed countries in the world, the largest international financial centre and the third largest country in the world in terms of solvent population. The United States has effective paying tax regulatory practices. In 2019, the corporate income tax rate in New York and Los Angeles was reduced. The procedure for registering a business has been greatly simplified. Now it's enough to submit an online application for information for limited companies. Enforcement of contracts is also simplified by electronic filing and electronic payment of court fees. To increase the position in the business ranking, the United States can improve its ability to receive electricity, register property and trade across the border.

The US agricultural industry, despite the insignificant share in the national economy, is at the same time a strategically important sector of the national economy and a guarantor of food security. In recent years, there has been a tendency towards some deagrarization, which in fact is conditional, caused by structural shifts associated with the development of the services sector in the American economy. The gradual development of the US agricultural industry was the result of an effective and well-thought-out state agrarian policy built on stimulating domestic production, a powerful system of financial support for producers, increasing the competitiveness of agricultural products, and developing agricultural exports.

According to the World Bank's Doing Business 2020 report, the United States ranks the 6th place out of 190 countries for the development of the business climate, rising two points compared to 2019. The US is one of the most economically developed countries in the world, the largest international financial centre and the third largest country in the world in terms of solvent population. The United States has effective paying tax regulatory practices. In 2019, the corporate income tax rate in New York and Los Angeles was reduced. The procedure for registering a business has been greatly simplified. Now it's enough to submit an online application for information for limited companies. Enforcement of contracts is also simplified by electronic filing and electronic payment of court fees. To increase the position in the business ranking, the

United States can improve its ability to receive electricity, register property and trade across the border.

We presented a business project in the organization of a livestock farm in the US in the field of dairy production. The project will also include the investment analysis to determine its rationality and the effectiveness of practical implementation.

The project implementation period for the organization of the dairy farm, taking into account the return of borrowed funds raised for its implementation, is planned for a 6 years period. Investment activity is represented only by the costs of the project in the amount of 9 864 thousand USD. Revenues (cash receipts) from financial activities include funds from the company's equity (in the first year of receipt) and a loan of 5 158 thousand USD. Expenses (outflows) include expenses on repayment of a loan - repayment of debt and interest on a loan. The value of the accumulated discounted cash flow will be 2568 thousand USD. IRR is 7%. The value of the obtained indicators indicates the feasibility of the considered investment project for the investor.

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APPENDICES

Appendix 1

Table 1. U.S. Direct Investment Abroad: Selected Items by Country of Foreign Affiliate, 2015-2018, Millions of dollars

	Direct investment position on a historical-cost basis				Financial transactions without current-cost adjustment (outflows (+), inflows (-))				Income without current cost adjustment			
	2015	2016	2017	2018	2015	2016	2017	2018	2015	2016	2017	2018
All countries	5 289 071	5 586 030	6 013 335	5 950 991	264 359	289 261	300 378	-90 623	433 333	427 542	470 933	531 010
Canada	361 954	365 375	391 208	401 874	10 114	13 822	18 624	19 695	21 096	19 077	27 354	30 619
Europe	3 075 567	3 309 782	3 553 429	3 610 432	152 317	186 333	163 989	51 832	244 558	241 450	264 804	288 000
Latin America and Other Western Hemisphere	902 642	929 459	1 008 080	932 320	51 917	58 573	63 048	-128 491	82 212	83 885	86 118	101 329
Africa	52 004	51 689	50 285	47 796	829	-2 109	332	353	2 915	2 208	3 435	4 182
Middle East	49 802	48 593	69 132	72 236	1 562	-237	4 849	4 117	9 256	5 753	7 454	8 063
Asia and Pacific	847 102	881 132	941 202	886 333	47 619	32 879	49 537	-38 129	73 296	75 168	81 767	98 816
Addenda:												
European Union (28) [1]	2 810 011	3 041 226	3 244 095	3 269 739	136 756	170 941	143 443	43 887	214 242	215 648	231 858	246 856
OPEC [2]	57 877	67 503	57 334	60 742	-537	-2 100	4 076	3 377	11 332	7 222	8 390	9 228

Source: U.S. Bureau of Economic Analysis

1. The European Union (28) is composed of Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

2. OPEC (Organization of Petroleum Exporting Countries) is composed of Algeria, Angola, Congo (Brazzaville), Ecuador, Equatorial Guinea, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela. Data for this memorandum item reflect the OPEC membership during the reference period.

