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Kozlovska Anna Borysivna

Candidate of Philological Sciences, Associate Professor
Sumy State University, Ukraine

Kirilieva Anastasiia Vitaliyevna

1st year Master student,
Sumy State University, Ukraine

Dolhosheieva Olha Ihorivna

1st year Master student,
Sumy State University, Ukraine

**STUDY OF INVESTMENT ATTRACTIVENESS OF UKRAINE AS A
COMPONENT OF COUNTRY COMPETITIVENESS**

Abstract. The article deals with the role and importance of foreign investment for the national economy of Ukraine. It is determined that investment activity in the country has certain barriers that do not allow open investment by foreigners. Despite the obstacles, Ukraine has many advantages for conducting and developing effective investment activities. The authors identify investment-attractive areas of foreign investment, as well as reveal the positive effect of their application.

Key words: investments, investment attractiveness, national economy, competitiveness.

The growth of the national economy directly depends on the efficiency of its production, natural resources, innovation, investment and labor potential. Each of

these types of potentials of the country requires appropriate conditions for existence and further long-term development. During the time of economic stability and efficiency of the domestic economy, each country tries to comprehensively develop potentially profitable areas of activity that will allow assess adequately the national capabilities of the country and competitiveness in the international arena.

The national economy is a single socio-economic system that has many components in various sectors of economic activities. In order for the continuation of development process, it is necessary to resolve the contradictions that arise between the individual elements of the economic system. The country's investment activity is a tool for strengthening the national economy, which in turn will be an indicator of sustainable development and a high level of competitiveness among the world's leading developed countries.

It is also important to focus on the fact that globalization trends in the world economy determine qualitatively new guidelines for the development of economic policy of the world, have a significant impact on the formation of the environment of economic growth. The development of information technology and the internationalization of forms of intellectual property mean not only the globalization of certain segments of the world market, but also the unification of investment legislation of individual countries, its harmonization with global norms. The identified questions require the solution of a number of important problems [1]. (страницу указывать не надо?)

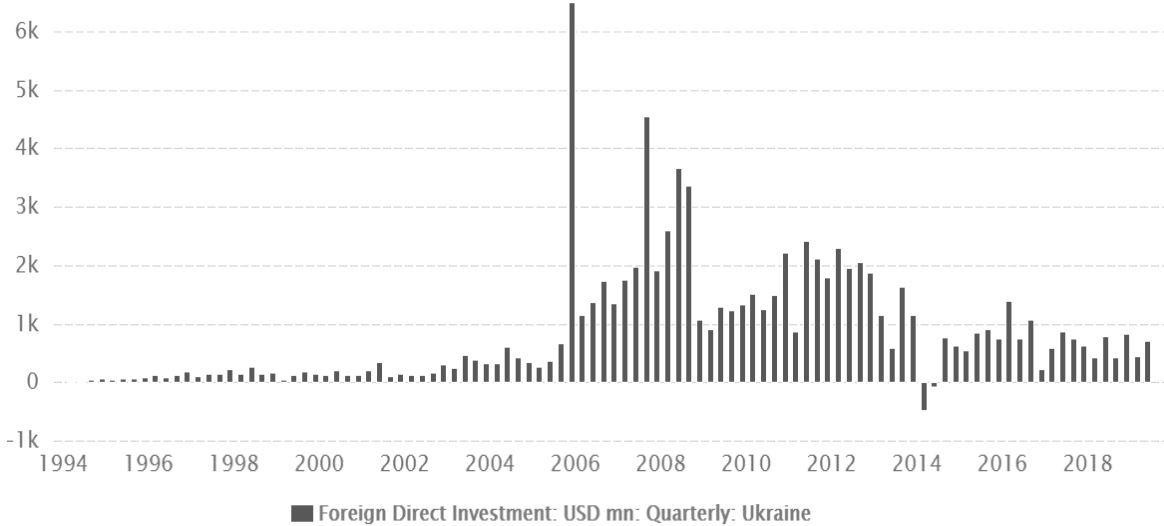
The growth of globalization trends characterizes the importance of studying the formation of rules and procedures for the free movement of foreign investment. The above-mentioned facts determine the new conditions under which economic growth takes place in today's conditions. Among the wide range of issues considered today in economics, the attraction of foreign direct investment and their impact on the formation of the general economic environment are among the most relevant problems.

