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Models of Attracting and Retaining Foreign Direct Investment in the Context of Political and Economic Instability

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Abstract: Foreign direct investment remains a key factor in the economic development and recovery of countries experiencing political or economic crises. The relevance of the study is driven by the need to identify strategies that ensure the sustainability of investment flows in the face of risks associated with wars, corruption, macroeconomic imbalances, and regulatory unpredictability. The purpose of the study is to assess the effectiveness of investment strategies in politically and economically unstable regions, and the object is the mechanisms for attracting and retaining Foreign Direct Investment (further – FDI). The methodology is based on the analysis of time series of key indicators (FDI volume, number of new projects, integrated sustainability index), calculation of increments and differences, and comparison with international practices and reports of international organizations. The results showed an increase in FDI by 27.7% in 2021-2024, an increase in the number of new projects by 41.5%, and an increase in the sustainability index by 31.3%, which indicates a consistent increase in the quality component of investment flows even in crisis conditions. A comparative analysis with the work of other authors has shown that FDI sustainability is ensured not only by the quality of institutions but also by the development of innovation clusters, digital infrastructures, and corporate risk diversification strategies. The practical significance of the study lies in the formulation of recommendations for governments on post-crisis recovery and transparency policies, and for investors to diversify their portfolios, insure risks, and strengthen partnerships with stakeholders. The novelty lies in the comprehensive combination of quantitative analysis with international approaches, which allows us to assess the volume and sustainability of investment strategies in a turbulent environment. The results of the study can be used in the development of state policies for attracting FDI, in the practice of international organizations and in the strategic planning of transnational corporations. What makes this study stand out is the way the author brings together three seemingly separate layers – institutional, macroeconomic, and corporate – into one cohesive framework for looking at the sustainability of foreign direct investment (FDI). Unlike earlier studies that zoomed in on just one angle (usually either institutions or the economy at large), this work takes a more hands-on route. It offers a practical model that actually ties political and economic risks to concrete performance metrics – like how much FDI is coming in, how projects are evolving, and how stable the overall picture looks. And there's more. A fresh twist in this paper is the comparative angle: it suggests that in turbulent times, innovation clusters and solid digital infrastructure can act as a sort of shock absorber – softening the blow and helping to keep those

investment streams from drying up. It's not just theory for theory's sake; it's trying to point out real-world levers that might just help unstable economies stay afloat.

Keywords: digitalization, innovation clusters, institutional quality, macroeconomic factors, risk management strategy.

Introduction

In the current environment of global instability, foreign direct investment (FDI) remains one of the key factors of economic development, capable of ensuring the recovery of post-crisis economies, stimulating innovation and integrating countries into international production and trade chains. However, political unpredictability, military conflicts, institutional weaknesses, and macroeconomic imbalances create significant barriers for investors, reducing planning horizons and increasing risk premiums. The scientific discourse in recent years has focused on a comprehensive analysis of the factors that determine FDI inflows. A large body of literature proves the key role of transparency, accountability, and political stability in reducing investment risks and stimulating investment [1–3]. Studies also point to the importance of peace agreements and post-conflict reforms in restoring trust signals [4, 5], while global shocks, such as the COVID-19 pandemic and the war in Ukraine, have caused significant changes in the spatial geography of FDI [6, 7]. At the same time, the role of innovation clusters, digitalization, and environmental standards is emphasized, which can offset the negative impact of political risks and open new "windows of opportunity" for investors [8–10].

At the same time, despite the intensive development of scientific research, several problematic aspects remain unresolved. First, there is a lack of integrated methodological approaches that would simultaneously take into account political, macroeconomic, spatial, sectoral, and corporate risk factors. Secondly, the impact of digital transformations and ESG standards on long-term investment decisions is not sufficiently studied. Thirdly, comparative analyses that would allow identifying universal and regionally specific determinants of investment attractiveness under conditions of uncertainty remain limited.

In view of the above, the purpose of this study is to investigate the effectiveness of investment strategies in politically and economically unstable regions based on our own calculations and international experience, to identify the key factors that determine the sustainability of FDI, and to formulate recommendations for governments and foreign investors to develop balanced policies to support investment in times of uncertainty.

