

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
SUMY STATE UNIVERSITY
Academic and Research Institute of Business, Economics and Management
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QUALIFICATION PAPER

on the topic "FOREIGN DIRECT INVESTMENT IN THE DEVELOPMENT OF
UKRAINE'S ECONOMY"
Specialty 292 "International Economic Relations"

Student 4th course
group ME-71an

Fedorenko Anastasiya

It is submitted for the Bachelor's degree requirements fulfillment.

Qualifying Bachelor's paper contains the results of own research. The use of the ideas, results and texts of other authors has a link to the corresponding source.

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Shkola V.Yu.

Sumy, 2021

ABSTRACT

on bachelor's degree qualification paper on the topic
« FOREIGN DIRECT INVESTMENT IN THE DEVELOPMENT OF
UKRAINE'S ECONOMY »

student

Fedorenko Anastasiya Vitaliivna

The main content of the bachelor's degree qualification paper is presented on 42 pages, including references consisted of 41 used sources, which is placed on 5 pages. The paper contains 2 tables and 1 figures.

Keywords: FOREIGN DIRECT INVESTMENT, INVESTMENT ENVIRONMENT, INVESTMENT POLICY, INVESTMENT ACTIVITY, INVESTMENT ATTRACTIVENESS, STATE REGULATION.

The purpose of the work is to examine theoretical and practical aspects of attracting foreign direct investment in the development of Ukraine's economy.

The object of the research is theoretical and practical fundamentals of foreign investment activity in Ukrain and all the world.

Subject of study is the set of relations arising between actors of foreign investment activity.

Methods that were used in the study of this work: abstract-logical, deduction, induction, theoretical generalization, statistical method, comparative analysis etc.

The information base of this work is materials from the Internet resources, publications of Ukrainian and foreign authors, financial reports of international companies.

Results of approbation of the basic provisions of the qualification Bachelor

paper was considered at International scientific and practical conference “International economic relations and sustainable development” (21 May 2021, Sumy, Ukraine) [1]

The main scientific results are:

1. Foreign investment plays a significant role in the economic development of any state independently from the level of its economic development and contribute to the economic growth of the host economy on based on more efficient use of national resources.

2. An analysis scientific study of investment processes gave the Ukrainian economy the opportunity to note that foreign direct investment is a determining factor affects the rate of economic growth and development of the country as a whole, because it is a prerequisite expanding international cooperation and creating a social effect in the form of income growth.

3. Foreign direct investment has a number of advantages and disadvantages for the host country, and therefore the issue of ensuring the appropriate level of investment security becomes relevant.

Results of approbation of the basic provisions of the qualification Bachelor paper was considered at International scientific and practical conference “International economic relations and sustainable development” (21 May 2021, Sumy, Ukraine) [1].

The year of qualifying paper fulfillment is 2021.

The year of paper defense is 2021.

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TASKS FOR BACHELOR'S DEGREE QUALIFICATION PAPER

(specialty 292 " International Economic Relations ")
4th year course, group ME-71an

Fedorenko Anastasiya Vitaliivna

1. The theme of the paper is «Foreign direct investment in the development of Ukraine's economy» approved by the order of the university from « 19 »_ 04__ 2021 № 0193 VI.
2. The term of completed paper submission by the student is 14.06. 2021
3. The purpose of the qualification paper is is to examine theoretical and practical aspects of attracting foreign direct investment in the development of Ukraine's economy.
4. The object of the research is theoretical and practical fundamentals of foreign investment activity in Ukrain and all the world.
5. The subject of the research is the set of relations arising between actors of foreign investment activity.
6. The qualification paper is carried out on materials from the Internet resources, publications of Ukrainian and foreign authors, statistical databases.
7. Approximate qualifying bachelor's paper plan, terms for submitting chapters to the research advisor and the content of tasks for the accomplished purpose is follows:
Chapter 1 The concept of investment and investment activity.
deadline – 30.04.2021
Chapter 1 deals with researching the next tasks:
- to consider the essence and types of foreign investment;

- to define theoretical fundamentals of the investment climate in Ukraine.

Chapter 2 Analysis of the dynamics of foreign direct investment in Ukraine and in the world.

deadline – 24.05.2021

Chapter 2 deals with researching the next tasks:

- to analyze of trends and dynamics of foreign direct investment in the world;
- to analyze of attracting foreign direct investment and the investment climate in Ukraine.

Chapter 3 Prospects for the development of foreign investment in Ukraine.

deadline – 10.06.2021

Chapter 3 deals with researching the next tasks:

- to consider prospects for intensifying the attraction of foreign direct investment in the economy of Uukraine;
- to define measures to improve legal regulation of foreign investments in Ukraine.

8. Supervision on work:

Chapter	Full name and position of the advisor	Date, signature	
		task issued by	task accepted by
1	Shkola V.Y., Assoc.Professor		
2	Shkola V.Y., Assoc.Professor		
3	Shkola V.Y., Assoc.Professor		

9. Date of issue of the task: « ____ » _____ 20 __

Research Advisor:

(signature)

Skola V.Yu.

The tasks has been received:

(signature)

Fedorenko A.V.

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INTRODUCTION

Effective implementation of investment activities at the current stage of economic development is important for the development of the country, its economic condition, increasing the competitiveness of state enterprises, which is necessary to accelerate the process of integration into the European socio-economic space.

The development of any state is associated with the dynamics of investment processes, quality and structural and renewal of the production sphere, the creation of an efficient market infrastructure. The more intensive the investment, the faster the reproduction processes will take place, the more active the effective market transformations will take place. Therefore, the issues related to the basic concepts of investment processes, the problems of forming the investment climate, the choice of methods and forms of investment and management of these processes are quite relevant. Market changes in Ukraine's economy require clear definition and effective management.

Foreign direct investment is an important factor contributing to Ukraine's economic development. As our country has been faced with Russian-Ukrainian war, Crimea occupation, and COVID-19 pandemic crisis, it is crucial to develop the appropriate mechanism to attract foreign investment into Ukraine's economy.

