

ATTRACTION OF FOREIGN INVESTMENTS FOR THE ECONOMY OF UKRAINE IN THE POST-WAR PERIOD

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Abstract: *The paper examines the topic of attracting foreign investment for the recovery of the economy of Ukraine after the war. The authors justify the necessity of attracting investments, analyze direct investments in Ukraine, describe positive and negative consequences, and also propose measures that can be used to attract foreign investments.*

Keywords: *foreign investment, involvement, economic activity, investment attraction measures*

Introduction

Most of the main stages of economic development are the attraction of additional funds from foreign investors. Ukraine in modern conditions is undergoing significant changes in the economy and needs to attract significant funds. For Ukraine, foreign investments are becoming a crucial condition for the development of foreign economic relations, internationalization of business, etc. Foreign investments can help to increase capital, attract new technologies and increase the competitiveness of Ukrainian enterprises on the international market.

To attract foreign investments, it is necessary to create a favourable investment climate, ensure the stability of the political and economic situation in the country, reduce bureaucratic pressure on business, and increase the level of trust of foreign investors in Ukraine. After the end of the war in Ukraine, there was a need to reconstruct and restore the country's economy.

Attracting foreign investments is one of the key tools to solve this problem. However, the process of attracting investments to the Ukrainian economy after the war is accompanied by risks, such as the instability of the political and economic situation, the insufficient legal framework for the protection of investors, corruption and other factors that can reduce the interest of foreign investors in Ukraine. Therefore, the problem of attracting foreign investments for the economy of Ukraine after the war is relevant and important for the development of the country.

Methodological part. The statistics were obtained from surveys conducted by national statistical authorities in Ukraine [4].

Results and discussion. First of all, investments, and not direct infusions into the budget, will be the key to rebuilding Ukraine. The conducted research showed that the investor is primarily interested in sectors where high added value is created, the products of which can be competitive on world markets, and Ukraine is rich in natural resources, has existing infrastructure and successful integration into the global financial and commodity market. needs further study - these are guarantees of investment security in the post-war period. It is this factor that is one of the biggest deterrents for investors.

The essence of foreign investments in the economy of Ukraine

One of the most effective ways to attract foreign investments is to carry out reforms in the economy and the business sphere, which ensures stability, protection of investors' rights, improvement of the business climate and increase of the country's competitiveness. To achieve these goals, it is necessary to continue reforming the taxation system, improve the legal framework for the protection of investors and ensure transparency of company management [1].

An important component of attracting foreign investments is the promotion of Ukraine at international forums and exhibitions, and the attraction of foreign business partners and investors through various international programs and projects.

According to the Law of Ukraine "On the regime of foreign investment", foreign investments are understood as all "values invested by foreign investors in objects of investment activity following the legislation of Ukraine to obtain profit or achieve a social effect" [2].

Foreign investment is the investment of money, resources and assets of foreign companies, financial institutions or private individuals in a certain project, business or asset in the territory of another country. Foreign investment can be made in various forms, such as direct investment, portfolio investment, credit and other forms [3]. Foreign investment is of great importance to a country's economy, as it stimulates business development, ensures technological progress, creates new jobs and increases economic growth.

In today's realities, the volume of attracted direct investments in Ukraine does not create conditions for economic growth and increasing the country's competitiveness in the world economy. From the analysis of the dynamics of FDI in Ukraine for the period from 2016 to 2019, it can be observed that FDI in Ukraine showed a certain slight decline.

If in 2016, the total volume of FDI received in the Ukrainian economy amounted to 32,122.5 million USD, in 2017 the volume decreased by USD 892.2 million USD, which in percentage terms is -2.77%.

