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# International Capital Migration and its Future Directions in the Development of the World Economy

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**ABSTRACT:** This article discusses international capital migration and its future directions we will learn about the development of the world economy and its subsequent stages of development. How are capital migration issues addressed and what exactly is it? The impact of capital migration on the world economy, and the resulting gains.

**KEYWORDS:** capital migration, loan capital, CIS , global economy, entrepreneurial capital.

Migration is a feature of social and economic life across many countries, but the profile of migrant populations varies considerably. In part this is because of the variety of sources of migration. In much of Europe, for example, citizens enjoy extensive rights to free movement. In Australia, Canada and New Zealand, managed labour migration plays an important role. Other sources include family and humanitarian migration. Whatever its source, migration has important impacts on our societies, and these can be controversial. The economic impact of migration is no exception.

International capital migration is the movement of capital between states in the form of exports, imports, as well as its work abroad.

Capital migration is an objectively existing economic process in which funds move between states, providing their owners with the opportunity to generate additional income in the country of destination.

The study of the impact of capital migration is especially relevant today, since the volumes of international trade, interbank lending, intergovernmental loans are showing rapid growth, the activity of transactions on world stock and currency exchanges has also increased in recent years, followed by the development of the international capital market.

The impact of international capital migration on the global economy is truly enormous. First, it is reflected in the positive effect of international capital transfers, which contributes to the growth of the world economy. This happens because a country rich in capital-intensive goods or capital is capable of organizing foreign production through investment and gaining an increase in economic efficiency from foreign trade. This phenomenon can be associated with the low cost of labor, raw materials in the recipient country, as well as with a milder investment climate, which presupposes a free economic zone regime, lower standards in environmental legislation, etc.

For the global economy today, an increase in the scale of capital migration between states is becoming one of the trends. The importance of the international capital market as an element of the economy that provides liquidity for financial resources is growing. Due to the migration between states of individual factors of production, their prices are leveled. The movement of factors from countries that are provided with them in abundance and at a low price to regions with a deficit and, accordingly, higher prices leads to the benefit of both exchanging parties.

One of the most conspicuous signs of the process of globalisation is the increase in migratory flows among countries, regions and continents. In an increasingly integrated world, people—although with significant restrictions—move across national borders, seeking opportunities on foreign soils that are denied them in their own countries. According to the United Nations, there were about 214 million international migrants in 2010. In relative terms, this corresponds to over 3 per cent of the world population. The percentage does not seem exceptionally high, especially when compared to the proportion of other cross-border transactions, such as trade and investment. However, the social and political relevance of migration goes beyond numbers: migration involves people, not just production factors but



the plans, dreams, frustrations, hopes, and interests of human beings. Migrants are active forces driving new realities and corresponding social responses both at home and in host countries. In fact, migration has become a major force shaping international reality.

Migration is a powerful force of social change and cultural interaction in implicated countries. It provides migrants themselves with significant opportunities to progress. It is also a factor that has diverse developmental effects on both the home and host countries. The international community has recognised these facts in its deliberations on migration and has accepted the need to establish a more coherent political response to the phenomenon.

In today's conditions of a complex and complexly organized world economy, regardless of the level of development of the country, none of them can boast of the presence of all types of factors of production on their territory, or the production of all types of goods. It is due to international interaction that it is possible to ensure an effective exchange of goods and production factors between national economies, which is in the interests of all participants in the process and helps them achieve their goals.

Centuries ago, trade was the first form of international cooperation that emerged. In the following centuries, in the process of strengthening and complicating economic ties between states, in addition to markets for goods and services, a capital market was also formed. At the initial stage, the direction of capital migration was one-way - from the developed countries of Europe to their colonies.

However, in the process of intensifying and expanding the geography of capital migration, almost all countries played the role of exporters and importers of capital, and, as a rule, in both qualities at the same time. The volume of international capital migration has been constantly growing since the second half of the 20th century. Moreover, the growth rates for capital exports were significantly higher than for merchandise exports or GDP of developed economies. Today, the level of development of the capital market is at an unprecedented height, from serving as the main driving force behind economic globalization.

The world capital market, which is part of the world financial market, is divided into two markets: the money market and the capital market.

The money market trades financial assets (currencies, credits, loans, securities) with a maturity of up to a year. The task of the money market is to meet the current (short-term) need for loans and credits. Market participants use them primarily to pay for services and purchase goods. Also, a significant share of transactions in the money market is of a speculative nature, the main instrument in this case is currency.

For long-term projects, there is a long-term task-oriented capital market.

The participants in this market are central and commercial banks, non-bank financial institutions, government agencies, as well as private legal entities and individuals.

There is a certain relationship between world trade and the migration of factors of production; there is a possibility of complementing and replacing each other. So if there is a labor shortage in a country, then it can be overcome in two ways: both by importing goods that require large labor costs, and by facilitating labor migration from countries that have an abundance of it.

Migration is possible in the form of loan or entrepreneurial capital.

Loan capital is the money that is directly or indirectly invested in real production to generate income as a percentage of its use in the recipient country. In this case, the main form of migration is international credit (public and private).