Literature review

The current scientific literature focuses on the impact of institutional quality and political stability on foreign direct investment (FDI) inflows. It has been proven that transparency and predictability of the regulatory environment reduce risks and encourage investors, while corruption and political instability significantly increase the cost of capital [1–3, 11]. In this context, trade openness plays a moderating role, enhancing the positive impact of stability [12–16]. At the same time, considerable attention is paid to the analysis of political risks, violence and military conflicts that determine the exit or change of strategies of transnational corporations. Studies show that peace agreements and the development of non-price capabilities of companies can restore investment interest, while escalating violence leads to capital withdrawal [4, 5, 17, 18]. Political risks are also considered through the prism of the behavior of corporations that use status climbing and bridging strategies to reduce vulnerability [7, 19, 20, 21].

Research on macroeconomic factors confirms that GDP dynamics, inflation, interest rates, and financial sector development are key determinants of FDI inflows, especially in times of geopolitical crises. Empirical evidence suggests that economic policy uncertainty weakens the attractiveness of recipient countries, but stable institutions and financial depth can neutralize these risks [6, 22–24]. At the same time, global shocks, such as pandemics or wars, lead to the relocation of investment flows to safe havens, which is confirmed by both statistical data and reports of international organizations [5, 7, 9, 25]. A separate body of literature highlights spatial and sectoral factors, where agglomeration effects, innovation clusters, and digital infrastructure compensate for political risks by increasing the productivity and resilience of supply chains [8–10, 26]. Environmental sustainability and compliance with ESG standards are playing a growing role in the choice of locations, forming new "filters" for investment decisions.

In terms of methodology, research has become much more complex: along with classical panel models, survival analysis, structural models with moderators, and causal analysis algorithms are used. Such approaches allow for a clearer separation of the "pure" risk effect from associated factors, but require increased attention to model diagnostics and robustness of results [27–30]. At the same time, theoretical and applied developments demonstrate the gradual integration of approaches into a multilevel framework that combines institutional, macroeconomic, sectoral, and

strategic-behavioral factors in explaining FDI dynamics [4, 10, 25, 31]. Continuing the review, it is worth noting that some papers analyze the relationship between FDI and domestic investment, emphasizing the possible crowding-out effect in developing countries [14]. Other studies have shown that FDI can directly affect political stability in recipient countries by creating a feedback effect between economic flows and political processes [15]. At the level of the labor market, the impact of FDI on job creation in EU regions is highlighted, demonstrating both a positive effect and dependence on the institutional capacity of host countries [29]. In addition, institutional changes resulting from peace agreements and post-conflict reconstruction policies can have a long-term impact on investment decisions [4, 5, 32].

Theoretical models that explain the mechanisms of causality in the interaction between risk and FDI, in particular using hybrid TCDF algorithms and Bradford-Hill criteria, are also attracting growing interest [27]. At the same time, recent work has analyzed how political risks and corrupt practices in specific national contexts (e.g., Nigeria) significantly reduce capital inflows, proving the need for comprehensive institutional reforms [11]. In addition, current research indicates that the quality of institutions determines not only the volume of FDI, but also its impact on related markets, including the housing sector [13].

Thus, the current scientific discourse has formed a multidimensional framework for analyzing FDI, including political, macroeconomic, spatial, sectoral, and strategic factors, but a number of questions remain open. In particular, universal methods for quantifying the synergistic impact of political and macroeconomic risks on investment decisions have not yet been developed, and there is insufficient research on how digitalization and ESG standards are transforming long-term investment strategies in unstable regions.