Theoretical and practical issues of investment management Domashenko M. [3, 4], Hymer S. [5], Kasianenko T. [3]., Kasianenko Y. [6, 7]., Khomutenko L. [3], Klimenko O. [4], Kotenko O. [3], Navrotska N. [8], Nersesov V. [9], Pavlenko I. [], Prokopenko O. [1, 9-13], Sapiński, A. [9], Shkola V. [1, 3, 4, 6, 9-16], Stoyka A. [9], Zhuravka F. [2], Scherbachenko V. [10, 16] etc.

The relevance of the research topic is that foreign direct investment is a key resource for the accelerated development of the economy of any country, improving its economic and social level of the population. In modern economic conditions, foreign direct investment is one of the most important tools that provide the

conditions for overcoming the economic crisis. investment, which reflects such an evolution.

The objective of the research is to examine theoretical and practical aspects of attracting foreign direct investment in the development of Ukraine's economy. In accordance with the purpose of the qualification work, the following tasks were set:

- 1) theoretically substantiate the economic meaning and outline sees the lines foreign investment;
- 2) to characterize the peculiarities of the development of foreign direct investment;
- 3) analyze the inflow of foreign direct investment and their impact on the economy of Ukraine;
- 4) assess investment resources in the modern world economy;
- 5) analyze global trends in the field of attracting direct foreign countries investments;
- 6) analyze the influence of factors on the income of direct foreigners investments in Ukraine;
- 7) develop a forecast of foreign direct investment;
- 8) develop recommendations for improving investment activities in Ukraine at the present stage of economic development.

Object of study is theoretical and practical fundamentals of foreign investment activity in Ukraine and all the world.

Subject of study is the set of relations arising between actors of foreign investment activity.

Research methods. The following research methods were used to achieve the goals set in the study: abstract-logical, deduction, induction, theoretical generalization, statistical method, comparative analysis etc.

The information base of this work is materials from the Internet resources, publications of Ukrainian and foreign authors, financial reports of international companies.

Scientific novelty of the study. Author's approach to attracting foreign direct

investment in the development of Ukraine's economy has been proposed.

Results of approbation of the basic provisions of the qualification Bachelor paper was considered at International scientific and practical conference “International economic relations and sustainable development” (21 May 2021, Sumy, Ukraine) [1].

1. THE CONCEPT OF INVESTMENT AND INVESTMENT ACTIVITY

1.1. The essence and types of foreign investment

Economic activity of individual economic entities and the country as a whole is largely characterized by the volume and forms of investment [17].

For sustainable socio-economic development of the regions of Ukraine it is necessary to attract a sufficient amount of funds from both internal and external sources. Attracted investments allow to create new jobs, and as a result - to increase the amount of tax deductions, which will have a positive impact on the formation of additional sources of funding for socio-economic development; as well as to improve the quality of physical and "soft" infrastructure; stimulate the development of entrepreneurial activity in your territory and diversify its industry structure, reduce the risks associated with the cyclical nature of industry development.

As attracting investment resources to the region can significantly positively affect the change of its economic situation, modify its production structure, cause changes in labor and capital markets, it should be given key attention in the activities of public authorities and local governments.

In practice, investments are understood as traditional investments in the form of capital investments, contributions to joint ventures or loans, as well as other types of investment, which are carried out on the basis of contracts with the distribution of profits between participants [18, p. 151]. One of the most efficient and, provided the authorities act wisely, available resources for the region is foreign direct investment (FDI).

There are many interpretations and definitions of the concept of "foreign direct investment" in foreign and Ukrainian scientific literature, but the simplest and most fully reveals the meaning of this phenomenon is the definition of the Organization for Economic Cooperation and Development (OECD).

Foreign direct investment is an international investment made by multinational companies (TNCs) in assets abroad and accounts for at least 10% of

the authorized capital, which gives the right to participate in the management of the enterprise [3, p. 15].

The ability to manage the company and long-term, are key features and distinguish foreign direct investment from portfolio, which often do not pursue such goals.

Portfolio investments are a separate category of instruments that can be easily resold, are not long-term and are not intended to gain control over the management of the enterprise. In this case, changes in investment conditions in the country or region and the associated outflow of investment can cause radical changes and serious problems of "currency hunger" on a national scale.

Because foreign direct investment involves control of the business and is often associated with the ownership of tangible assets such as equipment, facilities or other real estate, FDI will be much more difficult to export or sell. Thus, direct investors may be more interested in continuing the activities of their international business and less likely to withdraw assets at the first signs of danger [3, p. 14].

Investments in business facilities are made in various forms. For the purpose of accounting, analysis and planning, investments are classified according to various criteria.

Real and financial investments are distinguished by investment objects. Real investments are understood as investments in real assets - both tangible and intangible (sometimes investments in intangible assets related to scientific and technological progress are characterized as innovative investments).

Financial investments are understood as investments in various financial assets, among which the most significant share is occupied by investments in securities.

By the nature of participation in investing, direct and indirect investments are distinguished.

Direct investment means direct investment by the investor in investment objects.

Indirect investment means investment mediated by other persons (investment

or financial intermediaries).

According to the investment period, there are short-term and long-term investments.

Short-term investments are usually understood as investments for a period not exceeding one year (for example, short-term deposits, purchase of short-term savings certificates, etc.).

Long-term investments are investments for a period of more than one year.

In the practice of large investment companies, long-term investments are detailed as follows:

- up to 2 years;
- from 2 to 3 years;
- from 3 to 5 years;
- more than 5 years.

According to the forms of ownership of investors, there are private (joint-stock), state, foreign and joint investments.

Investments within the country and abroad are distinguished on a regional basis.

Domestic investments are understood as investments in investment objects located within a given country.

Investments abroad (foreign investments) are understood as investments in investment objects located outside the country [4].

The main values of investments are:

- movable and immovable property (buildings, structures, equipment and other tangible assets);
- funds, target bank deposits, loans, shares and other securities;
- property rights derived from copyright - licenses, "know-how", experience and other intellectual property;
- the right to use land and other natural resources, as well as other property rights [5].

In terms of volume and significance, capital investments are the main

component of investments, in our country they account for about 85% of all investments.

The main stages of investment are:

- transformation of resources into capital investments (costs), ie the process of directing investments in specific objects of investment activity (own investment);

- transformation of invested funds into an increase in capital value, which characterizes the final transformation of investment and obtaining a new consumer value;

- increase in capital values in the form of income or social effect, ie the ultimate goal of investment activity [6].