Thus, Ukraine can accelerate its entry into world financial and commodity

markets through the attraction and effective use of foreign direct investment. By attracting entrepreneurial, state and mixed capital, providing access to modern technologies, foreign investment promotes the formation of national investment markets and accelerates the development of markets for goods and services. In addition, foreign investment contributes to the implementation of macroeconomic stabilization measures and allows to solve social problems of public policy.

For most countries with transformational economies, the efficient use of foreign investment is becoming a key factor in development. The development of effective mechanisms for attracting foreign direct investment occupies one of the leading places in the structure of priorities of Ukraine's economy [4, 5, 6, 11].

Therefore, we will consider the investment activity of Ukraine in order to understand the conditions and realities of the country's investment policy. Therefore, until 2014, the overall picture of FDI inflows to Ukraine was quite good. The flow of investment has had a growing trend, but not every year. The data reached a record high of \$ 6.5 billion in December 2005. However, the revolutionary events concerning the country's political direction, the coup d'etat and the hostilities over the territory with the neighboring state, which unfolded in eastern Ukraine, greatly terrified investors [10, 12]. As a result, there was a rather sharp decline in FDI, when the inflow reached a record low minimum of 470.0 million dollars already in March 2014 (Pic. 1).

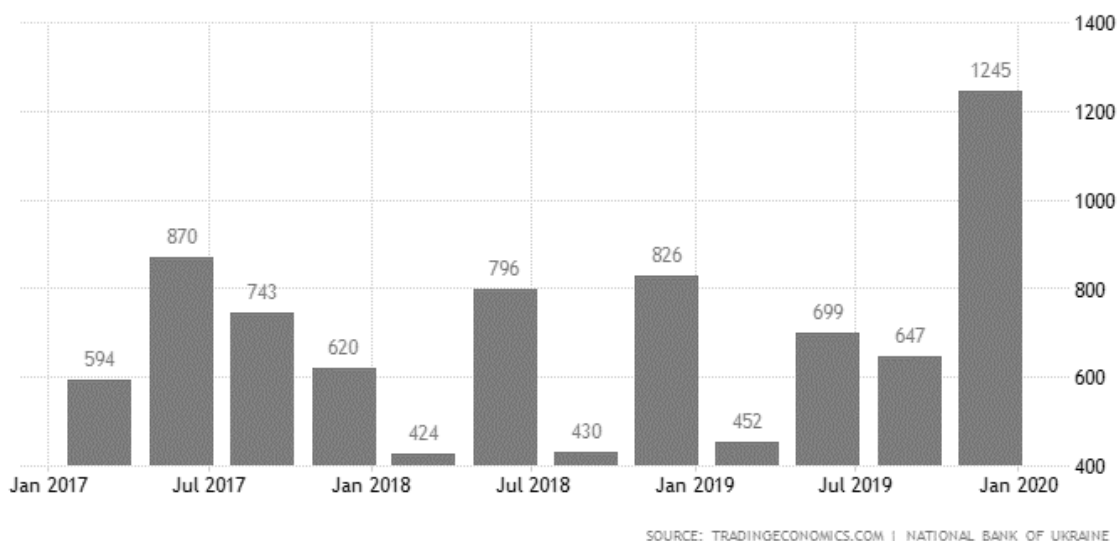


Pic. 1. FDI inflows to Ukraine in 1994-2020. [12]

Afterwards, FDI inflows began to gradually recover and amounted to about \$ 3 billion \$ USA, but later in 2018 decreased again to 2,360,000,000. USA. Overall, FDI inflows declined because of the the military conflict with Russia, as Russian investors seized most of the assets they previously held in Ukraine.

In 2018, the main investors in Ukraine were Cyprus, the Netherlands, the UK, Germany and Switzerland. Investments were mainly made in the sectors of manufacturing, trade and renovation, real estate, finance and insurance.

Due to investors' fears about the unstable political situation and the unresolved conflict in the East of Ukraine, Ukraine will not be able to return to maximum values soon. However, the situation is improving [10, 12, 13]. Over the past three years, the highest rate was in the fourth quarter of last year, when foreign direct investment had increased by \$ 1,245 million (Pic.2).



Pic. 2. FDI inflows by quarter in 2017-2020. [12]

Total foreign direct investment in 2019 is \$ 1,810,000,000.