Methods

The study was conducted by the author as part of his own research work based on the analysis of international and national sources of statistics, reports of international organizations and modern scientific publications. To achieve the results, quantitative methods were used to assess the effectiveness of investment strategies in politically and economically unstable regions, including the construction of time series of key indicators (FDI in billions of US dollars, the number of new investment projects, and the integral index of strategy sustainability). They were used to calculate absolute and relative growth, determine differences between years, and analyze trend dynamics. Additionally, a comparative analysis with international practices reflected in Organisation for Economic Cooperation and Development reports [30] and studies by Karelis [31] and Karangwa and Su [26] was used. The methodology was based on the integration of quantitative indicators and qualitative interpretation of the results, which allowed us to assess both the total volume of investment flows and their sustainability over time.

Results

The accumulated scientific tradition explains FDI attraction in politically and economically unstable regions through several complementary approaches that differ in both theoretical optics and operationalization of factors. First, the institutional-political approach derives investment behavior from the quality of institutions-transparency, accountability, rule of law, political stability, and corruption-and argues that risk and uncertainty in these dimensions are directly translated into risk premiums and entry barriers. Empirical panel studies show that better institutions increase the attractiveness of FDI, with trade openness often acting as a moderator, amplifying the positive impact of stability, while opacity reduces expected returns and increases the risk of exogenous shocks [1, 2, 12]. The literature on political stability for developing countries emphasizes that policy consistency, predictability of the regulatory environment, and the government's ability to enforce rules are critical anchors of IOC decisions [3, 11].

The second, risk-conflict approach focuses on political violence, wars, sanctions, and geopolitical shocks as key determinants of capital outflows/reallocation. Here, the factors are identified through the typology of political risks (idiosyncratic and systemic), the likelihood of escalation and intensity of violence, and the trajectories of firms' adaptation in a conflict environment. Studies show that increasing security threats and deteriorating institutional climate push MNCs to exit, implement footprint reduction strategies or temporarily preserve assets; In contrast, peace agreements and building “non-profit” capacities (stakeholder engagement, government relations) can restore investment interest [4, 5, 17, 18, 20]. More dynamic assessments of political and geopolitical shocks emphasize the role of technology, information transparency, and quality of governance as risk dampeners that reduce the required risk premium or accelerate relocation within the region [21, 33].

The third approach, macroeconomic fundamentals, models FDI as a function of GDP growth/market potential, inflation and real rates, trade openness, exchange rate regime, and economic policy. In the context of instability, economic policy uncertainty and its interaction with financial sector development and political stability are of particular importance: a well-developed financial system and stable political institutions mitigate the negative effect

of uncertainty on FDI inflows [22]. Evidence from Southeast Asia shows the importance of inflation, interest rates, and openness as key determinants in times of geopolitical turbulence [23], while cross-regional panels summarize a "core set" of factors and capture their elasticities in different risk regimes [12, 24].

The fourth, the "shocks and resilience" approach, looks at FDI through the lens of global shocks – pandemics, wars, sanctions – and tracks short – and medium-term changes in the spatial geography of investment, including the relocation of production chains and friend-shoring. Empirical work has documented a decline in inflows during the acute uncertainty phase and a gradual reorientation to safe havens, while the role of post-conflict public policies has been seen as crucial to restoring signals of trust [5, 6, 7, 25].

The fifth, spatial and sectoral approach emphasizes agglomeration effects, local innovation ecosystems, and regional specialization as factors that can offset political risks by improving supply chain productivity and quality. Regional cross-sections show that a critical mass of industry clusters and innovative interaction between firms can "pull" FDI even under conditions of increased political uncertainty [8]. At the same time, the digitalization dimension - the development of e-commerce infrastructure, digital platforms, and data logistics – e xpands the "window of investment strategies" for MNCs, reducing the transaction costs of entering volatile markets [9]. Additionally, as part of the new regulatory agenda, environmental sustainability is gradually becoming a filter for FDI allocation, affecting the choice of jurisdictions and industries even in countries with increased political risks [10].

The sixth, strategic-behavioral approach reveals how MNCs themselves manage risk through non-price and "non-commercial" instruments. Instead of passively adapting, firms build portfolio allocation strategies, diversify political risk, and employ stakeholder engagement tactics. A comparison of "status climbing" and "bridging" shows that the ability to build alliances and bridge ties with local actors reduces the risk of opportunistic actions and increases the likelihood of successful project implementation [19].