1.2 Theoretical fundamentals of the investment climate in Ukraine

The topic of investments and investment climate is extremely relevant not only for Ukraine, but also for each country in particular. Some aspects of investment activity were studied in the works of I.A. Blanca, V.I. Kardasha, A.A. Peresadi, B.M. Schukin, A.I. Yakovlev. A review and analysis of the literature has shown that most authors define the investment climate as a set of economic, political, legal and social factors. After reviewing and analyzing the theoretical works of domestic and foreign authors, we can say that a set of economic, social, political and socio-cultural factors and called the investment climate, and these factors create the so-called international image of the state, determine its "attractiveness" to investors. And therefore, it depends on how appropriate these factors are from the point of view of the investors themselves and whether they will invest their capital, thereby stimulating economic development of the business entity [9]. There are four main groups of factors that affect the investment climate in a city, region or country:

1. Political fax. They include the level of corruption, the attitude and loyalty

of the government to business structures, the risks associated with the change of government. Of course, at present in our country there are a large number of problems associated with this.

2. Economic factors that make up the assessment of the purchase of real estate, the price of the necessary licenses and patents, tax rates, interest rates on loans, the level of wages (cost of labor resources).

3. Infrastructure factors that include a convenience mistserozstashuvannya particular business, the presence of comfortable transport infrastructure, access to ample raw materials.

4. Social factors. Under this category recognize the presence of the required operating resources, the availability of consumer products, favorable relation of people to the business, analyze the risks of potential actions of protest, strikes, kryminohe NPA situation in the region [5].

In addition, potential investors always evaluate the investment climate from two positions:

1. Investment risks. The concept includes everything that a potential investor can lose from the implementation of their project. We make a conclusion that the connection of the unstable economic situation in the country, the failure so far as to conduct all necessary reforms proper way, the high level of bureaucracy and corruption these risks in the country is quite high.

2. Investment potential. The concept includes a future potential profits, which an investor can earn on the implementation of their project. The investment climate as a phenomenon, is a basic factor on the basis of which and emerging solutions investors to invest in one or another country, it is a collective decision and economically reasonable solution. Naturally, that the investment climate directly depends on the availability of the country's resources important for the realization of those or other business projects, in fact, he points to the attractiveness of the country for investors that are working on the territory of the State and pot entsiyno possible [1]. In addition to independent reasons (reasons that do not depend on public policy) that affect the country's attractiveness for investment, there are subjective reasons

(dependent on public policy). On the level of risk investment investments influence causes that are independent of the policy of the state. Dependent on public policy factors, in its turn, impact on the profitability of investment attachments. Profit directly proportional to depend on the possible risks. According to the laws of economics, each potential investor chooses for the long-term development of the investment climate, which is characterized by a certain balance of returns and risks. That is, the potential risks should to some extent reflect the potential gains. Of course understood that the potential investor before so as to carry out certain investments (in monetary terms) elect the country with the most favorable terms of investment, sustainable development of the economy. Naturally, much attention will be paid to stability, because any investment, in fact, is a prospect, a far-sighted investment [7]. So when an investor is able to calculate and predict future earnings and confident in the stability of that or other business in one or another country, it is this investment climate is favorable. If there is no stability, no investor will not dare to make investments. Factors, in which first of all drew attention to a potential investor, is:

- prices for raw materials;
- public policy;
- banking sector;
- inflationary processes.

Thus, we can conclude that the investment climate is a summary of the sets of economic, social, organizational, legal, political, socio-cultural preconditions. Together they define the attractiveness and feasibility of investing in one or another economic system (the economy of the country, the region, the corporation). You can select a number of basic factors that influence on the formation of the investment climate of the country:

- political stability;
- legislative base;
- economic development;
- level of corruption;
- foreign policy of the state;

- freedom of business from government intervention;
- security of private property ; - human resources; - tax burden [4].

For state investment climate means the set of legal, social conditions, economic and political , which provide investment activities of domestic and foreign investors . Investment activity is in a lot of risks, because it affects many factors both external and internal. Factors, which provides overcome or reduce investment risks for investors in Ukraine:

1. the degree of development of productive forces;
2. the legal field of the country (legislative basis);
3. political freedom of all branches of government;
4. the provisions of the financial and credit system;
5. foreign investor status;
6. investment energy of the population [6].

So, even though in a large number of scientific works of domestic and foreign authors concerning the problems of formation of the investment climate, it is worth noting that the factors, which his form at various levels are not systematized them. Only thorough definition of the concept of " favorable investment climate ", as well as the systematization of factors, which in his influence, can be the basis for constructing techniques evaluation of investment attractiveness of enterprises that are necessary for the adoption of objective management decisions in the field of investment.

2. ANALYSIS OF THE DYNAMICS OF FOREIGN DIRECT INVESTMENT IN UKRAINE AND IN THE WORLD

2.1 Analysis of trends and dynamics of foreign direct investment in the world

Last year, global foreign direct investment (FDI) flows came under severe pressure from the COVID-19 pandemic. These vital resources are expected to fall sharply from 1.5 trillion. Dollars in 2019, falling well below the minimum achieved during the global financial crisis, and canceling the already stupid growth of international investment over the past decade. Flows to developing countries will be particularly hard hit, as export-oriented and commodity-related investments are among the most serious problems. The consequences can go far beyond the direct impact on investment flows.

Indeed, the crisis could be a catalyst for a process of structural transformation of international production this decade, and an opportunity for increased sustainability, but this will depend on the ability to take advantage of the new industrial revolution and to overcome growing economic nationalism. Cooperation will be crucial; sustainable development depends on a global policy climate that remains conducive to cross-border investment. The World Investment Report, now in its thirtieth year, supports policymakers by monitoring global and regional FDI trends and documenting national and international investment policy developments. This year's Report naturally takes stock of the COVID-19 crisis. It also includes a new chapter, added at the request of the UN General Assembly, on investment in the Sustainable Development Goals. This analysis shows that international private sector flows to four out of ten key SDG areas have failed to increase substantially since the adoption of the goals in 2015. With less than a decade left to the agreed deadline of 2030, this makes it all the more important to evaluate the implications of the expected changes in the investment landscape over the coming years.