Table 2. U.S. Direct Investment Abroad: Selected Items by Industry of Foreign Affiliate, 2015-2018, Millions of dollars

	Direct investment position on a historical-cost basis				Financial transactions without current-cost adjustment (outflows (+), inflows (-))				Income without current cost adjustment			
	2015	2016	2017	2018	2015	2016	2017	2018	2015	2016	2017	2018
All industries	**5 289 071**	**5 586 030**	**6 013 335**	**5 950 991**	**264 359**	**289 261**	**300 378**	**-90 623**	**433 333**	**427 542**	**470 933**	**531 010**
Mining	180 418	169 643	159 493	156 795	416	-4 488	-16 672	-4 259	3 541	3 157	9 819	14 932
Manufacturing	693 847	735 648	870 099	902 555	43 502	52 609	77 073	50 911	67 102	72 037	81 077	79 791
Food	81 914	76 596	86 403	90 879	4 449	3 059	5 330	2 034	4 149	3 509	4 180	4 057
Chemicals	151 369	165 242	213 110	203 002	6 470	14 945	15 639	17 852	18 114	22 280	24 246	20 039
Primary and fabricated metals	34 506	33 687	40 289	45 100	503	-923	4 809	2 025	1 721	2 147	1 861	2 635
Machinery	45 932	56 221	62 286	63 981	3 110	4 151	4 284	2 495	3 495	3 922	4 973	6 458
Computers and electronic products	97 641	98 246	126 402	152 302	6 440	12 427	16 218	13 123	10 868	13 936	13 609	18 356
Electrical equipment, appliances, and components	17 591	15 029	17 296	18 027	1 545	196	1 649	824	1 461	1 041	1 538	1 373
Transportation equipment	62 087	73 112	84 912	86 189	11 282	7 446	9 160	3 376	10 632	7 699	9 937	7 991
Other manufacturing	202 807	217 516	239 401	243 073	9 704	11 307	19 984	9 182	16 662	17 504	20 733	18 881
Wholesale trade	225 217	238 213	253 645	221 683	9 495	16 629	11 628	-17 785	19 129	20 873	21 652	26 656
Information	198 689	207 182	226 576	286 330	13 488	21 503	19 997	51 810	14 756	17 485	17 566	16 781
Depository institutions (banking)	118 271	119 325	117 437	124 479	-6 448	2 503	-4 445	5 887	3 521	7 165	7 090	9 141
Finance (except depository institutions) and insurance	719 608	738 837	826 391	904 858	15 632	13 705	46 542	110 519	45 760	39 226	47 174	57 372
Professional, scientific, and technical services	117 646	124 342	127 093	138 790	5 121	9 759	176	10 292	11 145	13 511	13 909	9 577
Holding companies (nonbank)	2 686 477	2 864 411	2 996 212	2 779 549	161 310	146 599	125 603	-318 841	233 272	216 381	230 655	278 233
Other industries	348 898	388 427	436 390	435 952	21 842	30 442	40 476	20 844	35 108	37 707	41 990	38 526

Source: U.S. Bureau of Economic Analysis

Table 3. Foreign Direct Investment in the United States: Selected Items by Country of Foreign Parent, 2015–2018, Millions of dollars