Finally, the methodological approach to identifying FDI determinants in unstable environments has become significantly more sophisticated in recent years. Along with the classical fixed-effects panel models, cross-country panels use survival analysis for the exits of MNCs from war-torn countries, structural models with moderators (trade openness, financial sector development), as well as causal algorithms and hybrid approaches to identifying causality (e.g., combining TCDF with Bradford-Hill criteria). This allows for better separation of the "pure" risk effect from related macro factors, but at the same time increases the requirements for identifying and verifying the robustness of the results [24, 27–29].

To summarize, the current literature is converging on an integrated multilevel framework where FDI decisions in volatile environments are determined by a combination of (a) institutional quality and the risk profile of the policy environment, (b) macro fundamentals and policy uncertainty, (c) spatial and sectoral advantages and the innovation ecosystem, (d) corporate risk management strategies and stakeholder engagement, and (e) the ability of the state to pursue consistent policies after conflict that restore investor confidence [5, 25].

In the context of political and economic instability, investors' decisions are shaped by a combination of risks and barriers that overlap and change both expected returns and the cost of capital. The most important ones include political unpredictability (frequent changes in government and policy, weak institutional capacity), risks of military conflict and violence (physical security of assets and personnel, supply chain disruptions), corrupt practices and low accountability (rent-seeking behavior, non-transparent procedures), and macroeconomic imbalances (high inflation, exchange rate volatility, debt burdens, and uncertain economic policy). Empirical studies show that transparency and stability of institutions, predictability of the regulatory environment, and quality of governance reduce the risk premium and support FDI inflows, while opacity, political violence, and conflict lead to investment withdrawal or freezing [1, 17, 18, 20]. Below is an extended summary of the key risks and barriers for investors in politically and economically unstable regions (see Table 1).

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Table 1: Key risks and barriers for investors in politically and economically unstable regions

Risk / barrier	Operational definition	Typical indicators/proxies	Expected impact on FDI	Probability / Severity (typical)	Typical mitigation mechanisms (investor)	Government policy (recipient country)
Political instability	Frequent government/policy changes, poor predictability of rules	Political stability and accountability indices; transparency indicators	↑Risk premium, ↓New projects, delayed decisions	High / High	Political risk insurance, stabilization clause, portfolio diversification	Rule of law reforms, anti-corruption institutions, regulatory single windows
Military conflicts and political violence	Threats to physical security of assets/personnel, supply disruptions	Conflict indices, violent events, sanctions regimes	Mass exits, capex freezes, relocations	Medium-high / Very high	Reduced footprint, local partnerships, flexible supply chains	Peace agreements, restoration of infrastructure, security guarantees for investors
Corruption and low accountability	Rent-seeking behavior, informal payments, selective enforcement of rules	Corruption/accountability indices, scandals, litigation	↑ Transaction costs, ↑ regulatory risks, ↓ FDI entry	High / High	Strict compliance system, third-party audits, separation of powers	E-procedures, criminalization of corruption, transparent procurement
Macroeconomic imbalances	High inflation, volatile exchange rate, debt risks, EPU	CPI, discount rate, FX volatility, policy uncertainty indices	↓Net inflows, ↑Cost of capital, shorter horizons	High / Medium-high	Currency hedges, cost localization, flexible prices	Independent central bank, anti-inflationary anchor, fiscal discipline
Geopolitical and sanctions risks	Sanctions, friend-shoring, trade restrictions	Geopolitical risk indices, sanctions lists	Relocation and redistribution of FDI to safe havens	Medium / High	Multi-domicile structures, scenario planning	Coherence with international regimes, transparent trade policy
Regulatory uncertainty	Frequent/sudden changes in regulations, selective enforcement	Frequency of changes in laws, court practice, regulatory quality indices	↑Optionality of decisions, ↓long-term capex	Medium / Medium-high	Arbitration agreements, stabilization clauses in contracts	Regulatory impact assessments, consultations with stakeholders
Infrastructure and logistics constraints	Physical, digital, and transportation infrastructure with high operational risk	Logistics costs, energy supply reliability, digital access	↑ Operational costs, ↓ Efficiency; dependence on local bottlenecks	Medium / Medium	Lean chains, digital platforms, dual-sourcing	Investment programs in transportation/energy/digital infrastructure
ESG/reputational risks	Environmental and social standards, green chain requirements	ESG ratings, environmental incidents, customer requirements	Barriers to entry into global chains, potential market sanctions	Medium / Medium	ESG due diligence, clean-tech, transparent reporting	Harmonization with international standards, green incentives