The global economy is in the midst of a severe crisis caused by the COVID-19 pandemic. The immediate impact on FDI will be dramatic. Longer term, a push for supply chain resilience and more autonomy in productive capacity could have lasting consequences. But COVID-19 is not the only gamechanger for FDI. The new

industrial revolution, the policy shift towards more economic nationalism, and sustainability trends will all have far-reaching consequences for the configuration of international production in the decade to 2030. The overall directional trend in international production points towards shorter value chains, higher concentration of value added and declining international investment in physical productive assets. That will bring huge challenges for developing countries. For decades, their development and industrialization strategies have depended on attracting FDI, increasing participation and value capture in GVCs, and gradual technological upgrading in international production networks. The expected transformation of international production also brings some opportunities for development, such as promoting resilience-seeking investment, building regional value chains and entering new markets through digital platforms. But capturing these opportunities will require a shift in development strategies. Export-oriented investment geared towards exploiting factors of production, resources and low-cost labour will remain important. But the pool of such investment is shrinking, and the first rungs on the development ladder could become much harder to climb. A degree of rebalancing towards growth based on domestic and regional demand and promoting investment in infrastructure and domestic services is necessary. That means promoting investment in SDG sectors. The large amounts of institutional capital looking for investment opportunities in global markets does not look for investment projects in manufacturing, but for value-creating projects in infrastructure, renewable energy, water and sanitation, food and agriculture, and health care.

Investment policy is a significant component of the pandemic response. Several multilateral groupings, including the G20, have issued declarations in support of international investment. More than 70 countries have taken measures either to mitigate the negative effect on FDI or to shield domestic industries from foreign takeovers. Support measures include online investment facilitation, pandemic-related services of investment promotion agencies (IPAs) and new incentives for investment in health care. Several countries have tightened foreign investment screening mechanisms to protect health care and other strategic

industries. Other interventions include mandatory production, export bans on medical equipment and a reduction of import duties for medical devices.

The crisis has also slowed the pace of negotiating international investment agreements (IIAs). The pandemic could have lasting effects on investment policymaking. On the one hand, it may solidify the shift towards more restrictive admission policies for foreign investment in strategic industries. On the other, it may trigger increased competition for investment as economies seek to recover from the crisis. At the international level, the pandemic will accentuate the need for IIA reform as government responses to the health crisis and its economic fallout could create friction with IIA obligations. Already in 2019, continuing the trend of recent years, several countries – almost all developed – introduced more rigorous screening of investment in strategic industries on the basis of national security considerations. At least 11 large cross-border M&A deals were withdrawn or blocked for regulatory or political reasons.

According to XII World Investment Report 2020 “International Production Beyond the Pandemic”, attracting FDI remains an important policy objective. Overall, 54 economies introduced at least 107 measures affecting foreign investment in 2019; three-quarters were in the direction of liberalization, promotion and facilitation, with developing countries and emerging economies in Asia most active. Steps toward liberalization were made in mining, energy, finance, transportation and telecommunication. Several countries streamlined administrative procedures for investors or expanded investment incentive regimes.

2.2 Analysis of attracting foreign direct investment and the investment climate in Ukraine

In the last year FDI experienced a significant influence, caused partly by the pandemic COVID-19. These vital resources are expected to fall sharply from 1.5

trillion. dollars in 2019, falling well below the lows reached during the global financial crisis, and canceling the already stupid growth of international investment over the past decade. The most significant influence could be affected investment flows to developing countries because of export-oriented character of their trade and investment. The effects caused by pandemia can go much further beyond the direct impact on investment flows.

The crisis caused by the pandemia can be a catalyst for the transformation of current international production and an opportunity to increase resilience. The link between sustainable development and the political climate is quite relevant, which remains favorable for cross-border investment.

The global economy is now at the center of a severe crisis caused by the COVID-19 pandemic. And we can already say that the direct impact on direct investment could have dramatic consequences. Speaking of far-looking prospects, the greater autonomy in production capabilities and supply chain can have significant consequences. Transition policy towards sustainability will have consequences for reciprocal international production. General tendencies are the production of higher concentrations of added value, shorter value chains, and reduction of international investments in physical production assets. This can cause a significant problem for developing countries. For decades, the strategy of industrialization and development depended on attracting direct investment in gradually modernization of technology in international production networks. Moreover, transformation of international production is expected to provide some opportunities for development, namely investment promotion, access to new markets through the digital platform. For this purpose, development strategies need to be changed. Export-oriented investments, which are aimed at the use of production resources, factors and cheap labor, remain important. But the impact of such investments is diminishing, and it may be much harder to climb the first rungs of the development ladder. There is a need for a balance to grow based on domestic and regional demand and to stimulate investment in infrastructure and consumer services. This means stimulating investment in the SDG sectors. Large amounts of

institutional capital seeking investment opportunities in world markets are not looking for investment projects in manufacturing, but for value-added projects in infrastructure, renewable energy, water and sanitation, food and agriculture, and health.

Investment policy is an important component of the pandemic response. Several multilateral groups, including the G20, have issued declarations in support of international investment. More than 70 countries have taken steps either to mitigate the negative impact on FDI or to protect domestic industries from foreign takeovers. Support measures include online investment promotion, pandemic services, investment promotion agencies (IPAs) and new incentives to invest in health. Several countries have tightened mechanisms for scrutinizing foreign investment to protect health and other strategic areas. Other measures include mandatory production, a ban on the export of medical equipment and a reduction in import duties on medical devices. The crisis has also slowed the pace of negotiations on international investment agreements (IIAs). A pandemic can have a lasting impact on investment policy-making. On the one hand, this may consolidate the transition to a more restrictive policy of accepting foreign investment in strategic areas. On the other hand, it may increase competition for investment as economies seek to emerge from the crisis. Internationally pandemic emphasize the need to reform the MIC as the government response to the crisis in the health sector and its economic effects could create friction with the obligations of MIC. Already in 2019, continuing the trend of recent years, several countries - almost all developed - have introduced a stricter selection of investments in strategic areas based on national security considerations. At least 11 major cross-border mergers and acquisitions have been revoked or blocked for regulatory or political reasons.