The main countries-investors in 2019:

- Cyprus - 761 million US \$;
- Netherlands - 438 million US \$;
- Russian Federation – US \$ 220 million;

- Switzerland - 133 million US \$s;
- Germany - 89.9 million US \$.

In March 2020, foreign direct investment in Ukraine has increased by \$ 553.0 million, compared with the increase of \$ 1.2 billion in the previous quarter. In the latest reports of Ukraine on current operating accounts, the surplus amounted to USD 244.0 million. As of March 2020, foreign direct investment in Ukraine increased by \$ 4.0 million. Foreign portfolio investment increased by \$ 1.6 billion. The country's nominal GDP in December 2019 was announced at \$ 46.0 billion.

In total for all the years of the state's existence, the State Statistics Service of Ukraine has counted 34.7 billion dollars of foreign investment in the Ukrainian economy. Of these, 78%, or 27.2 billion. USD. USA, falls on the EU countries.

The main investors in Ukraine were:

- Cyprus - \$ 10.3 billion;
- Netherlands - \$ 7.5 billion;
- Great Britain - \$ 2 billion;
- Germany - \$ 1.7 billion;
- Switzerland - \$ 1.6 billion.

The main areas of economic activity in Ukraine are attractive for foreign investment:

- Industry - 32.9%.
- Retail trade - 16.2%.
- Financial and insurance activities - 12.9%
- Real estate transactions - 12.9%
- Professional, scientific and technical activities - 6.5%.

The current government is actively involved in reforming the investment climate. In June 2018, a new law came into force aimed at increasing transparency. The country has seen significant progress on a regular basis and significant growth in investment climate indicators in the World Bank's Doing Business Index. Ukraine is currently ranked 64th (out of 190 countries) in the Doing Business 2020 report, 7 positions higher in comparison with the previous year [8].

It is worth to recall that in 2018, the World Bank's Doing Business 2018 report showed that Ukraine ranked 76th position. This fact indicates that the significant progress has been made in simplifying building permits as in getting electricity connections, protecting minority investors and cross-border trade.

Analyzing Ukraine's investment market, we can conclude that despite some difficulties, Ukraine possesses an attractive place to invest for many reasons: the country has a large domestic market, proven agricultural potential, energy and mineral resources and strategic geographical location, which makes it a transit hub and gateway to Europe and Eurasia.

We suggest, among the main advantages that investors pay attention to, choose an investment object highlighting the following ideas:

1) the Ukrainian market is one of the largest markets in Europe with 47 million consumers;

2) skilled and inexpensive labor and factors of production;

3) the government that seeks to improve the business climate to facilitate investment by reforming the banking sector;

4) quality education system: Ukraine ranks fourth in the world in the number of qualified specialists in the field of high technology;

5) strategic geographical location, the country is located at the gates of Europe, Russia and Asia.

6) well-developed transport infrastructure;

7) presence of investors such as Kraft Foods, Coca-Cola, Hewlett Packard, Cargill, Knauf, Raiffeisen Bank Aval;