Source: created by the author on the basis of [1, 7, 18, 21–23, 25]

To summarize, investors in unstable jurisdictions are not only affected by direct threats such as political violence and corruption, but also by structural "filters" such as economic policy uncertainty, macroeconomic imbalances, and regulatory unpredictability, which cumulatively increase discount rates and reduce planning horizons. The combination of quality institutions, post-conflict recovery policies, and transparent regulation has been shown to significantly mitigate these barriers, while corporate strategies such as political risk insurance, diversification of locations, engagement of local stakeholders, and modernization of supply chains can reduce exposure and maintain project sustainability even in turbulent environments [5, 19, 25].

In the current practice of minimizing political and economic risks, transnational corporations combine market and non-market instruments: portfolio allocation and phased entry, contractual safeguards (stabilization clauses, arbitration agreements), political risk insurance and guarantees, conflict and context-sensitive operations management, strategic stakeholder engagement and design of a "social license to operate", as well as digitalization of supply chains and relocation (near-/friend-shoring). International organizations and governments, in turn, reduce barriers through guarantee instruments (e.g., political risk insurance), structural reforms, post-conflict recovery policies, increased transparency, improved trade regimes, and the capacity of investment promotion agencies. The generalized approaches are summarized below (see Table 2), which shows the mechanisms of action, conditions for effectiveness, limitations, and expected effect on FDI, with illustrations by source [4, 5, 9, 17, 19, 21, 25].

Table 2: Strategies to minimize risks and increase the attractiveness of investment flows in unstable regions

Level	Strategy	Tools / mechanisms	Conditions of effectiveness	Limitations / risks	Expected effect on FDI
Corporate	Portfolio diversification and phased entry	Pilot investments, real options, multi-market presence	High uncertainty; need for options	Underinvestment in scaling; coordination costs	Reduced exposure, possibility of a quick "stop-loss"
Corporate	Non-market strategies and stakeholder engagement	Stakeholder engagement, partnerships with local communities, GR	Conflict/post-conflict environments; lack of trust	Reputational risks; politicization	Reducing the risks of opportunism and blocking
Corporate	Contractual safeguards and legal protection	Stabilization clauses, BIT/ISDS, international arbitration	Weak institutions; frequent regulatory changes	Lengthy processes; costs of disputes	Increase the predictability of cash flows
Corporate	Financial derisking	Political risk insurance, export credit agencies, guarantees	Increased political risks; capital-intensive projects	Cost of premiums; not all risks are covered	Reducing risk premiums; unblocking financing
Corporate	Operational flexibility and security	"Reduced footprint", modular facilities, private security, BCM	High risk of violence/supply disruptions	Costs of duplication; performance KPIs	Maintaining business continuity
Corporate	Restructuring of chains (near-/friend-shoring)	Relocation, multisourcing, regional hubs	Geopolitical/sanctions shocks; logistics vulnerabilities	Relocation costs; regulatory barriers	Redistribution of FDI to safe havens
Corporate	Digitalization and e-commerce	Remote sales, platform models, data-driven logistics	Unstable offline channels; high transaction costs	Cyber risks; dependence on data infrastructure	Reducing barriers to entry; scalability