Attracting FDI remains an important policy goal. A total of 54 economies have implemented at least 107 measures affecting foreign investment in 2019; three-quarters were aimed at liberalization, facilitation and facilitation, with developing countries and developing economies being the most active. Steps towards liberalization have been taken in mining, energy, finance, transport and

telecommunications. Several countries have streamlined administrative procedures for investors or expanded investment incentives.

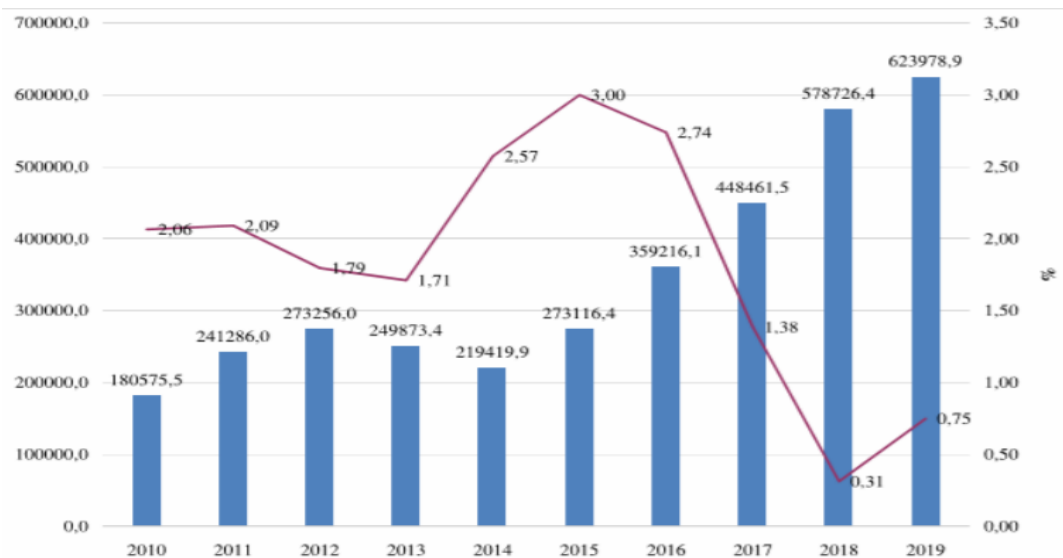


Figure 2.1 – Dynamics of capital investments in the economy of Ukraine and the share of foreign direct investment [12]

According to the State Statistics Service of Ukraine, as of December 31, 2019, direct investment (share capital) in the economy of Ukraine amounted to 35,809.6 million dollars. US, while from Ukraine - 6272.7 million dollars. US, which is respectively 11.5 and less by 0.7% compared to the same period as of January 1, 2016. In 2019, the inflow of direct investment into the economy of Ukraine is 2531.1 million US dollars, the investment of direct investment from Ukraine - 14.9 million dollars. USA. Most foreign investments came to economic entities in Kyiv, Dnipropetrovsk, Kyiv, Donetsk, Odesa, Poltava and Lviv regions.

Today there is a problem of regional disproportion of foreign investment. The most attractive for foreign investors are industries such as food, beverages and tobacco; metallurgical production, production of finished metal products, except for the manufacture of machinery and equipment; mining and quarrying; production of rubber and plastic products, other non-metallic mineral products [12]. The undisputed leader among countries in terms of direct investment in Ukraine on December 31, 2019 was Cyprus (29%) [12], which is popular among domestic

businesses as an offshore zone. Such offshore companies are primarily interested in exporting profits abroad, without caring about the technological, environmental and social aspects of enterprise development. Potential areas for attracting foreign direct investment are investing in alternative energy sources, in the development of shale gas reserves in northwestern Ukraine, as well as investing in agriculture. Foreign investors, taking advantage of our competitive advantage (fertile chernozem) in combination with their own modern technologies and know-how, are able to use this resource more efficiently [4].

But the high level of investment attractiveness of Ukraine's land resources necessitates strict regulation by the state of mechanisms for acquiring ownership of agricultural land, including by foreigners. At the present stage of development of the system of international finance and economic relations in general, transnational companies play a particularly important role. Moreover, the vast majority of foreign direct investment is invested and controlled by such companies, due to the liberalization of foreign direct investment regulation in most countries around the world within the general trend of policies to encourage the development of market relations.

The Ukrainian market includes such multinational corporations as Coca-Cola, Samsung, Toyota, Nestle, Nokia, Metro Cash & Carry, Hewlett-Packard, British American Tobacco, as well as powerful FMCG manufacturing companies that produce goods in daily demand (food, beverages, cosmetics, household chemicals). Coca Cola, Volkswagen, Panasonic, Sony and some others entered the Ukrainian market with initial investments, but most of these corporations entered into mergers and acquisitions. In the current unstable socio-economic situation, such processes reduce the vulnerability of enterprises and contribute to the reorganization and modernization of production, increase competitiveness, increase employment [5].

3. PROSPECTS FOR THE DEVELOPMENT OF FOREIGN INVESTMENT IN UKRAINE

3.1 Prospects for intensifying the attraction of foreign direct investment in the economy of Ukraine

When formulating investment policy, it is important to determine the prospects for investment. Emphasis should be placed not on the quantitative but on

the qualitative aspect of the absorption of foreign investment, namely on investment in highly efficient projects and areas that ensure high competitiveness of production [22].

Today, foreign capital is especially needed in those areas of Ukraine's economy, the intensification of which will help bring it out of crisis, to relieve growing social tensions in society. First of all, it is the production of food, consumer goods and services, medicines; agro-industrial economy; fuel and energy industries; infrastructure development (transport, telecommunications, consumer services); development of hotel industry and tourism; stimulating the attraction of foreign investment in science, science and technology and innovation [23].

The key prospects for attracting foreign investment into Ukraine's economy may be as follows:

1. Industry prospects. To achieve stable economic growth, investment resources should be directed to those industries that provide maximum economic effect and increase the competitiveness of the country's economy. The best long-term alternative may be to implement an industrial policy with the systematic involvement of foreign technologies, capital and know-how.