Entrepreneurial capital is the amount that is also invested in production, but in this case, the task is to make a profit. The migration of this form of capital takes place through international investment. In this case, individuals, states and enterprises belonging to them can be sources of funds.

Depending on the source of origin, capital is usually divided into private and official.

Official (state) capital includes budget money that migrates in the form of loans, loans, assistance. The decision on migration in this case is made by governments, intergovernmental organizations.

Private (non-state) capital - is a set of funds that belong to private companies, banks and other non-state organizations. The decision on the organization of their movement is taken by the governing bodies and their associations. It is important that the resources for private capital are funds of companies that are not related to the budgets of countries and regions, for example, investments in the development of production abroad, export loans issued to banks. Although in making decisions on the migration of equity capital from the country, private companies are relatively autonomous from the governments of the states of which they are residents, there is the right and the ability to regulate and control such operations.

Depending on the purpose of international capital investment, direct and portfolio investments can be distinguished:

Foreign direct investment is aimed at generating income in the recipient country of capital, where it is invested, on a long-term basis. In this case, the investor gets the opportunity to manage the investment object. An example of such investments is the organization of a branch of a domestic firm in the recipient country, the acquisition of a controlling stake in a foreign company. When conducting direct foreign investments, private entrepreneurial capital is almost always involved, which is exported from the country. At the same time, real investments are channeled into fixed assets, such as enterprises, land.

Portfolio foreign investment is a purely financial transaction in which capital is invested in securities issued by other countries, while the investor does not receive direct control. Portfolio investments diversify assets and reduce risks. This type of investment mainly involves private entrepreneurial capital, but the state also participates in transactions for the purchase and sale of foreign securities, issues its own bonds.

Depending on the timing of the placement, capital can be divided into three categories:

Long-term capital - assumes a period of investment of more than five years. In the case of direct and portfolio investment of entrepreneurial capital, it is the long-term operations that prevail.

Medium-term capital - terms from one to five years.

Short-term capital - placement takes place for a period of up to a year.

There are two more forms of capital that should be specially designated:

Illegal capital - while the movement of capital does not take into account the requirements of the legislation, both national and international.

Intracompany capital - the transfer takes place between the subsidiaries and branches of the company, which are located in different countries.

The already huge impact on the world economy of international capital migration continues to increase as its scale grows. Due to the international migration of capital, limited resources are more efficiently distributed in the world economy, which pushes its development.

Among the main consequences of capital migration:

accelerating the growth of the world economy by choosing the most promising areas for capital investment during migration;

the deepening of the division of labor and the growth of the scale of cooperation between countries;

an increase in the volume of trade between regions and the acceleration of the development of world trade due to an increase in the volume of activity of international corporations;

strengthening global cooperation due to the mutual migration of capital between regions.

Among the main trends related to international capital migration, today the following can be noted:

more pronounced growth in the rate of withdrawal from the country of private capital relative to the state;

the allocation of the United States as a major importer of capital, so about five million Americans are employed in companies with international capital, subsidiaries;

In the geography of capital migration, the trend of cross-movement of capital between developed countries has emerged.



Over 70% of foreign investment is in industrialized countries. Some developing countries are also actively exporting capital, for example, Brazil, Singapore, South Korea, Saudi Arabia. The countries of the former socialist camp are also actively involved in the process, including the Czech Republic, Poland, Hungary, the CIS countries and China.

The impact of international capital migration on the global economy is truly enormous. Its main manifestation is the growth of the world economy due to the active migration of capital between countries. The most profitable use of capital is found abroad, the scale of its growth is reaching the international level. At the same time, importing countries are solving their problems with a lack of productive capital, their investment activity is increasing, the pace of economic development is increasing, and the international division of labor and international cooperation are expanding and deepening. Ties between countries are strengthening due to mutual investments, specialization and cooperation of production at the international level is deepening, the volume of mutual trade is growing significantly.

While international capital migration has a stimulating effect on the world economy as a whole, its impact on exporting and importing countries in particular is different. In the case of constant migration of capital from the country to abroad, in the absence of a comparable volume of incoming receipts from abroad, the state of employment in the donor country worsens, the balance of payments is upset and the rate of economic development slows down. On the contrary, in countries where capital is actively imported, additional jobs and new technologies are created, management efficiency is increasing, and in general, scientific and technological progress is gaining momentum, economic growth and the balance of payments are improving.

However, when capital migrates to the country, negative consequences are also possible.

In the case of excessive unregulated imports, the national producer may be unemployed, and the imported goods may be at the end of their life cycle.

Also, when importing loan capital, the country's external debt grows. In the process of replacing local capital with international capital, the first of the most profitable industries may be crowded out, the emergence of dependence on international capital and its country of origin and the associated threats to economic and political security. Due to the practice of applying transfer prices that exists in transnational corporations, the recipient country loses the capital on customs duties and tax revenues.

However, the consequences of the migration of international capital described above, both positive and negative, are a conditional generalization, there are many exceptions to these rules. But on the whole, the role of international capital migration in the world economy is positive and contributes to its development.

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