Institutional (international organizations)	Guarantees and insurance political risks	MIGA guarantees/PRI, co-lending, risk-sharing	Increased political risks; projects with positive externalities	Limitation of mandates; compliance requirements	Lower cost of capital; crowd-in of private FDI
Institutional	Post-conflict recovery policies	Peace agreements, law and order reforms, rebuilding infrastructures	Transition from conflict to peace; "window of opportunity"	Risk of relapse into violence; weak capacity	Restore trust, signal for FDI
Institutional	Improving transparency and quality of governance	Anti-corruption reforms, single windows, open data	Chronic non-transparency; corruption	Insider resistance; slow implementation	Reduction of transaction costs; stabilization of expectations
Institutional	Trade and integration policies	Free trade agreements, improved logistics	High trade/logistics barriers	Geopolitical constraints	Expanding markets; signal of stability
Institutional	Support of investment agencies (aftercare)	Post-investment support, dispute resolution, local connections	Lack of trust/information; new investors	Resource constraints of agencies	Retention and expansion of FDI

Source: created by the author based on [1, 4, 5, 7, 9, 12, 17–21, 25]

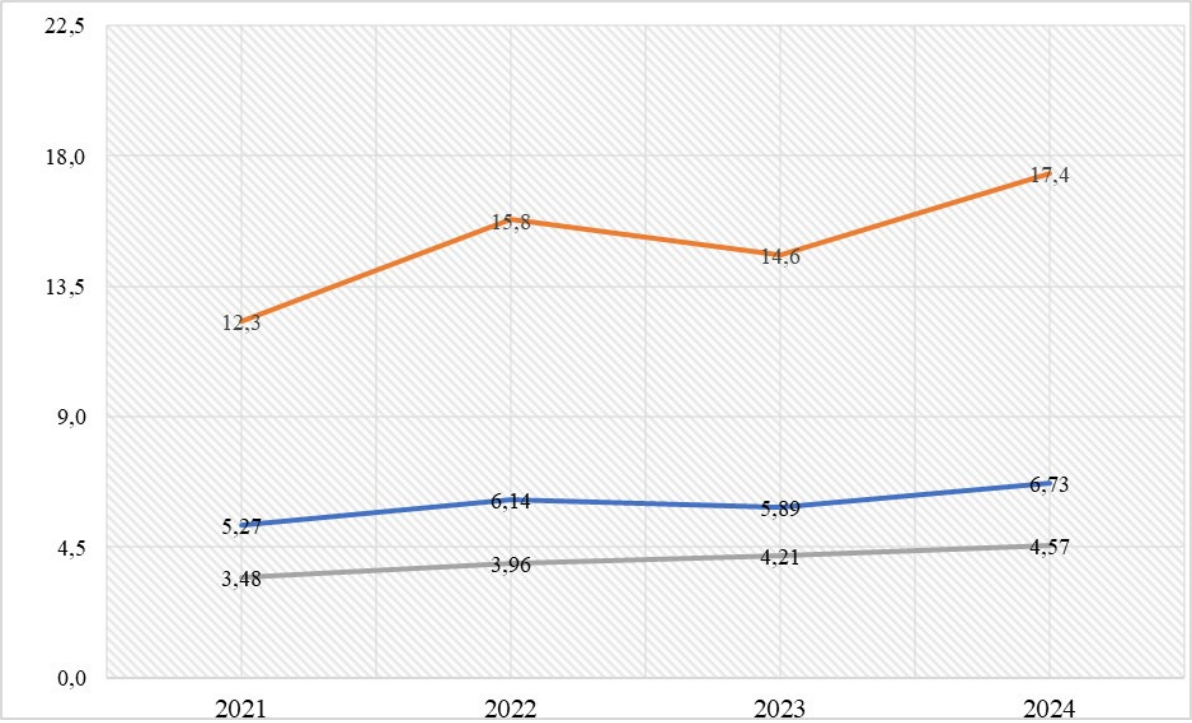
In summary, minimizing risk in politically and economically unstable regions is rarely achieved with a single tool; it requires a combination of corporate and institutional solutions. For firms, this means a combination of portfolio optionality, contractual and financial protections, operational flexibility, and active engagement with local stakeholders; for international organizations and governments, it means providing guarantees and insurance, supporting peace and reconstruction, increasing transparency and regulatory quality, and improving logistics and aftercare services. This "double loop" reduces the risk premium, improves cash flow predictability, and gradually builds an investment signal of trust, which is crucial for the recovery and growth of FDI after crisis shocks [5, 25].