2. Technological prospects. For the national economy it is important to form the final cycle of production of finished products. It is the volume of final output that affects the quantitative characteristics of economic growth. Therefore, resource-saving technologies, in particular energy saving, should become an important area of foreign investment.

3. Prospects for regional development. Today, the distribution of foreign investment is uneven - more than 50% of all foreign investment is directed to Kyiv and Kyiv region. Therefore, a strategy is needed that aims to use the resource potential of all regions.

4. Institutional perspectives. The need to develop in Ukraine a set of measures aimed at combating abuse and attracting foreign investment in accordance with the country's development priorities.

Promising areas for foreign investment in Ukraine are:

1. Western region (Lviv, Ivano-Frankivsk, Zakarpattia, Ternopil, Volyn regions), where it can be effective to create production using local natural resources - sulfur, potassium and table salt, coal, oil and gas, as well as the development of a network of health resorts -tourist complexes.

2. Donetsk-Prydniprovsky region (Donetsk, Luhansk, Zaporizhia, Dnipropetrovsk regions), where it is necessary to carry out reconstruction and technical re-equipment of mines, metallurgical, chemical industries on the basis of waste-free, low-waste and environmentally friendly technologies; to give a powerful impetus to the development of low-energy industries of medium and precision engineering, automotive and aircraft. Ferrous and non-ferrous metallurgy are promising, accounting for almost a quarter of all industrial production, 75% of which is concentrated in Dnipropetrovsk and Donetsk regions [24].

3. The southern region (Odessa, Mykolaiv, Kherson regions), where the most profitable is the reconstruction and technical re-equipment of the port economy, development of equipment for the food and canning industry, expansion of the network of health, resort and tourist complexes.

4. Regions of Ukraine polluted as a result of the Chernobyl nuclear power plant accident, in which it is necessary to introduce unique scientific research, the latest technologies and implement a set of measures for ecological, economic and social regeneration of territories.

Therefore, attracting foreign capital to the development of Ukraine's economy is a very important factor in its economic development. Purposeful investment policy of the state should provide favorable conditions for the development of all spheres of activity of the country and create a favorable investment climate in the state, which is a necessary element of economic stabilization in the near future in Ukraine.

3.2 Measures to improve legal regulation of foreign investments in Ukraine

For Ukraine, the problem of finding ways to address integration challenges is particularly important. The solution of these issues in Ukraine is possible only under the condition of mobilization and effective directing of significant investment resources in the development of the industrial complex, which should become the driving force of economic growth in the country [8].

Thus, according to State Statistics in 2016 year in economy of Ukraine foreign investors vklad deno 4405,8 mln. USD. direct investment (share capital) against 3763.7 million dollars. in 2015. The amount involved since the beginning of investment direct foreign investments (joint-stock capital) in the economy of Ukraine at the beginning of 2017 was 37655,5 mln. USD. (Fig. 3. 1). The investments directed valysya mostly in developed areas of economic activities as follows: institutions and organi create engaged in financial and insurance activities -10,324,400,000. Dollars. and for industrial enterprises - 9550.2 million dollars. [7].

These statistics characterize a slight increase in foreign investment in 2017 compared to the previous period, but their volume remains significantly lower than the volume of investment in 2013.

The situation with the attraction of investments in Ukraine ical economy - both domestic as and external - is critical, investors do not have confidence in the security and profitability of their invest this that caused stress tra tions socio-economic and political environment, the imperfection of national legislation deployment fighting in east Ukraine annexation by the Russian Federation to the Autonomous Republic of Crimea. In case there is an urgent need to create plat- forms for interaction between government and investors.

The development of foreign investment should cause a lyuyetsya investment climate state. In Ukraine on the findings of experts in 2017 was found the following factors that reduce the investment attractiveness of the country, solving the problems of insolvency, inter Rodna trade, registering property, access to obtaining loans, getting permission to build [10].

To increase the efficiency of mechanisms to ensure a favorable investment

climate and to form the basis for maintaining and increasing the competitiveness of the domestic economy, the issue of improving the legal framework is relevant today.

In Ukraine, the legal regime of investment is determined by national legislation, which consists of a large number of regulations. Relations related to foreign investment in Ukraine are regulated by the laws of Ukraine "On Investment Activity" [5], which aims to ensure equal protection of the rights, interests and property of investment entities regardless of ownership, as well as effective investment of public economy of Ukraine, development of international economic cooperation and integration;

"On the regime of foreign investment" [6], which applies only to foreign investors and enterprises with foreign investment; "On foreign economic activity" [4], the Commercial Code of Ukraine [2], which regulates the peculiarities of the regime of foreign investment in Ukraine (Article 390399), other legislation and international treaties of Ukraine. However, not only are some important issues to attract foreign investment regulated by mentioned basic laws, but also by currency, banking, finance, tax and land legislation, legal acts on entrepreneurship, innovation, securities and stock market, concessions, etc.

Analyzing the role of the National Investment law legislation in the context of interaction with international law, it should be noted that national legislation significantly affects the international investment law, by ensuring the implementation of its provisions through domestic legal mechanism. The provisions of investment legislation, in addition to its main task - the legal regulation of foreign investment, performs an ancillary function - to specify and regulate the implementation of international agreements concluded by the country on investment [8, p. 16].

In this regard, there is a problem of domestic investment legislation, which should resolve the conflict between its task (to expand control over foreign investment) and purpose (to attract foreign investment and create a favorable regime for them).

Another problem of national investment law is the inability of the state to fully

regulate the legal relations and interests of the parties to the investment process by applying only domestic law. The reason lies in the nature of the international investment process, a component of which is a foreign element - a foreign investor. In addition, the sovereign powers of states are limited by their state borders [8, p. 16].

There is no doubt in international law that the state has the sovereign right to regulate the activities of foreign investors on its territory. However, the situation of foreign investment is different, as it physically has faults rienced in territo ry country that takes Invest tion, and therefore enjoys legal status and protection under the law of the country of residence; remains a subject of law of the country of origin with all rights and obligations; enjoys protection in accordance with international law [8].

Shortcomes of regulatory legislation for investment in Ukraine are a wide variety of some normative documents interpretation, leading to legal conflicts and the need to resolve disputes in court; a large number of legislative acts that directly or indirectly regulate investment activities and associated with its foreign trade, industry fishing, commercial and other types of activities.