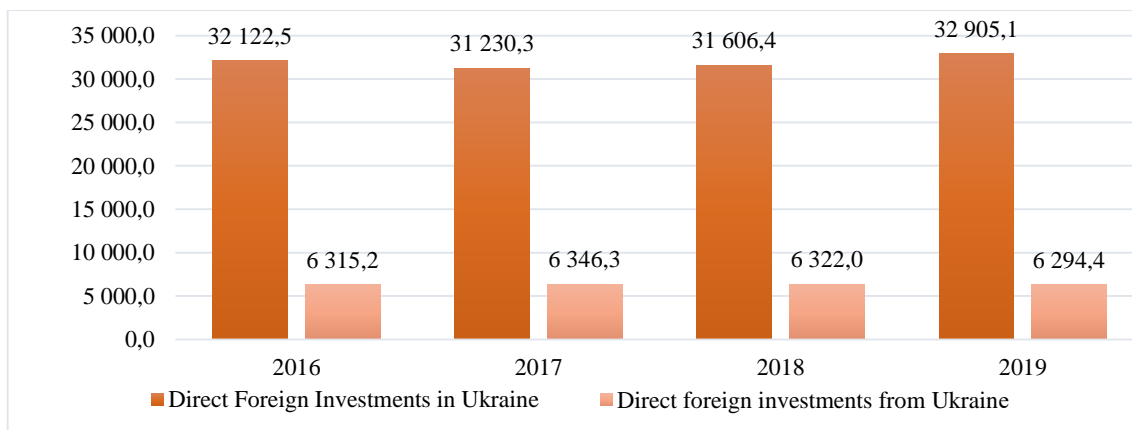


Figure 1. Direct foreign investments in Ukraine, million USD

(the data are given without taking into account the temporarily occupied territory of the Autonomous Republic of Crimea, the city of Sevastopol and part of the temporarily occupied territories in the Donetsk and Luhansk regions)

The source: [4]

In 2018, direct investments increased slightly by \$376.1 million USD and amounted to 31,606.4 million USD, which in percentage terms is -1.20%. In 2019, an increase of \$1,298.7 million USD can be observed, which in percentage terms is 4.10%. Although, despite the slight revival of the investment process in 2019, the situation today prevents the restoration of the pre-crisis level of investments. The main reasons for the decline in the volume of investments can be considered: the military conflict in the east of the country, widespread corruption, political uncertainty.

The volume of FDI from Ukraine has been stable in recent years. In 2017, the indicators increased by 31.1 million USD, which in percentage terms is 0.49%. Further, indicators of foreign investments from Ukraine decreased in 2018 by -24.3 million USD. In 2019, FDI in Ukraine decreased by \$27.6 million USD, which in percentage terms is -0.43%.

Let's analyze the branches of the Ukrainian economy that are most interesting for foreign investors (Fig. 2).

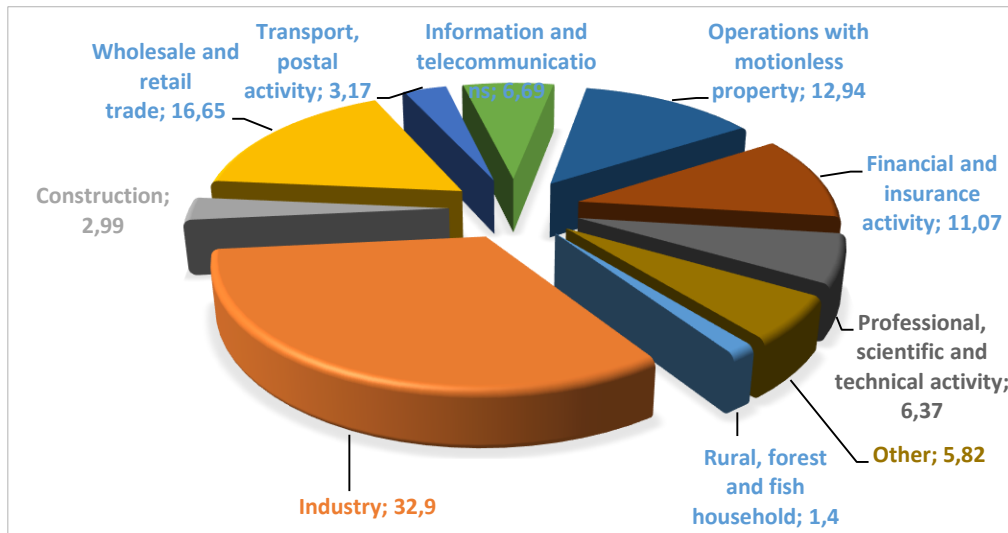


Figure 2. Distribution of foreign direct investments by main types of economic activity as of 01.01.2019 (in % of total investment)

(the data are given without taking into account the temporarily occupied territory of the Autonomous Republic of Crimea, the city of Sevastopol and part of the temporarily occupied territories in the Donetsk and Luhansk regions)

The source: [4]

As of January 2019, the leading sectors of economic activity by the volume of capital investment are: industry – 32.9%, construction – 2.99%, agriculture, forestry and fishing – 1.4%, information and telecommunications – 6.69 %, wholesale and retail trade; repair of motor vehicles and motorcycles - 16.65%, transport, warehousing, postal and courier activities - 3.17%, professional, scientific and technical activities - 2.3% [4].