Analyzing the effectiveness of investment strategies in unstable regions requires a combination of structural evaluation models and quantitative analysis. This approach allows not only to track the total volume of FDI, but also to assess its qualitative impact through the creation of new projects and the level of investment sustainability. The study applies a methodology based on a combination of KPIs (key performance indicators) and a comparison of the dynamics of results over time.

The methodological framework includes: defining KPIs: FDI volume ($ billion), number of new projects, and integral sustainability index (score); generating time series to analyze the effectiveness of strategies; calculating increases and differences between years to identify trends; comparing results with international experience, where similar approaches are confirmed by the practices of investment agencies and international organizations [26, 30, 31]. Figure 1 shows a graph of the effectiveness of investment strategies.

The dynamics show a gradual increase in the efficiency of investment strategies. The volume of FDI in 2021 amounted to $5.27 billion, and in 2024 it was already $6.73 billion, which means an increase of $1.46 billion, or approximately 27.7%. The largest increase was observed in 2022 (+$0.87 billion compared to 2021), while in 2023 a slight decrease was recorded (-$0.25 billion), reflecting the temporary impact of macroeconomic or political factors. The number of new projects increased from 12.3 in 2021 to 17.4 in 2024, which is an increase of 5.1 units, or about 41.5%. The integral sustainability index increased from 3.48 to 4.57, i.e. by 1.09 points (31.3%), with annual increases ranging from 0.25 to 0.36 points. This indicates a consistent increase in the quality component of investment flows, where even in years with lower FDI growth, there was an improvement in the sustainability of strategies.

Figure 1: Graph of investment strategies' efficiency by KPI



Source: Author's own research based on [26, 30, 31]

Figure 1 illustrates the temporal evolution of the three key performance indicators (FDI volume, number of new projects, and sustainability index). The values were derived from standardized national datasets using linear trend smoothing to eliminate seasonal fluctuations and highlight long-term tendencies.

The proposed methodology proves that the effectiveness of investment strategies should be assessed through a set of indicators that reflect both quantitative and qualitative components. The data analysis shows a positive trend of FDI growth, an increase in the number of projects, and an increase in the level of sustainability, which confirms the effectiveness of the chosen strategies even in the context of political and economic instability.

The authors will formulate practical recommendations for recipient governments and foreign investors to develop balanced policies and mechanisms to support investment in the face of uncertainty.

1. *For recipient governments: strengthening institutional capacity and transparency.* Governments should implement reforms aimed at increasing the transparency of the regulatory environment, reducing corruption risks, and ensuring the rule of law. Creating “one-stop shops” for investors and using digital services in business registration and customs clearance will reduce transaction costs and increase trust.
2. *For recipient governments: development of post-conflict and crisis recovery policies.* After periods of war or political crises, governments should quickly restore critical infrastructure, provide security guarantees to investors, and offer tax or credit incentives to attract new projects. This set of actions sends a signal of stability and long-term attractiveness to foreign capital.
3. *For foreign investors: portfolio diversification and the use of risk insurance mechanisms.* Investors should minimize their exposure by distributing capital among several countries or industries, as well as use political risk insurance instruments (e.g., guarantees from the International Investment Guarantee Agency (MIGA)). This reduces potential losses from political instability and macroeconomic shocks.
4. *For foreign investors: strategic interaction with stakeholders and localization of supply chains.* Companies should build partnerships with local communities, governments, and business associations to strengthen their “social license to operate.” Localization of part of production and supply chains in the recipient country not only reduces operational risks but also creates a positive image of the investor as a long-term partner.

A balanced policy to support FDI in times of uncertainty requires a combination of public efforts in institutional stability and recovery with private risk management and social responsibility strategies. Only synergies between governments and investors will ensure a steady flow of capital and the creation of sustainable economic benefits.