National legislation dealing with investment activity is unstable, the regulatory framework is constantly changing.

The main obstacles for foreign investors in Ukraine are uncertainty and high risks, considerable corruption pressure and currency restrictions. There have been no positive changes in this area for recent 2 years.

In order to adaptate Ukrainian investment legislation to the norms of international law, it should be carefully reviewed the rules of access of foreign investments so as to take into account state investment policy.

The experience of Eastern and Central European countries in solving problems of foreign investment regulation deserves attention. The activity of foreign investors are allowed practically in all spheres economy. It is allowed to buy real estate, land (except for agricultural land). The states clearly fix the objects in which the share of a foreign investor cannot be 100%. For example, up schyni to these sites are: companies included in the list of strategic enterprises be stressed, some branches

of industry, associated with national defense, Hungarian air line "Malev". In Poland, sectoral laws impose restrictions on the share of foreign investment in sectors such as air transport (not more than 49%), radio and television (not more than 33%). Foreign investors have free access to domestic Polish market, are allowed to take part in pro during the process of privatization. [9]

There is a differentiation of tax benefits for foreign investors depending on the level of development of the region. For example, the company, located in depressed regions up schyny (the level of unemployment exceeds 15%). In Slovenia tax reform, have high level labor force and state incentives created favorable conditions that are interesting for famous international companies (PeugeotCitroen, Hyundai, Kia Motors, Ford Motors, Volkswagen, Dell Computer Corporation, IBM, Lenovo, Sony, Samsung, US Steel, Tesco Stores SR). Minimum earn combos bit salaries in Slovakia in 2015 was 380 euros, the average - 825 euros. Economy Sloe vachchyny today demonstrates the fastest growth in Central Europe [1]. The main types of incentives, which are used in Poland for stimulating investment activity of other countries are in table 3. 1.

Recently, the countries of Central and Eastern Europe are increasingly turning to the most developed countries in the world in search of financing their economies. However, the governments of these countries (USA, Japan, Germany) themselves have economic difficulties, which limits their ability to provide direct assistance.

Table 3.1 – Types of incentives to stimulate investment activity in Poland

Type of promotion	The amount of support	Responsible body power
State financial incentives		
Grants for the development of the infrastructure of the city, village in connection with the investment	Up to 50 % of investment costs	The Ministry of Economy, Labor and Social Noah Policy
Grants for placing tion	4000 Euros per new work place, but not more than 50% two-year payments to pay for work of new employees	
Grants for retraining	Up to 1150 euros per employee	

Investment grants	Up to 50 % of the maximum level of state aid	
Incentives in the field of taxation		
Tax on income legal them (physical) persons who are in a special economic zone	- 50 % of investment costs - 50 % of biennial expenditure on payment labor of new employees; - 40 % in six voivodeships; - 30 % for Warsaw and the province of Mazovia	Administration of the special economic zone
Tax on real estate	Reducing the rate of tax or payment of tax	City and village council
Tax on transport	Reducing the rate of tax or of payment of tax	

Interesting is the experience of law the investment regulation in Turkey. Economic breakthrough in this country began with the law "On foreign direct investments," the main instrument of which were special investment zones in which there are special tax regimes and favorable conditions for doing business. There are about 200 such zones in Turkey, they are divided into three types: technology parks, organized industrial zones and free zones. The establishment of the Association of Foreign Investors, which represents the interests of foreign investors in the Turkish government and monitors the implementation of laws and other regulations governing investment activities, has also become an instrument for stimulating investment.

State regulation of investment activity in China is carried out on the basis of the Laws of the People's Republic of China "On Joint Ventures with Chinese and Foreign Capital", "On Enterprises with Foreign Capital" and others. From the date of accession of China to the WTO, the country conducted an active change in the legal system involvement and investment, protection of investing responsible Vienna to WTO requirements. These postures radiation changes, such as open access to foreign investment in the industry; abolition of the provision obliging foreign enterprises to give priority to Chinese raw materials in the production of finished products; expanding opportunities for foreigners earthly business in wholesale trade; development of investment zones that provide significant tax benefits and simplification of tax payment procedures; creating open primor ing cities for foreign investors.

In general, China's success in attracting foreign direct investment (FDI) associated with the costs of most of the country is facilitated by the investment climate, which includes cheap labor, the granting of rights to relatively cheap land use, and the market level of economic activity. No social security and infrastructure in the areas of preferential investment, economic taxation, preferential and migration regime, friendly customs and currency legislation [9].

China manufacture of foreign law in their investments close to international standards. TNC investments are concentrated in capital-intensive and knowledge-intensive industries - microelectronics, automotive, telecommunications, instrument making, pharmaceuticals, and the chemical industry. In the process of reform, China has made significant progress in attracting foreign capital into the country's economy, but foreign direct investment still has an uneven regional distribution.

An example of a successful attraction of foreign their investment as is Mexico. Initially, foreign direct investment was attracted to this country due to the low level of production costs (low labor costs) of goods, which were then successfully sold in the US market. The area along the Mexico-American border quickly turned to export a springboard for a large number of foreign companies that supplied light industrial products, as well as automotive and electronic components in the United States. Mexican authorities took advantage of favorable geographical position of his country and has created additional competitive advantages for investment in those sectors, the development of which the greatest extent consistent dovhostro -term Int heresies country. Initially, the inflow of foreign investment was carried out mainly in the regions bordering the United States, today - investment is spreading throughout the country.

After analyzing the content of the main elements of the legal mechanism of state regulation of foreign investment, we can conclude that it has a heterogeneous impact on the economies of different countries.

In developing countries, investment legislation is less developed and favorable, which has led to the creation of special laws that guarantee protection for foreign investors.

Based on foreign experience, some measures to improve Ukrainian legislation have been developed. In order to improve and harmonize legislation in Ukraine we have grouped the shortcomings of the regulation and the proposed amplifying the theme of the event in which we think will spry omy structural changes in the investment field and stimulate the involvement of foreign their investment in the country (Table. 3.2).