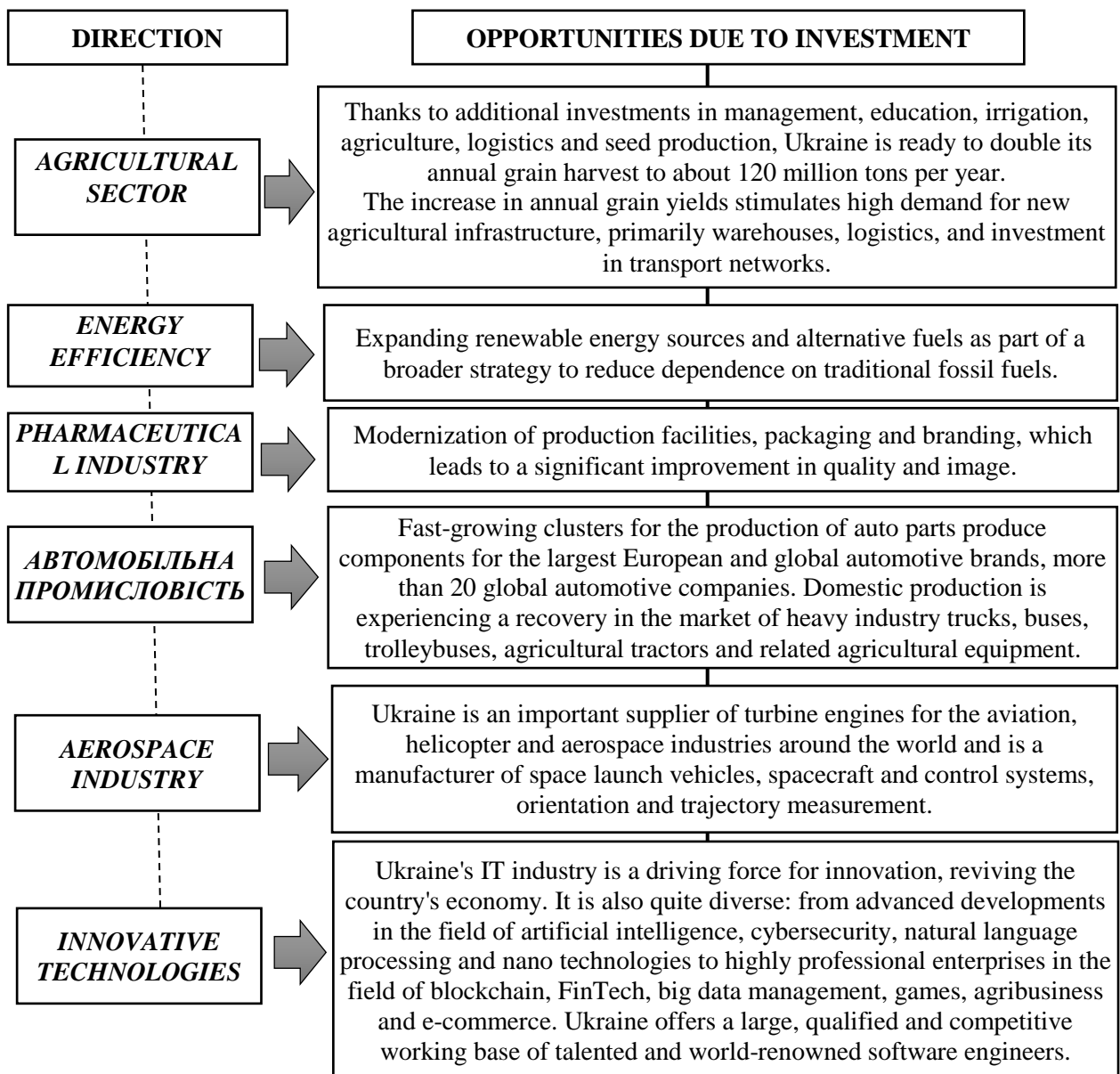
8) a large number of natural resources (reserves of iron ore and manganese) and a large agricultural industry;

9) strong international financial support: whether through global institutions (IMF, World Bank or EU) or through bilateral agreements.

To confirm the fact of Ukraine's attractiveness to foreign investors, it should be noted that Ukraine has signed 64 bilateral investment agreements on investment protection, namely with the United States and most OECD and CIS countries. For

example, the Deep and Comprehensive Free Trade Agreement signed with the European Union has a significant impact on Ukrainian industry, removing tariff and non-tariff barriers to Ukrainian exports, especially in agriculture and manufacturing, where Ukraine has important competitive and price advantages.

Thus, we propose to form rational directions for investing in Ukraine being economically attractive. Having clarified the degree of development of investment attractiveness of Ukraine and identified the advantages of the Ukrainian national economy, we consider it appropriate to say about the existing opportunities for investment. The authors have selected certain areas of economic activity that are investment attractive to foreign investors, taking into account the above-mentioned advantages. Such investment-attractive industries include the agricultural sector, energy efficiency, manufacturing (automotive and aerospace industries), and innovative technologies [15]. The expediency of investing in these areas of economic activity is formalized in the form of a scheme (Pic. 3).



Pic. 3. Opportunities for the development of the Ukrainian economy through investment

Examining investment activities in Ukraine, it was determined that investments play a central role in the development of the national economy. As a result of investment in the economy, production grows, national income grows, and industries and companies grow in a competitive environment to meet the demand for certain goods and services.

Due to its geographical location, combined with low production costs, Ukraine seeks to become a major center of service, production and trade at the intersection of Europe and Asia. Ukraine has a reliable infrastructure to support an export-oriented

economy. There are 18 seaports in the country. Ukraine is ideally positioned as a production union for the EU and has the access to key global business centers, and therefore has all opportunities to effectively develop Ukraine's investment attractiveness.

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