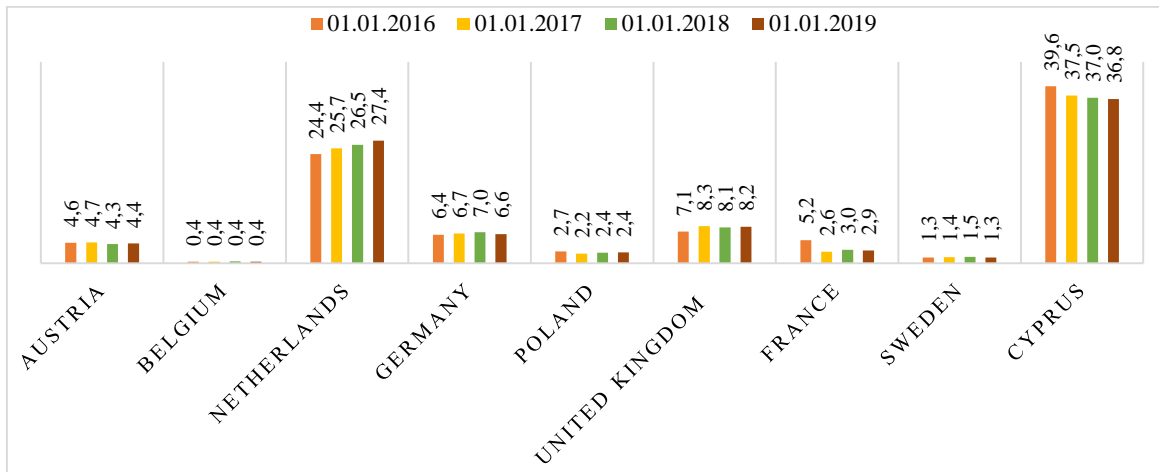


Figure 3. Distribution of foreign direct investments by main types of economic activity as of 2016-2019 (in % of total investment)

(the data are given without taking into account the temporarily occupied territory of the Autonomous Republic of Crimea, the city of Sevastopol and part of the temporarily occupied territories in the Donetsk and Luhansk regions)

The source: [4]

We will analyze from which countries direct foreign investments came to Ukraine. Most of the Ukrainian investments in Ukraine are directed through Cyprus - 9,544.5 million USD as of January 1, 2019, which is 36.8% as a percentage. We can observe a slight decrease in financing from 2016-2019, the reason can be considered the instability of the currency and the financial system.

The Netherlands - 7,118.7 million USD as of January 1, 2019, which is 27.4% as a percentage. The situation from 2016-2019 had a positive character, we can monitor the increase in indicators, in 2017 the country financed 6028.4 million USD, which in percentage is 25.7%, and for 2018 – 6395 million USD, which by 366.6 million USD increased (by 0.8%).

So, after researching the concept of foreign investment and analyzing the investment climate of Ukraine, we can say that it can potentially be one of the main countries in terms of investment attraction. Ukraine is rich in natural resources, has existing infrastructure and successful integration into the global financial and commodity market. Based on the analysis, we can highlight not only positive dynamics, but also a negative trend in the volume of attracting foreign direct investment due to the following reasons:

- low level of trust in the government;
- the instability and uncertainty of the Ukrainian legislation;
- the shadow economy;
- lack of a clear strategy for the economic development of the country;
- instability in the taxation sphere;
- instability of the political situation in the country;
- corruption;
- industry stagnation in the eastern region, active hostilities in this area.

At the moment, the investment climate in Ukraine is not favourable for foreign investors, but we can highlight that despite the difficult times, the indicators of foreign direct investment are positive and have increased. The country's economy, affected by the military conflict and economic crisis, is more than ever in need of new projects and foreign support and requires significant financial investments. For the exit of Ukraine's economy from the crisis state, investments are the most effective lever, and creating investment attractiveness becomes one of the main tasks.