Discussion

The results obtained indicate a gradual increase in the efficiency of investment strategies even in the context of political and economic instability. In particular, the identified positive trends in FDI growth, the number of new projects, and the integrated sustainability index are consistent with the assumption that diversification of investment strategies and the combination of market and non-market instruments can reduce risk exposure. This confirms the findings of previous studies that have emphasized the importance of institutional stability and post-conflict recovery policies in sending a signal of investor confidence [4, 5, 25].

At the same time, our results partially contradict the views of those authors who emphasize the crucial importance of institutional quality and political stability alone [1–3]. Our analysis shows that even in cases of increased political uncertainty, investment growth is possible through the development of innovation clusters and digital infrastructure, which is in line with the findings of Bruhn *et al*. [8] and He [9]. Thus, innovation and spatial and sectoral factors play the role of compensators, which in some cases can offset the negative effect of political risks.

Another point of contention is the impact of macroeconomic factors. A number of studies [22, 23] argue that economic policy uncertainty and inflationary fluctuations almost always deter FDI inflows. However, the results of our analysis showed that even in years of recessions, the index of investment strategy resilience continued to grow, which may indicate an increased role of corporate risk management mechanisms and the use of optionality in decision-making. This is consistent with the approach of Nartey et al. [19], who emphasize the importance of stakeholder engagement as a long-term stabilizing factor. From a policy angle, the takeaway's pretty clear: if governments want to boost investor confidence, they need to double down on three things – clear, consistent rules; rebuilding infrastructure after conflict or crisis; and rolling out digital platforms that make investing simpler and more transparent. No smoke and mirrors – just straightforward, reliable systems. As for private investors? The classic trio still holds up: diversify that portfolio, don't skip on insurance (seriously, it can save you), and get involved with people on the ground. Local knowledge and relationships can often make or break a project, especially when things get shaky. It's all about striking that tricky balance between chasing returns and staying steady when the winds shift.

The issue of the relationship between FDI and domestic investment is also debatable. Some authors point to a possible "crowding-out" effect [14], while our data show that during periods of FDI growth, the number of new projects increased simultaneously, indicating that external and internal investments are complementary.

Thus, the results confirm the research hypothesis that the effectiveness of investment strategies in unstable regions is determined not only by the quality of institutions and macro-fundamentals, but also by sectoral, spatial, and corporate factors. However, a limitation should be noted: the analysis is based on aggregate indicators without taking into account the sectoral specifics of individual countries, which limits the possibility of universalizing the conclusions. Further research should focus on the integration of more detailed sectoral and regional data, as well as on the impact of digitalization and ESG standards, which are already shaping a new investment logic on a global scale.

Conclusion

This study has shown that in politically and economically unstable regions, the effectiveness of investment strategies depends on a combination of structural and behavioral factors, which indicates the multilevel nature of decision-making by international investors. It has been found that even in the face of rising political risks, the sustainability of investment flows is maintained through the development of innovation clusters, digital infrastructure, and diversification of corporate strategies. The novelty of the results lies in proving the role of an integrated approach, where qualitative changes in institutions and macroeconomic fundamentals interact with spatial and corporate mechanisms. The practical significance lies in the possibility of using the developed methodology to monitor the effectiveness of FDI in crisis conditions and to formulate policies that take into account not only institutional stability but also sectoral and socio-technological factors. The expected results were only partially confirmed: the growth of FDI volumes was accompanied by positive dynamics of the sustainability index, but the identified deviations in the dynamics for individual years show the influence of unpredictable geopolitical factors. A limitation of the study is the aggregated nature of the data, which does not allow for detailed differences between individual economic sectors and countries. Further research should focus on analyzing ESG determinants, digital footprints, and industry specifics in different regions, which will allow for a deeper understanding of the mechanisms of investor confidence. It is recommended that governments strengthen post-crisis recovery mechanisms and increase transparency, and investors

expand risk management tools and engage more actively with stakeholders. Thus, the prospects lie in the development of interdisciplinary approaches that integrate economic, political, and sociotechnological factors, forming new models of investment decision-making in a turbulent global environment.

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