	Direct investment position on a historical-cost basis				Financial transactions without current-cost adjustment (inflows (+), outflows (-))				Income without current-cost adjustment			
	2015	2016	2017	2018	2015	2016	2017	2018	2015	2016	2017	2018
All countries	3 354 907	3 765 114	4 025 492	4 344 610	467 625	471 792	277 258	253 561	149 926	155 978	173 778	208 078
Canada	323 207	380 730	453 127	511 176	58 887	67 053	71 904	47 469	14 732	14 485	22 273	27 330
Europe	2 306 254	2 603 054	2 731 290	2 957 427	338 691	318 177	150 267	153 703	103 476	114 812	118 276	139 431
Latin America and Other Western Hemisphere	123 846	124 568	124 862	131 381	11 628	19 422	247	14 666	8 560	6 834	4 390	6 391
Africa	4 310	4 466	5 591	5 591	1 853	194	1 210	54	189	-3	170	159
Middle East	17 582	24 406	26 025	28 442	1 448	986	1 639	2 188	-244	1 053	877	687
Asia and Pacific	579 708	627 889	684 598	710 593	55 117	65 959	51 991	35 480	23 213	18 797	27 793	34 080
Addenda:												
European Union (28)	2 018 276	2 269 135	2 372 100	2 596 293	329 844	259 250	127 893	121 685	82 831	96 287	100 933	116 047
OPEC	15 438	17 626	18 952	20 901	877	324	1 676	1 708	1 442	1 057	895	1 378

Source: U.S. Bureau of Economic Analysis

Table 4. Foreign Direct Investment in the United States: Selected Items by Industry of U.S. Affiliate, 2015–2018 Millions of dollars

	Direct investment position on a historical-cost basis				Financial transactions without current-cost adjustment (inflows (+); outflows (-))				Income without current-cost adjustment			
	2015	2016	2017	2018	2015	2016	2017	2018	2015	2016	2017	2018
All industries	3 354 907	3 765 114	4 025 492	4 344 610	467 625	471 792	277 258	253 561	149 926	155 978	173 778	208 078
Manufacturing	1 359 812	1 541 897	1 607 209	1 771 552	230 981	204 441	95 575	166 889	64 636	76 148	88 786	94 473
Food	97 111	97 947	101 626	113 490	11 394	4 881	2 724	11 554	3 739	5 864	5 820	4 799
Chemicals	578 830	687 428	702 677	814 666	169 378	122 566	41 258	109 771	37 307	32 775	37 859	35 825
Primary and fabricated metals	63 422	64 037	66 037	70 754	2 762	2 717	1 357	3 217	1 118	2 965	3 272	5 634
Machinery	92 754	95 107	101 747	98 735	9 279	1 853	6 324	-5 018	4 115	4 532	3 892	4 936
Computers and electronic products	54 743	80 495	81 910	89 439	3 206	19 529	4 767	10 544	2 393	2 826	911	2 299
Electrical equipment, appliances, and components	40 175	44 822	49 833	60 561	2 782	4 895	4 792	8 366	2 201	3 242	3 074	4 085
Transportation equipment	131 842	137 475	149 571	151 914	21 511	7 505	11 668	9 415	8 803	8 881	11 648	11 583
Other manufacturing	300 935	334 587	353 808	371 994	10 669	40 494	22 684	19 041	4 960	15 063	22 310	25 312
Wholesale trade	369 535	374 110	425 403	446 387	28 084	12 384	59 196	21 013	18 128	7 213	12 328	24 943
Retail trade	64 610	75 554	88 640	148 236	2 474	9 353	12 861	59 176	5 423	6 207	6 679	6 968
Information	168 281	172 933	184 168	180 441	8 810	9 695	5 974	5 504	2 611	1 836	3 037	6 233
Depository institutions (banking)	193 896	197 801	205 694	214 074	447	9 197	7 745	6 507	7 197	6 711	11 161	10 916
Finance (except depository institutions) and insurance	444 014	508 794	538 992	527 345	65 869	65 545	32 615	27 384	24 359	29 451	18 273	23 207
Real estate and rental and leasing	72 452	80 408	90 851	129 377	8 424	8 503	9 368	35 654	4 209	4 648	5 030	5 353
Professional, scientific, and technical services	159 044	207 020	212 091	190 523	22 998	45 320	6 825	-98 819	5 290	4 685	4 666	3 950
Other industries	523 263	606 597	672 446	736 674	99 538	107 353	47 100	30 253	18 074	19 079	23 818	32 034

Source: U.S. Bureau of Economic Analysis