Measures to attract foreign investments

The positive and negative consequences of foreign investments for the economy of Ukraine is a topic that is quite relevant for our country, since the attraction of foreign investments is one of the key strategies for the development of the national economy [5].

Foreign investments can have both positive and negative consequences for the economy of Ukraine. Let's consider these consequences in more detail.

Positive consequences of foreign investments:

1. Increase of capital and investments in the economy. Foreign investments can help increase production volumes and improve the technological level of enterprises, which positively affects the country's economy.

2. Development of new branches of the economy. Foreign investments can become a catalyst for the development of new sectors of the economy, which allows diversifying the country's economy and reducing dependence on specific sectors.

3. Raising the standard of living of the population. Foreign investment can help create new jobs, which increases the employment rate of the population and reduces the unemployment rate. In addition, it can lead to an increase in wages and an increase in the standard of living of the population.

4. Increase in export potential. Foreign investments can contribute to the development of export sectors of the economy, which allows to increase export flows and reduce dependence on imports.

Negative consequences of foreign investments:

1. Dependence on foreign investors. Foreign investments can lead to dependence on foreign investors, who can feel a certain influence on decisions made in Ukrainian business. This can lead to loss of control over one's own economy and loss of sovereignty.

2. Unequal conditions of competition. Foreign investment can lead to an uneven playing field, as foreign companies may have more advanced technology and greater financial resources, giving them an advantage over local businesses.

3. Risk of capital loss. Foreign investments can result in capital losses if investors decide to withdraw their investments from the country for certain reasons, such as economic instability or political risks.

4. Environmental problems. Foreign investment can lead to environmental problems, as foreign companies may apply less stringent environmental standards than the investor's country.

To attract foreign investments, it is necessary to lower barriers and create favorable conditions for business development in Ukraine. To do this, you can take the following measures:

1. Reduction of the tax burden for foreign investors. This can make Ukraine more attractive to foreign investors, which will increase their investment interests and attract new investments.

2. Reduction of bureaucratic procedures and simplification of business registration. Excessive bureaucracy and a large number of formalities can scare away foreign investors. Simplifying registration procedures and reducing their time can significantly improve the business climate in Ukraine.

3. Introduction of legal protection of foreign investors. Guaranteeing the legal protection of foreign investors is one of the key factors for attracting new investments. The system of legal protection must be stable, effective and independent of the power structures.

4. Infrastructure development. In Ukraine, infrastructure needs to be developed, which will contribute to the attraction of new investments. For example, it is important to develop transport infrastructure, which will contribute to the development of exports, as well as to ensure high-quality and stable energy networks and Internet connections.

5. To develop a favorable investment environment in the country. This means that the state must create the necessary conditions for attracting foreign investments, such as the stability of the political and economic situation, the reliability of legal regulation, access to credits and financial resources, highly qualified labor force and other factors that make investments profitable and safe.

6. Attract the attention of international investment funds and organizations that provide assistance in attracting capital and business development. Also, the state should actively promote opportunities and advantages of investing in Ukraine in the international arena and involve foreign partners in joint projects.

Therefore, the attraction of foreign investments is an important factor in the recovery and development of Ukraine's economy after the war. But, to achieve success in this matter, it is necessary to act in a complex manner, working on improving the investment climate, promoting business and attracting capital, as well as ensuring the protection of investors' rights. Only then can foreign investments become an effective tool for the development of Ukraine's economy and help build a prosperous country.

Conclusions

After analyzing the concept of foreign investments and assessing the investment climate of Ukraine, it can be concluded that Ukraine has the potential to become one of the leading countries for attracting investments due to its natural resources, infrastructure and integration into the global financial market. However, several factors that harm the attraction of foreign investments in Ukraine are indicated, such as a low level of trust in the authorities, a shadow economy, instability of Ukrainian legislation, lack of a clear strategy for the country's development, and others. In general, the investment climate in Ukraine is currently not favourable for foreign investors, but indicators of direct foreign investment still show positive dynamics. In connection with the military conflict and the economic crisis, the country needs significant financial investments to get out of this state. Therefore, to restore the economy of Ukraine, it is necessary to improve the investment attractiveness of the country.

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