Table 3.2 – System of measures to improve the regulation of foreign investment in Ukraine

Disadvantages of the system of legal investment regulation	Measures to improve the system of legal investment regulation
1. Failure to state fairly the regulation of the legal relationship and the in-house investment process while traveling across the country using only domestic legislation.	1. Harmonization of domestic legislation with normalized international investment law. Use of international arbitration in case of disputes and prohibition of expropriation of property without compensation.
2. Ambiguity of interpretation of some provisions of normative documents, which leads to legal conflicts and the need to resolve disputes in court .	2. Development of the Investment Code of Ukraine, which will include the creation of a well-structured and transparent system of investment legislation, but will also provide control for investors. Using a special approach to the process of attracting foreign investment, which will give investors the opportunity to advise on specific stages of preparation and implementation of investment programs and projects, to agree on various points of preparation and implementation of investments for active ones, the difference in forecasts, duplication and the risk of conflicts. Involvement of foreign consultants in order to study the experience of our country and the corresponding knowledge of its display in the code.
3. A large number of legislative acts that directly or indirectly regulated investment activity and associated with its foreign trade, industrial, commercial and other types of activities.	
4. Instability of national legislation in the field of regulation of urgent investment activities (some legislative acts have been adopted, others have been canceled).	

Table 3.2. Continued

5. Lack of guarantees of property rights of foreign investors	3. Making changes to the Land Code of Ukraine, Laws of Ukraine "On Land Management", "On State Land Cadastre" with the aim of improving the rights of property of foreign investors in land area. Application whole mechanism of functioning of the market of securities and increase its role in the formation of investment resources to protect the rights of investors. Settlement at the legislative level of the property consequences of early termination of the investment agreement and termination of the investment agreement in connection with its expiration, as well as the limits of contractual regulation of these issues.
6. Unstable tax legislation , currency restrictions in the field of investment .	4. Implementation of controls to prevent double taxation, exchange rates, admission to bank loans. The acceleration of the implementation mechanism increases the interest of commercial banks in increasing investments in the real sector of the economy and flexible implementation of the NBU requirements for long-term lending of innovative projects by commercial banks.
7. Considerable corruption pressure in the investment therein sphere.	5. Implementation of Standard Business of executive authorities of Ukraine, which will allow the region to use the necessary tools to INCREASE investment attractiveness and control the quality of administrative services.
8. The law determined only the average probability of using investors' access to the domestic economy. The sector (sphere) of the economy, conditions and complexes of investment restrictions and prohibitions that may be applied are not defined.	6. Establishment at the legislative level of restrictions or special conditions for the admission of foreign direct investment in a particular sector of the economy. Development of internal production requirements in strategic sectors of the economy that affect business, including in areas such as social and labor relations, attracting foreign specialists, and much more in areas such as objective metallurgy, mechanical engineering, chemistry, and the agro-industrial complex.
	7. Improvement of the regulatory framework in the field of regulation of the special management regime. Strengthening cooperation between the actors of the government with the formation of clusters, which have become a characteristic feature of the modern innovative economy of Ukraine.

It should be noted that the introduction of these measures will improve the investment climate and stimulate the involvement of foreign investment in the country.

CONCLUSION

Foreign direct investment occupies one of the leading positions in the system of international finance. Ukraine does not stand aside from international investment flows, although currently foreign direct investment in the structure of investment sources has a small share. This type of financial flows contributes to the mobilization and movement of capital, optimizing the international division of labor through the possibility of realizing the competitive advantages of foreign investors. The main actors in today's global economic system are multinational corporations, which pursue active investment policies in the global economic environment.

Thanks to the activities of transnational corporations, Ukraine can ensure its presence on world markets and benefit from this presence. Foreign direct investment has a number of advantages and disadvantages for the host country, and therefore the issue of ensuring the appropriate level of investment security becomes relevant.

A study of investment processes in gave the Ukrainian economy the opportunity to note that foreign direct investment is a determining factor affects the rate of economic growth and development of the country as a whole, because it is a prerequisite expanding international cooperation and creating a social effect in the form of income growth.

Development is taking place by increasing the volume of attracted foreign direct investments enterprises, organizations, which leads to more efficient economic development, the introduction of production into action the latest technologies, increasing the quality of manufactured products, which can be sold not only within our region, country, but also to enter the world market.

During the study of this topic, a number of conditions were identified under which it is possible to solve the problems of insufficient attracted foreign direct capital, including political and economic stability, in particular, the cessation of confrontation in the east of the country; national improvement legislation in general,

and especially on foreign investment, guaranteeing its stability; improvement information support of potential investors; reducing the level of corruption; increase in the volume of state investment.

Summarizing the above, it should be noted that the effectiveness of the investment relations legal regulation affects not only the protection, but also the exercise of the rights of all entities involved. In the absence of proper safeguards, foreign investors are not interested in investing into Ukrainian economy. At the same time, the legally enforced safeguards of foreign investments should concern both their implementation and protection. Effective legal regulation of investment relations aims to ensure the rights of foreign investors and their legitimate interests, as well as their protection, including in force majeure conditions.

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APPENDIX

SUMMARY

Fedorenko A.V. Foreign direct investment in the development of Ukraine's economy. – Bachelor's qualification paper. Sumy State University, Sumy, 2021.

The role of foreign investment in the economy of Ukraine is considered. The factors that provide a positive impact on the investment climate are identified and the problems of creating a favorable investment environment are outlined. Peculiarities of attracting foreign direct investment to Ukraine are analyzed. The dynamics of foreign investment in the economy of Ukraine is given.

Keywords: foreign direct investment, investment environment, investment policy, investment activity, investment attractiveness, state regulation.

Анотація

Федоренко А.В. Прямі іноземні інвестиції у розвиток економіки України. – Кваліфікаційна бакалаврська робота. Сумський державний університет, Суми, 2021.

В бакалаврській роботі розглянуто роль іноземного інвестування в економіку України, визначені фактори, що забезпечують позитивний вплив на інвестиційний клімат та окреслені проблеми формування сприятливого інвестиційного середовища. Проаналізовано особливості залучення прямих іноземних інвестицій в Україну. Наведено динаміку іноземного інвестування в економіку України.

Ключові слова: прямі іноземні інвестиції, інвестиційне середовище, інвестиційна політика, інвестиційна діяльність, інвестиційна привабливість, державне регулювання.

